Nordea

Annual report 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.

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About the reporting

A web-based annual report is published on www.nordea.com/en/investor-relations/. The annual report will not be printed.

The relationship bank

2020 will be remembered as an unusual year. In February we changed our name and brand from Gjensidige Bank to Nordea Direct and became part of the Nordea family. Just a few months later, the pandemic hit and the bank had to perform its civic duty.

The underlying performance has been strong in spite of major internal and market changes. Our organisation has worked tirelessly at integrating our business with the greater Nordea. Our employees has successfully handled changes in the way we work alongside maintaining customer focus, solid operations and significant growth.

The pandemic led to many clients needing solutions to secure their personal economy through the crisis. Our people put in the extra effort to expediate more than a doubling of customer requests. Furthermore, our digital business model made it possible for customers to manage changes to their loans online and for our employees to run the bank with most of the staff working from home.

In the days after the pandemic hit at full force we were welcoming our new partner Unio and their members to the bank. The partnership and cooperation with Unio is off to a great start, and many members have chosen to move their banking to Nordea Direct. Additionally, the bank has strengthened its long relationship with YS, and a mortgage market in flux, with very low rates, has yielded many new YS member customers.

A robust business model has enabled us to maintain a strong consumer finance offering through the year. The bank has served its customers, with a long term focus, to assist them in balance consolidation and tidying up in their personal finances. Together, with Nordea, the bank has established a stronger financing offer to current customers, and we have upgraded our Opp Finans brand with a clear balance consolidation image.

Nordea Direct has left 2020 behind with a highly motivated organisation, solid growth and a strengthened cooperation with new Nordic colleagues. 2021 will be a new chapter for us with completion of the merger with Nordea Bank Apb and a joint organisation, shared IT solutions and a complete offering to customers. We look forward to new opportunities together with our customers and partners.

Krister Georg Aanesen
CEO

The Board's report for the Nordea Direct Bank ASA Group

Business
Nordea Direct Bank ASA is one of Norway's leading digital banks. Our vision is to be 'The customer-friendly bank' where customers feel welcome and have their banking needs well attended to. That means excellent service through digital channels and direct dialogue with our staff. It also means products and services that cater to the customers banking needs at competitive terms.

The bank offers a suite of digital banking services, mortgages, unsecured loans and cards aimed at private individuals.

Customers can access the bank at nordeadirect.no and on mobile applications. Personal customer service is provided via chat or phone +47 23 20 60 70. Unsecured loans are distributed via oppfinans.no and through selected partners.

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. Nordea Direct Bank ASA was bought by Nordea Bank Abp, an acquisition that was finalized on 1 March 2019. During autumn 2019, the company's car finance lending activities were transferred to Nordea Finans Norge AS.

The bank has access to funding through covered bonds via Nordea Direct Bank Boligkreditt AS, a wholly owned subsidiary of Nordea Direct Bank ASA.

The annual report is consolidated and consists of Nordea Direct Bank ASA and Nordea Direct Bank Boligkreditt AS.

Comments on the annual accounts
Profit and loss account
The financial statements have been prepared in compliance with IFRS (International Financial Reporting Standards).

Pursuant to the requirements of Norwegian accounting legislation, the Board confirms that the company will continue its operations and that the annual accounts have been prepared on that basis.

The figures disclosed are related to Nordea Direct Bank ASA Group. The figures in brackets refer to Nordea Direct Bank ASA, also referred to as the 'parent company' throughout the report. If no figure is given in brackets, the figure stated only applies to Nordea Direct Bank ASA Group.

Net profit for the year amounted to NOK 221.0 m (NOK 126.1m) in 2020, compared to a profit of NOK 238.2m (NOK 161.6m) in 2019. In the last quarter of 2019, the car finance lending activities were transferred to Nordea Finans Norge AS. Adjusted for the car financing transfer, the net profit was NOK 179.7m in 2019. The increase is driven by portfolio growth as well as the sale of a delinquent unsecured portfolio and lower expenses.

The return on equity[1] aftertax in 2020 was 5.5%, compared to 5.3% in 2019.

Net interest income amounted to NOK 724.6 m (NOK 580.5m) in 2020, compared to NOK 1,042.8m (NOK 926.2m) in 2019. The decrease was mainly driven by the car finance transfer mentioned above. Adjusted for car finance, the net interest income was NOK 22.9m higher compared to the same period last year. The improvement was driven by portfolio growth.

[1] Ref. separate APM document

Net interest margin[1] was 1.36% compared to 1.82% in 2019. The decrease was driven by the change in portfolio composition and the financing cost.

Net commission income and other operating income was minus NOK 43.9m (minus NOK 33.2m) in 2020, compared to minus NOK 38.0m (minus NOK 28.8m) in 2019. Adjusted for the car finance transfer, net commission income and other income decreased with NOK 78.2m 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. In addition, during the fourth quarter, the bank reclassified NOK 11.5m expenses as commission expense. These expenses were incurred in connection with customer transactions and therefore the change in the accounting treatment. Adjusted for the reclassification, the net commission income and other operating income were minus NOK 41.4m in 2019.

Operating expenses were NOK 297.5 m (NOK 290.6 m) in 2020, compared to NOK 458.2m (NOK 453.4m) in 2019. The decrease was mainly driven by car finance transfer to Nordea Finans Norge AS. Adjusted for car finance, expenses were 5.6% lower compared to the same period last year. The decrease was driven primarily by lower acquisition expenses.

The cost/income ratio[1] was 43.7%, compared to 45.6% in 2019. Excluding car finance, the cost/income ratio was 42.8% in 2019. The deterioration of the adjusted ratio in 2020 was driven by decreased year over year income when adjusted for car finance.

Write-downs and losses
Write-downs and losses are recognised in accordance with IFRS9 standards. According to the standards, impairment provisions are measured using an expected loss model. The measurement of provision for expected credit losses on financial assets is dependent on whether the credit risk has increased significantly since initial recognition. At initial recognition the provision is equal to 12-month expected credit losses; the same applies to provisions at reporting date if the credit risk has not increased significantly. If the credit risk has increased significantly from the initial recognition or if the asset is classified as impaired, the provision equals lifetime expected credit losses. The bank also uses forward-looking information in its assessment of significant increase of credit risk in its measurement of ECL; macro-economic factors are an example of such information and they are estimated to drive an increase in expected losses.

Provisioning is done at a group level using credit risk models adapted to the products in the bank.

A final write-off is recognised when it is highly likely that the loan will not be repaid. In such cases any corresponding previous write-down on the loan will be reversed.

In 2020 the bank recognised NOK 86.8m (NOK 87.1m) in write-downs and losses, compared to NOK 228.1m (NOK 227.7m) in 2019. 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 NOK 93.6m lower than prior year. During the fourth quarter the bank sold a delinquent portfolio of unsecured loans. Adjusted for car finance and the sale of the delinquent portfolio, the write-downs and losses were NOK 11.2m lower than in 2019, driven by improved portfolio performance. Write-offs were NOK 303.1m, compared to NOK 32.3 million in 2019, driven by the sale of the delinquent portfolio.

The bank experienced an increased demand for payment free periods due to the outbreak of the Covid-19 pandemic. The bank`s IFRS9 model doesn`t for the time being consider forbearance when calculating expected credit losses. The bank included therefore a management judgement of increase expected credit losses of NOK 13m in second quarter to compensate for this.

During the second quarter of 2020, the bank increased the collective loan loss allowance due 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 the management judgement allowance. In the third quarter of 2020, the macroeconomic out-

[1] Ref. separate APM document
[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.

look 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 throughout the year, 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 judgement allowance. The bank has not seen a worsening of the underlying performance of the lending portfolio after the Covid-19 outbreak.

Write-downs and losses[1] were 0.18% of average gross lending, compared to 0.45% (or 0.43% excluding car finance) in 2019. The decrease was driven by the change in portfolio composition and by the sale of the delinquent portfolio. Excluding the effect of the delinquent portfolio sale, the write-downs and losses were 0.36 %.

Gross lending in default over 90 days decreased to NOK 94.9m (NOK 88.6m) at year-end, compared to NOK 580.3m (NOK 575.3m) in 2019. The total written-down balance on loans in 2020 was NOK 169.6m (NOK 168.3m), compared to NOK 385.8m (NOK 384.2m) in 2019. The main driver for the decrease is the sale of the delinquent unsecured loans portfolio in the fourth quarter of 2020. Gross lending in default over 90 days was 0.19% of gross lending at year-end compared to 1.34% in 2019.

In the Board's view, the credit risk and the provision levels are satisfactory.

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 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 balance sheet date.

Balance sheet
At the end of 2020, the bank had total assets amounting to NOK 56,003.3m (NOK 41,803.7m), compared to NOK 49,062.4m (NOK 32,404.7m) in 2019.

Lending
At the end of 2020, the gross loans balance amounted to NOK 50,708.6m (NOK 28,885.1m), compared to NOK 43,203.8m (NOK 21,339.1m) in 2019. This translates into an increase of 17.4% over the year. 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.

The weighted average loan to value ratio[1,2] was estimated at 61.5% for the mortgage portfolio compared to 60.4% in 2019.

Deposits
At the end of 2020 the deposits balance amounted to NOK 14,391.5m, compared to NOK 17,306.5m in 2019. This translates into a decrease of 16.8% over the year.

[1] Ref. separate APM document
[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.

Rating
Nordea Direct Bank ASA and its subsidiary Nordea Direct Bank 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 Bank Boligkreditt AS had a long-term rating of AAA and the outlook 'positive'.

Nordea Direct Bank Boligkreditt AS will hold the amount of over-collateralisation required to maintain the current rating for Nordea Direct Bank Boligkreditt AS`s covered bond program.

Debt securities issued
Net issues of debt securities, including subordinated debt, amounted to NOK 21,159.3m (NOK 7,381.0m) at the end of 2020, compared to NOK 24,865.1m (NOK 8,500.1m) at the end of 2019. The total face value of the securities issued by the bank was NOK 20,957.5m.

Repayments through ordinary maturity and buy back of bonds from investors were NOK 3,903.0m in 2020.

Liquidity
At the end of 2020, the Nordea Direct Bank ASA Group had net liquid assets of NOK 6,843.2m, divided between NOK 409.5m in bank deposits and NOK 6,073.7m in debt securities. Of the latter assets NOK 1,393.9m were investments in covered bonds from Nordea Direct Bank 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 16 months.

The deposit to loan ratio[1] was 28.4% (49.8%), compared to 40.1% (81.1%) in 2019.

Capital adequacy and equity[1]
At the end of 2020, the bank had a capital adequacy ratio of 20.2% (23.0%), compared to 19.9% (25.0%) in 2019. The total capital held by the bank was NOK 4,369.0m (NOK 3,537.7m) compared to NOK 3,848.1m (NOK 3,118.9m) in 2019. The common equity Tier 1 capital ratio was 18.6% (20.8%) compared to 16.0% (19.1%) at the end of 2019.

The Pillar 2 requirement for Nordea Direct Bank ASA is set at 1.7% by the Financial Supervisory Authority of Norway, with effect from 31 December 2019. As of 31 December 2020, the regulatory requirements for Common equity Tier 1 capital ratio was 12.7%.

The bank's target level for the capital adequacy ratio was 17.2% at 31 December 2020.

At the end of 2020, equity was NOK 4,179.3m (NOK 3,374.4m), compared to NOK 3,572.1m (NOK 2,862.2m) in 2019; this is equivalent to 7.5% of total assets.

The Board evaluates the equity and capital adequacy ratio of the group and parent company to be satisfactory and sufficient in relation to the Group's operations.

Corporate social responsibility
For information about Nordea and Nordea's subsidiaries sustainability work, see the Annual Report of Nordea Bank Abp and Nordea's Sustainability report available on https://www.nordea.com/en/sustainability/.

Ownership and governance
Good corporate governance
Corporate governance is a priority for the Board. The board puts particular emphasis on the composition and structure of its governing bodies, the responsibilities of the Board, communication and information, and risk management and auditing. The Board of Nordea Direct Bank ASA has approved ethical rules, and all employees have access to its policy, guidelines, ethical rules, instructions and other information on the Group's intranet.

The Articles of Association, instructions and management and reporting systems establish clear roles and responsibilities within the bank.

A detailed statement on how Nordea Bank Abp fulfils the recommendation and statutory accounting requirements for corporate governance reporting is provided in the Group's annual report. It is also available at https://www.nordea.com/en/about-nordea/corporate-governance/.

Governing bodies
The Board
The Board is composed of six members. Five of the members are elected by the general assembly. One member and its deputy member are elected by and among the employees.

The Board supervises the management of the bank. It shall ensure that the bank's operations are organised in a satisfactory manner, which includes ensuring

[1] Ref. separate APM document

that business administration and controls are in accordance with the risk level in the business.

Randi Marjamaa replaced John Arne Sætre as Chairman from 8 June 2020.

External auditor
The external auditor performs the statutory audit and approves the annual financial statements and other financial information provided by the bank.

The general assembly has chosen PricewaterhouseCoopers AS as the bank's external auditor.

Internal auditor
The independent internal audit function monitors that the risk management and internal control systems function as intended. The audit function reports directly to the Board.

Intra Group Agreements
As part of the process of integration with Nordea Bank Abp, Nordea Direct Bank ASA has entered into Intra Group agreements with Nordea Bank Abp regarding several functions. Nordea Direct Bank ASA has the responsibility to control that the services are provided as per the agreements and bank's daily operations continue uninterrupted. The Financial Supervisory Authority of Norway approved the move of the services and the governance structure during the summer of 2020.

The following services are now subject to intercompany agreements:

- Credit Risk: the Chief Credit Officer of Nordea Direct Bank ASA has the control responsibility for the function and the service is provided by Retail Credit Decision Strategies Consumer Finance unit in Nordea Bank Abp.
- Accounting: the Chief Financial Officer has the control responsibility for the function and the service is provided by Group Finance, Regulatory Reporting unit.
- Financial Crime Prevention: the Deputy Chief Executive Officer has the control responsibility for the function and the service is provided by the Group Financial Crime Prevention unit.
- IFRS9 collective impairment models: the Chief Financial Officer has the control responsibility for the function and the service is provided by the Collective Impairment Models unit in Nordea bank Abp.

Key risk and uncertainty factors
Financial risk
Risk management
The board set the banks risk appetite and approves the policies for risk management. The banks risk management framework establishes a structure that systematically identifies, assesses, communicates and manages the risks facing the bank. The bank's 2nd line risk management function is responsible for monitoring the risk management and reviewing the risks that the banks is or may be exposed to and ensures that the management and the board is sufficient informed of the banks risk exposure.

The risk reporting for 2020 shows that the risk level is satisfactory and within the risk appetite approved by the board.

Financial risk
The main risks the bank is exposed to are credit, liquidity and market risks. Risks are monitored and reported regularly in accordance with the principles, strategies, limits and risk appetite statement adopted by the Board.

Credit risk
Credit risk represents the risk of losses arising as a result of customers or other counterparties failing to repay their debts or contractual obligations when they fall due. The bank's high-level credit strategy and credit policies are defined by the Board and approved on an annual basis. The credit strategy documentation includes guidelines on credit risk profiles and is the Board's most important tool in relation to managing the bank's credit risk. The credit strategy is reviewed each year. The Board follows up the credit strategy through monthly reports that monitor compliance with the Board's credit guidelines. The bank uses risk classification models to calculate the risk associated with its credit exposure.

Market risk
Market risk is the risk of losses associated with movements in market prices which, in this context, relate to positions and activities in the interest-, currency-, credit- and stock markets. The bank's financial strategy documents set the limits and guidelines for managing market risk. Risk exposure and development are continuously monitored and repor-

ted to the Board. The group has no exposure in equities. The bank's exposure to currency risk and interest rate risk shall be kept low, and the spread risk is moderate in relation to its core capital.

Interest rate risk refers to the risk of a loss as a result of changes in the interest rate level. Risk limits are set to manage the interest rate risk by adjusting fixed interest rate periods for investments and borrowing. In addition, derivatives are used for hedging purposes.

At the end of the year, the bank had interest rate swaps with a nominal value of NOK 6,640m and it was exposed to a loss of about NOK 8.7m given an unexpected change in interest rates of one percentage point.

Spread risk refers to the risk of a loss as a result of changes in credit spreads. The bank limits the spread risk related to assets by investing in high-quality securities with limited maturity, where the value is less exposed to changes in the credit spread. The bank does not hedge the spread risk on its own bond issues.

Currency risk is the risk of loss due to changes in exchange rates. The risk arises from the bank's bonds in foreign currency. The bank manages this risk by using derivatives. The bank changes from foreign currencies into NOK with an approved counterparty on both principal and interest through "cross currency rate swaps".

Concentration risk
Concentration risk is the risk of losses due to the bank having large parts of its lending tied to a single borrower or to limited geographic or business areas. The concentration risk is measured and assessed through the bank`s ICAAP process. The concentration risk is assessed as limited since the bank`s exposure is only to the household segment with large numbers of single exposures with relatively small amounts.

As of 31 December 2020, the portfolio is geographically diverse, with the greatest lending being in the most populous areas of the country. The bank's liquidity reserves are mainly placed in securities issued by the Norwegian government and Norwegian covered bonds (OMF).

Liquidity risk
Liquidity risk is the risk of the bank not being able to meet its debt obligations when they fall due and/or not being able to finance growth of its assets without incurring a substantial increase in costs. The bank's financial strategy documents set the limits and guidelines for managing the liquidity risk. The Board seeks to ensure that the bank's liquidity risk level is moderate.

As part of its liquidity management, the bank holds high quality liquid assets in accordance with regulatory requirements for liquidity risk management. The securities can be used as collateral for both short and long-term loans from the Central Bank of Norway.

Nordea Bank Abp provides necessary funding to Nordea Direct Bank ASA Group.

Nordea Direct Bank Boligkreditt AS was established in the spring of 2009 and has a licence from the Financial Supervisory Authority of Norway to issue covered bonds. The covered bond company enables the group to diversify its funding sources. By the end of 2020, about 43.2% of total loans were transferred to the covered bond company. The bank has set limits for the maximum transferral of mortgages to the covered bond company in order to have a reserve for issuing covered bonds in a potential future crisis scenario.

Operational risk
Operational risk is the risk of losses resulting from inadequate or failing internal processes or systems, human error or external events.

Internal control is an integrated part of the daily operations. Quarterly internal control self-assessments (RCSA) are performed to ensure that procedures and processes are adhered to. The outcome of the RCSA is reported to the CEO and to the board at an aggregated level. Monthly operational risk meetings are held where incidents, anti-money laundering (AML) activities, internal controls testing, fraud development, IT / Security and customer complaints are reviewed.

An annual assessment of operational risk and internal controls where the risk management function, in consultation with the bank's management team, assess operational risks and internal control for all business areas. The most significant risks and risk mitigating measures are raised to the Board.

For financial reporting, authorisations are in place to limit the number of people who can approve expenses. Daily controls are in place in the finance department to ensure that, at any given time, there are controls of all accounting entries and all payments made. Internal deadlines have been set for completion of reporting and reconciliations as well as corporate deadlines for reporting to the Group. For the quarterly/annual publication of accounts, the bank follows the Group's guidelines for board meetings to approve the financial reports.

Independent risk control is performed by risk management and compliance functions. Compliance is a group function, which also covers the bank, which has been established in order to avoid official sanctions, financial losses or a loss of reputation as a result of failure to comply with internal and external regulations. The Compliance function identifies, assesses, advises on, monitors and reports on the bank's risk of non-compliance with external and internal regulations.

The risk management function administrates and develops the banks methodology for operational risk management, including internal controls and incident management and monitor that control measures are implemented.

Nordea Bank Apbs internal auditor evaluates whether the bank's internal control and risk management system functions satisfactorily and reports the results of the audits to the Board and management.

Working environment
Nordea Direct Bank ASA is part of the Nordea Group's processes for leadership and employee development, including training programmes, performance dialogues and employee satisfaction surveys. Gender diversity and equal opportunities are an integrated part of the development of the organisation and employees.

Sickness absence (self-certified and doctor-certified) was 3.0% in 2020 compared to 3.6% in 2019.

Nordea Direct Bank ASA has carefully monitored sickness absence in accordance with the rules for an inclusive workplace enterprise, and no negative circumstances have been identified that may be causing sickness absence. The HSE work is monitored through external audits and followed up internally by employees with special responsibility for HSE. All incidents that can represent a risk must be reported in the Groups nonconformity system.

There were no material personal injuries, property damage or accidents at the bank in 2020.

Gender equality and diversity
Ensuring equal opportunities is important for Nordea Direct Bank ASA. Women and men shall have the same career development opportunities, personal development and compensation levels. The bank focuses on a fair remuneration policy, where women and men with the same competencies in the same position are rewarded equally. At the end of 2020, the bank had 59 male and 49 female permanent employees. At the end of the year, the bank's senior management team consisted of five men and one woman. 38% of all line managers are women.

Nordea Direct Bank ASA seeks to facilitate the balance between home and work and grants part-time positions at employees' request where this is possible. By the end of 2020, 2 employees had part-time positions at their own wish, of which both women. Working hours and the opportunity for flexible hours are distributed equally between the genders. For some operational positions where fixed working hours are necessary, flexible working hours are not granted.

Three of the Board's six permanent members are women.

Equal pay
In line with our values and our Diversity & Inclusion Strategy, Nordea is committed to pursue of gender neutral approach when it comes to pay as well as to roles and positions in the organisation.

Statistical analysis is not identifying gender related equal pay issues. It is however possible to measure a difference in average salaries in Nordea Direct Bank ASA which is rather related to structural factors.

Average salary for men is 20% higher for leaders and 4% higher for non-Leaders than for women. Nordea continues to focus on equal opportunities in recruitments, talent development and succession planning and by that - as well as a strong focus on our Diversity & Inclusion strategy - we aim and expect mentioned differences to be addressed.

Discrimination and accessibility
The bank is committed to promoting equality for all. As such, it aims to ensure that everyone is entitled and able to participate in society on an equal footing, regardless of any disability, and to prevent discrimination on the grounds of disability. The bank has hiring policies, ethical guidelines and HSE procedures designed to ensure compliance with the Anti-discrimination and Accessibility Act.

The natural environment
The bank's operations result in minimal pollution of the environment. Internal environmental measures focus on energy efficiency, reduced travel through increased use of video conferences, and responsible waste management with extensive use of separation at source.

Objectives and strategies
The bank's objectives are to:

- Add value to our customers' lives by offering a long-term, competitive range of banking services through easy-to-use and intuitive online solutions and friendly service.

- Deliver sustainable growth with increasing cost efficiency through improved value chains and automation.

Outlook for 2021
During 2021, Nordea Direct Bank ASA will work to ensure a successful integration into Nordea Bank Apb, and will continue to serve its customers with the same professionalism shown before. The bank aims to sustain its operational efficiency. In the context of Covid-19, the bank will continuously monitor the economic outlook and the behaviour of own lending portfolios in order to react timely to adverse developments.

Allocation of profit before other comprehensive income
It is proposed to transfer the parent company's profit before other comprehensive income of NOK 126.1m to other equity.

Nordea Direct Bank ASA
Oslo, 11 February 2021

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

Financial statements and notes

Income statement

Parent Company				Consolidated	
2019	**2020**	**NOKt**	**Note**	**2020**	**2019**
1,376,207	900,471	Interest income etc, amortised cost	4	1,256,686	1,851,371
113,336	77,409	Interest income etc, fair value	4	53,016	81,592
563,376	397,378	Interest costs etc.	4	585,072	890,181
926,167	**580,503**	**Net interest income**		**724,630**	**1,042,782**
1,053	5,379	Dividends from investments in shares and funds		5,379	1,053
123,509	31,840	Fee and commission income	5	34,027	125,819
179,572	60,198	Fee and commission expense	5	60,198	179,572
13,296	-21,889	Net gains on financial instruments at fair value	6	-24,211	13,292
12,893	11,714	Other operating income		1,065	1,383
-28,820	**-33,154**	**Net commission income and other operating income**		**-43,938**	**-38,024**
897,347	**547,348**	**Total income**		**680,693**	**1,004,758**
157,744	99,682	Staff costs	7	101,396	160,043
26,147	15,690	Depreciations	7,9,10	15,690	26,147
269,472	175,197	Other operating expenses	7	180,431	272,052
453,362	**290,569**	**Total operating expenses**		**297,517**	**458,241**
443,985	**256,779**	**Profit / (loss) before loan losses**		**383,175**	**546,517**
227,695	87,060	Loan losses	16	86,810	228,074
216,290	**169,719**	**Operating profit**		**296,365**	**318,442**
54,703	43,666	Income tax expense	8	75,328	80,241
161,588	**126,053**	**Net profit for the period**		**221,037**	**238,202**
144,926	116,681	Nordea Direct Bank ASA 's shareholders		211,666	221,540
16,661	9,372	Perpetual Tier 1 capital holders		9,372	16,661
165.4	133.2	Earnings per share, NOK (basic and diluted)		241.6	252.9

Statement of comprehensive income

Parent Company				Consolidated	
2019	**2020**	**NOKt**	**Note**	**2020**	**2019**
161,588	**126,053**	**Net profit for the period**		**221,037**	**238,202**
		Components of other comprehensive income			
		Items that are not subsequently reclassified to profit or loss			
-5,492	-3,253	Actuarial gains/ (loss) on pensions	23	-3,253	-5,492
1,373	813	Tax on items that are not reclassified to profit or loss	8	813	1,373
-4,119	**-2,440**	**Total items that are not subsequently reclassified to profit or loss**		**-2,440**	**-4,119**
2,416	4,944	Unrealised gain/(loss) on loans to customers, fair value over other comprehensive income			
		Items that may be reclassified subsequently to profit or loss			
-604	-1,236	Tax on items that may be reclassified to profit or loss	8		
1,812	**3,708**	**Total items that may subsequently be reclassified to profit or loss**			
-2,307	**1,268**	**Total components of other comprehensive income**		**-2,440**	**-4,119**
159,281	**127,321**	**Total comprehensive income for the period**		**218,598**	**234,083**

Nordea Direct Bank ASA
Oslo, 11 February 2021

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

Balance sheet

Parent Company				Consolidated	
31 Dec 2019	**31 Dec 2020**	**NOKt**	**Note**	**31 Dec 2020**	**31 Dec 2019**
		Assets			
60,668	58,553	Cash and balances with central banks		58,553	60,668
2,277,580	5,625,219	Loans to credit institutions	13	350,899	549,864
20,954,888	28,716,816	Loans to the public	14,15,16	50,538,982	42,818,003
7,645,186	5,883,707	Interest-bearing securities	11	4,679,830	5,313,708
9,918	143,239	Derivatives	12,29	199,324	50,547
11,934	10,620	Shares	30	10,620	11,934
1,220,030	1,220,030	Shares in subsidiaries	30		
25,714	12,629	Intangible assets	9	12,629	25,714
10,106	19,146	Deferred tax assets	8	20,090	10,349
2,289	1,393	Fixed assets	10	1,393	2,289
28,844	1,586	Other assets		1,586	28,844
157,513	110,762	Advance payments and accrued income		129,436	190,497
32,404,670	**41,803,701**	**Total assets**		**56,003,342**	**49,062,417**
		Liabilities and equity			
3,469,246	16,280,027	Deposits by credit institutions	13	15,831,000	2,956,000
17,306,523	14,391,542	Deposits by the public	17	14,391,542	17,306,523
8,200,207	7,181,081	Debt securities in issue	18,20,34	20,959,345	24,565,210
51,890	28,910	Derivatives	12,29	32,029	55,976
46,212	46,688	Current tax liabilities	8	79,050	69,735
18,226	156,076	Other liabilities	22,36	156,149	18,354
122,498	114,059	Accrued expenses and prepaid income		144,066	190,792
27,815	30,925	Pension liability	23	30,925	27,815
299,887	199,956	Subordinated debt	21	199,956	299,887
29,542,503	**38,429,265**	**Total liabilities**		**51,824,063**	**45,490,290**
		Equity			
666,020	667,512	Share capital		667,512	666,020
1,115,866	1,814,374	Share premium		1,814,374	1,115,866
445,441	144,884	Perpetual Tier 1 capital	24	144,884	445,441
2,657	2,657	Other paid-in equity		2,647	2,647
632,183	745,009	Retained earnings		1,549,862	1,342,153
2,862,167	**3,374,436**	**Total equity**	1	**4,179,280**	**3,572,127**
32,404,670	**41,803,701**	**Total liabilities and equity**		**56,003,342**	**49,062,417**
876,000	876,000	Number of shares at the end of the period		876,000	876,000

Statement of changes in equity

Consolidated NOKt	Share capital	Share premium reserve	Perpetual Tier 1 capital	Other paid-in equity	Retained earnings	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			9,372		211,666	221,037
Other comprehensive income, net of tax					-2,440	-2,440
Total comprehensive income			**9,372**		**209,226**	**218,598**
Capital expansion	1,492	698,508				700,000
Share-based payment transactions settled in equity					-1,517	-1,517
Tax payable and deferred tax relating to items recognised directly in equity						
AT1 capital			-298,200			-298,200
Paid interest on AT 1 capital			-11,728			-11,728
Balance at 31 Dec 2020	**667,512**	**1,814,374**	**144,884**	**2,647**	**1,549,862**	**4,179,280**

Consolidated NOKt	Share capital	Share premium reserve	Perpetual Tier 1 capital	Other paid-in equity	Retained earnings	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**

Statement of changes in equity (cont.)

Parent Company NOKt	Share capital	Share premium reserve	Perpetual Tier 1 capital	Other paid-in equity	Retained earnings	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			9,372		116,681	126,053
Other comprehensive income, net of tax					-2,440	-2,440
Total comprehensive income			**9,372**		**114,242**	**123,614**
Capital expansion	1,492	698,508				700,000
Share-based payment transactions settled in equity					-1,416	-1,416
Tax payable and deferred tax relating to items recognised directly in equity						
AT1 capital			-298,200			-298,200
Paid interest on AT 1 capital			-11,728			-11,728
Balance at 31 Dec 2020	**667,512**	**1,814,374**	**144,884**	**2,657**	**745,009**	**3,374,436**

Parent company NOKt	Share capital	Share premium reserve	Perpetual Tier 1 capital	Other paid-in equity	Retained earnings	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**

Cash flow statement

Parent Company			Consolidated	
2019	**2020**	**NOKt**	**2020**	**2019**
		Operating activities		
5,582,722	-7,737,999	Net payment of loans to customers	-7,696,541	8,366,688
-6,128,964	-2,914,981	Net payment of deposits by customers	-2,914,981	-5,816,454
1,298,979	863,845	Payment of interest from customers	1,257,788	1,816,783
-263,991	-146,116	Payment of interest to customers	-146,116	-264,687
-60,203	-109,448	Net payment of interest from credit institutions etc.	-101,585	-54,622
-69,860	-47,507	Taxes paid	-71,030	-108,419
86,341	13,839	Net other commission income/expenses	-24,869	31,183
-675,166	-391,666	Payment to operations	-398,897	-682,419
-1,356,524	1,636,693	Net receiv./paid (-) upon purchase and sale of financial instruments and interest-bearing securities	542,297	411,919
-1,586,667	**-8,833,339**	**Net cash flow from operating activities**	**-9,553,933**	**3,699,972**
		Investment activities		
-16,941	-1,709	Net purchase of intangible assets and fixed assets	-1,709	-16,941
-1,424,817	359,472	Net receipts/payments from sale/acquisition of loans to the public	359,472	-1,424,817
-1,441,758	**357,762**	**Net cash flow from investing activities**	**357,762**	**-1,441,758**
		Financing activities		
3,086,919	12,810,781	Net receipts/payments on deposits from credit institutions	12,875,000	2,956,000
		Receipts of interest-bearing securities		
-2,127,000	-1,300,000	Payment of interest-bearing securities	-3,903,000	-5,000,000
173,758	26,424	Interest payments on interest-bearing securities	-260,805	-200,747
-249,908	-99,931	Receipts of subordinated debt	-99,931	-249,908
-13,537	-7,256	Interest payments on subordinated debt	-7,256	-13,537
	-298,200	Repayment additional Tier 1 capital	-298,200	
-16,068	-10,717	Paid interest on Additional Tier 1 capital	-10,717	-16,068
400,000	700,000	Capital increases	700,000	400,000
1,254,163	**11,821,101**	**Net cash flow from financing activities**	**8,995,090**	**-2,124,261**
-1,774,262	**3,345,524**	**Total cash flow**	**-201,080**	**133,953**
		Cash and cash equivalents		
4,112,510	2,338,248	Cash and cash equivalents at 1 January	610,533	476,580
2,338,248	5,683,772	Cash and cash equivalents at end of the period	409,452	610,533
-1,774,262	**3,345,524**	**Net payment made(-)/received of cash**	**-201,080**	**133,953**
		The following items are included in cash and cash equivalents:		
60,668	58,553	Cash and balances with central banks	58,553	60,668
2,277,580	5,625,219	Loans to credit institutions	350,899	549,864
2,338,248	**5,683,772**	**Liquid assets in statement of cash flow**	**409,452**	**610,533**

The statement of cash flows 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.

Accounting policies

General
Nordea Direct Bank ASA is a wholly owned subsidiary of Nordea Bank Abp. It is domiciled in Norway. The company's head office is located at Essendropsgt. 7, Oslo, Norway. The main activity of the company is ordinary banking services for retail customers. The accounting policies applied in the company accounts are described below.

The financial statements per 31 December 2020 were approved by the Board on 11 February 2021.

The consolidated and parent company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU), as well as other Norwegian disclosure requirements laid down in legislation and regulations.

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 significant accounting policies in the current period

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.

Based on our preliminary assessments and on the basis of current operations amendments to standards and interpretation statements will not have a material effect.

Consolidation policies

Subsidiaries

Subsidiaries are entities controlled by Nordea Direct Bank ASA. Nordea Direct Bank ASA controls a company when it is exposed or entitled, to variable returns from its involvement in the company and has the opportunity to influence these returns through its power over the company. Subsidiaries are included in the consolidated financial statements from the date that control commences until the date it ceases. The subsidiaries' accounting policies are altered as required in order to correspond with the policies chosen by the Group.

The following companies meet the criteria for subsidiaries and are included in the consolidated financial statement:

- Nordea Direct Boligkreditt AS, 100% shareholder and share of votes.

Investments in subsidiaries are included in the company's financial statements using the historical cost method.

Transactions eliminated through consolidation

Intra-group balances and transactions, together with unrealised income and expenses from intra-group transactions, are eliminated in the consolidated accounts.

Business combinations

Business combinations are accounted for using the acquisition method. The historical cost of the business combination is measured at the fair value (on the date of acquisition) of acquired assets, incurred liabilities and equity instruments issued by the Group in exchange for control of acquired companies, and it includes any costs directly attributable to the business combination.

If, after a reassessment of the Group's share in the net fair value of identifiable assets, liabilities and contingent liabilities, the value exceeds the acquisition cost of the business combination, the excess is immediately recognised in the income statement.

Cash flow statement
Cash flows from operating activities are presented according to the direct method, which gives information about material classes and payments.

Cash and cash equivalents consist of cash, demand deposits and highly liquid financial instruments purchased with an original maturity of three months or less and exclude restricted cash.

Principles for recognising income and expenses

Net interest income

Interest income and expenses are calculated and recognised based on the effective interest rate method. The calculation takes into account establishment fees and direct marginal transaction costs that are an integral part of the effective interest rate.

Interest is recognised through profit or loss using the internal rate of return method for balance sheet items that are measured at amortised cost statement.

Interest income is calculated by applying the effective interest rate to the gross carrying amount except for financial assets that are credit impaired. For those financial assets, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset.

Commission income and expenses

The way in which commission income from various customer services is recognised depends on the nature of the commission. Fees are recognised as income when the services are delivered, or a significant part of the service has been completed. Charges received for completed services are recognised as income in the period the services were performed. Commissions received as payment for various tasks are recognised as income once the service has been completed. Commission costs are transaction-based and are recognised in the period the services were received. Management fees and subscription are recognised as income when they are earned.

Expenses incurred in connection with customer transactions are classified as commission expense.

Net gain/loss on items measured at fair value

Realised and unrealised gains and losses on financial instruments measured at fair value are recognised under the financial statement item “Net gains on financial instruments at fair value”. Realised and unrealised gains and losses are the result of:

- Shares/ownership interests and other stock market-related instruments
- Interest-bearing securities and other interest rate instruments
- Currency gains/losses

Other operating income

Other operating income that is not related to any of the other lines of income is generally recognised when the transaction has been completed.

Operating expenses

Operating expenses consists of wages, administration and sales costs. These costs are accrued and expensed in the relevant accounting period.

Currency

The company and Group's presentation currency and functional currency is Norwegian kroner. Transactions involving the purchase and sale of foreign currency-denominated securities and financial instruments are translated into NOK using the exchange rate on the date of the purchase/ sale. Holdings of foreign securities and financial documents are valued in Norwegian kroner at the exchange rate on the balance sheet date. Cash and cash equivalents are also valued at the exchange rate on the balance sheet date.

Segments

The bank’s primary target group consists of retail customers. This segmentation best reflects the way the business is run by the management. Financial information relating to segments is presented in a separate note.

Inclusion of non-financial assets in the balance sheet

Assets and liabilities are included in the bank’s balance sheet when the bank obtains real control over rights to the assets or assumes real obligations. Assets are derecognised at the time the actual risk related to the assets has been transferred and the control of rights to the assets has ended or expired.

Fixed assets

Fixed assets consist of fixtures, machinery and IT systems that are used within the company. Fixed assets are valued at acquisition cost with accumulated depreciation and write-downs. They are depreciated on a straight line basis over their anticipated useful life. Where operating assets or significant parts of an operating asset have different lifespans, they are capitalised and depreciated separately. Unless it is insignificant, the expected useful lifespan and the residual value are reviewed annually. The carrying value of an asset is written down if its recoverable value is less than its carrying value.

Intangible assets

Other intangible assets

Intangible assets, whether acquired separately or as a group, are carried in the balance sheet at acquisition cost. Intangible assets include customised software developed by the bank. This is carried in the balance sheet at its historical cost plus the cost of readying the software for use, minus accumulated depreciation and write-downs. When capitalising the carrying amount of new intangible assets, the probability of the financial benefits accruing to the company from the asset must be demonstrated. In addition, it must be possible to reliably estimate the cost of the asset.

Capitalised software expenses are depreciated across their expected useful lifespan, which is normally three to five years. The depreciation period and method are assessed annually. An evaluation is carried out of the need for write-downs when there are indications of impairment. The write-down of intangible assets and the reversal of write-downs are otherwise done in the same manner as described for fixed assets.

Direct costs include expenses for employees who are directly involved in software development, materials and a number of relevant administrative expenses (overhead expenses). Expenses connected to the maintenance of software and IT systems are recognised directly over profit or loss.

Impairment of non-financial assets

The company reviews the carrying value of assets and identifiable intangible assets annually, or more frequently if there are events or changes in the assumptions that indicate that the carrying value is irrecoverable. Indicators that are assessed as significant by the company and that can trigger testing for impairment include:

- A significant drop in profitability in relation to past or expected future profitability
- Significant changes in the company's use of assets or overall strategy for its activities
- A significant downturn for the industry or the economy

Previous impairment losses, except for goodwill, will be reversed if the assumptions underlying the impairments no longer apply. Impairment losses are only reversed to the extent that the new carrying value does not exceed what would have been the carrying value after depreciation at the time of the reversal if there had been no impairment.

Financial instruments

IFRS 9 introduced new requirements for the classification and measurement of financial instruments, including a new expected loss model for the recognition of impairment losses, and changed requirements for hedge accounting. Nordea Direct Bank ASA has chosen to continue to apply hedge accounting in accordance with IAS 39. The new requirement in IFRS 9 would not have resulted in any change to the accounts.

Classification and measurement:

Financial assets:

- amortised cost
- fair value through profit or loss
- fair value through other comprehensive income

Financial assets will be classified either at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss, depending on how they are managed and whether contractual cash flow are solely payments of principal and interest (SPPI).

Financial assets with cash flow that are not solely payment of principle and interest (SPPI) are measured at fair value through profit and loss. Other financial assets are classified based on the business model. In order to assess the business model, the bank has divided its financial assets into portfolios based on how they are managed to achieve a particular business goal.

Financial liabilities:

- amortised cost
- fair value through profit or loss

All financial assets and liabilities are initially measured at fair value. The classification of financial instruments into different categories for the basis form how each instrument is subsequently measured on the balance sheet and how changes in its value are recognised. In the below table "Classification and measurement of financial instruments under IFRS 9 " the classification of the financial instrument on the banks' balance sheet into different categories under IFRS 9 is presented.

For further information, see Note 29 Classification of financial instruments.

Amortised cost:

Financial assets and liabilities measured at amortised cost are initially recognised on the balance sheet at fair value, including transaction costs. Subsequent to initial recognition, the instruments within this category are measured at amortised cost. In an amortised cost measurement, the difference between acquisition cost and redemption value is amortised in the income statement over the remaining term using the effective interest rate method.

Interest on assets and liabilities classified at amortised cost is recognised in the items " Interest income etc, amortised cost" and " Interest costs etc." in the income statement. This category consists of mainly loans, deposits and liabilities opened for the issue of securities.

Financial assets and liabilities at fair value through profit or loss:

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, excluding transaction costs. Interest income is classified as interest in the income statement, all other changes in fair value are recognized in the income statement in the item "Net gains on financial instruments at fair value".

The banks liquidity portfolio, managed and reported at fair value, and derivatives are measured at fair value through profit and loss.

Financial assets at fair value through other comprehensive income:

Financial assets held to receive contractual cash flows and for sale shall be measured at fair value with changes in value taken over other comprehensive income. Interest income and write-downs should be recorded in the ordinary result. Mortgage loans to customers in the parent company (Nordea Direct Bank ASA) are required to be measured at fair value over other comprehensive income, as loans can be held to maturity and sold to Nordea Direct Boligkreditt AS.

Impairment

Impairment provisions according to IFRS 9 are measured using an expected loss model. The impairment rules in IFRS 9 apply to financial assets measured at amortized cost and at fair value through other comprehensive income. In addition, loan commitments, financial guarantee contracts and lease receivables are within the scope of the standard. The measurement of the provision for expected credit losses on financial assets depends on whether the credit risk has increased significantly since initial recognition. At initial recognition and if the credit risk has not increased significantly, the provision should equal 12-month expected credit losses. If the credit risk has increased significantly from the initial recognition or if the asset is classified as impaired, the provision should equal lifetime expected credit losses.

1. Inputs, assumptions and techniques used for estimating impairment

1.1 Credit Scores and Risk Classes

The bank uses credit scores extensively in its credit assessment and monitoring process. Different credit scores are used for the different product groups in the banks depending on the nature of the exposure and the type of borrower. Credit scoring models are validated to be predictive of the risk of default on an annual basis.The scores used for retail exposures are computed using application data declared by the customer, external bureau data, other external customer data and internal performance data (for example payment behavior).

The bank determines a credit risk class to each exposure based on credit scoring models and by applying experienced credit judgement. Credit risk classes are defined using historical data which are indicative of risk of default. Credit risk classes are defined and calibrated such that the risk of default occurring increases by increasing risk class.

Credit risk class is defined at initial recognition based on the score at initial recognition which in turn is based on the available information about the borrower. Thereafter the scores are generated and monitored for the customer on a regular basis. When the scores are generated periodically during the life of the exposure, based on the credit history, the score may change and this may result in an exposure being moved to a different credit risk class compared to the initial recognition.

The risk-classed are further grouped in Risk Groups: Low Risk, Medium Risk, High Risk, Unclassified and already Defaulted accounts based on defined ranges of Probability of Default.

1.2 Low credit risk accounts

A financial exposure is considered to be a low credit risk account, if the financial exposure has a low risk of default and the borrower has a strong capacity to meet its contractual cash flow obligations in the near term. In addition, adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The credit risk of a financial commitment will not be considered low based on the value of any collateral.

The bank considers accounts to be in low risk, if they have not met the definition of Significant Increase in Credit Risk as defined in section 1.3.

For accounts that are determined to be low credit risk at the time of reporting an Expected Credit Loss (ECL) over the next 12 months is estimated by the bank. The computation of 12-month ECLs is described in the section below.

1.3 Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the bank's historical experience, credit assessment and includes forward-looking information.

For the bank’s exposures, the historical analysis shows that default patterns are not concentrated at a specific point during the expected life of the financial instrument. Given this, changes in the risk of a default occurring over the next 12 months have been considered as approximation of the changes in the lifetime risk of a default occurring.

The bank uses a “point in time” process where the internal evaluation reflects an assessment of the borrower’s current condition and/or most likely future condition over the next 12 months horizon from the assessment period. As such, the internal evaluation changes as the borrower’s condition changes over the course of the credit/business cycle.

Significant increase in credit risk is determined for an exposure by comparing the estimated 12 months probability of default (PD) at the reporting date with the estimated 12 months PD at the time of initial recognition of the exposure. Accounts that are classified as low risk at the reporting date are excluded from this determination. If the risk class at reporting date is determined to have increased by greater than 2 classes compared to initial recognition, the exposure is classified as having a significant increase in credit risk.

The criteria for determining whether credit risk has increased significantly includes a “rebuttable presumption” i.e. a backstop based on delinquency. If the exposure is 30 days to 89 days past due at the reporting date, irrespective of the risk class or migration of risk, the exposure is classified as having significant increase in credit risk.

In addition, the bank may determine that an exposure has undergone a significant increase in credit risk based on qualitative indicators which may be indicative of increase in risk. For example, based on an individual assessment of a delinquent customer in the collections process the exposure may be classified as impaired. In such cases, an individual measurement of impairment is done based on the banks best estimate of the present value of the cash flows that is expected to be received, including from the repossession and sale of any assets if available. In estimating these cash flows, bank makes judgements about a debtor's financial situation and the net realisable value of any underlying collateral.

An engagement migrates to a lower stage when the terms of the original migration are no longer present.

1.3.1 Modified contractual assets and restructured assets

In limited cases, the bank may also change the terms of the loan to customers in financial difficulties (referred to as “restructuring” or "forbearance activities") to assist willing customer to repay and minimize the risk of default. Under the bank's policy, loan restructuring is granted on a selective basis if the debtor is currently unable to pay or if there is a high risk of default. In such cases, the bank assesses if there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, reducing the interest rate or changing the timing of interest or principal payments or other amendments to the terms of loan (but not including increase of the outstanding exposure) to make it possible for the customer to pay.

For financial assets modified as part of the bank's restructuring policy, the estimate of PD reflects whether the modification has improved or restored the bank's ability to collect interest and principal and the bank's previous experience of similar forbearance action. As part of this process, the bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

1.3.2 Incorporation of forward looking information

The bank uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL.

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-bankenes-problemlan/.

Two of the three macro variables (unemployment and house prices) are also used by Nordea collective provision model and have been updated in the Nordea Direct model using the same scenarios as used by Nordea. The updated scenarios reflect the economic impact from Covid 19. The scenarios are developed by Nordea Enterprise Wide Risk Management, but leverage government and other sources including a reference point to the ECB scenarios.

The table below summarises the Macro scenarios used in Nordea Direct Bank ASA collective provision model for 31.12 2020 for the years 2020 to 2022. The macro scenarios and their weighting apply 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 September 2020.

	2020	2021	2022
Unemployment rate [1]			
Alternative A (best case)	4.7%	5.1%	4.2%
Base case	5.1%	6.1%	5.1%
Alternative B (worst case)	5.3%	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)	3.2%	-1.0%	-0.2%
Base case	2.8%	-3.2%	0.1%
Alternative B (worst case)	2.3%	-10.5%	-9.3%

[1] Source: Enterprise Wide Risk Management in Nordea

[2] Source: Statistics Norway September 2020

Scenario weighting 2020	
Alternative A (best case)	5%
Base case	50%
Alternative B (worst case)	45%

Based on this analysis, the bank has taken PD to be impacted by increase in unemployment and increase in the interest rate levels. An increase of 1 percentage point in unemployment is assumed to give a 11% increase in PD. Increase in general interest rate will increase customers payments on both loans with the bank and with other banks. An increase of 1 percentage point in interest level is assumed to give a 7% increase in PD. These increases are applied to the PD at a portfolio level.

1.4 Impairment

Definition of impairment

The bank considers a financial asset to be in default when one or more events that have a negative impact on the financial asset's estimated future cash flows have taken place. Indications that a financial asset is impaired include observable data on the following events:

- The bank becomes aware of significant financial difficulty of the borrower (bankruptcy/ Legal debt settlement).
- Breach of contract, such as default or overdue payments as described below.
- The bank for economic or contractual reasons relating to the borrower's financial difficulty, grants to the borrower a change in term that would not otherwise have been considered (for example a restructuring of the loan).
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization (initiation of Legal Debt Settlement / Bankruptcy)
- When an active market for the financial asset disappears due to financial difficulties

		ECL				
Product NOKt	**Gross asset**	**Alt. A**	**Base case**	**Alt. B**	**Weighted**	**Booked**
Mortgage	47,680,121	12,351	12,686	12,682	12,667	12,753
Unsecured Loans	2,903,066	133,650	136,049	132,040	134,125	135,216
Credit Cards	99,491	15,771	15,943	15,494	15,732	15,819
Overdraft	25,895	5,181	5,333	5,525	5,412	5,414
Total	**50,708,573**	**166,953**	**170,010**	**165,742**	**167,937**	**169,202**
Compared to Weighted - I/(D)		-983	2,074	-2,195		1,265
Compared to Weighted - I/(D) %		-0.6%	1.2%	-1.3%		0.8%

The lower ECL in Alternative B is driven by the macro factor Household Lending Rate. In a worse case scenario, a decrease in Household Lending Rate compensates for the adverse development in the other macro variables (House Prices and Unemployment Rate)

In addition, the bank has established a "rebuttable presumption" (backstop) that default does not occur later than when a financial asset is 90 days past due.

Credit lines are also considered as being past due once the customer has breached an advised limit.

All exposures meeting the above requirement of default are classified as impaired.

An engagement migrates to a lower stage when the terms of the original migration are no longer present.

1.5 Measurement of Expected Credit Loss (ECL). The key inputs into the measurement of ECL are the Probability of default (PD), Exposure at default (EAD) and Loss given default (LGD). These parameters are derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a given point in time, calculated based on statistical scoring models, and assessed using rating tools tailored to the various categories of counterparties and exposures.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For lending commitments, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

LGD is the size of the likely loss if there is a default. The bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral and historical recovery costs of any related collateral. LGDs are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

For portfolios in respect of which the bank has limited historical data, either judgment using credit experience or external benchmark information is used to supplement the internally available data.

For accounts that are determined to be low credit risk at the time of reporting an Expected Credit Loss (ECL) over the next 12 months is estimated. 12-month ECLs is defined as a portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date.

For undrawn credit lines, bank estimates the 12-month ECLs based on its expectations of the portion of the loan commitment that will be drawn down within 12 months of the reporting date.

To estimate the 12 months ECL, the bank uses the historical data to see the performance of customers in low credit risk and derives the probability of default that results from all possible events over the 12 months from observation. Using historical data, the bank also estimates the Exposure at Default within 12 months of the observation dates for these accounts. To this the bank applies its historically observed net present value of cash flows using an effective interest rate for that group of accounts. The ECL is computed as the multiple of the PD, EAD and LGD thus derived.

For all exposures that meet the criteria of significant increase in credit risk or are classified as impaired on the reporting date, the bank computes a loss allowance ECL) over the lifetime of the loan. This is equal to the ECLs that result from all possible default events over the expected life of a financial instrument. In order to estimate the lifetime ECL, the bank estimates the risk of a default occurring on the financial instrument during its expected life.

The ECL is estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e., the difference between:

- The contractual cash flows that are due to an entity under the contractual terms and
- The cash flows that the bank expects to receive from the impaired asset

When estimating lifetime ECLs for undrawn credit line, the bank:

- Estimate the expected portion of the loan commitment that will be drawn down over the expected life of the loan commitment
- Calculate the present value of cash shortfalls between the contractual cash flows that are due to the entity if the holder of the loan commitment draws down that expected portion of the loan and the cash flows that the entity expects to receive if that expected portion of the loan is drawn down.

1.6 Derecognition and write-off
The bank considers an asset to be derecognised if:

- The contractual rights to the cash flows from the financial assets expire (example the loan reaches its end of term and is fully paid off, or the loan is prepaid by the customer).
- The financial asset is transferred and the transfer qualifies for derecognition (example, sale of an asset or group of assets).
- When the bank has no reasonable expectation of recovering the financial asset in entirety or in part.

The last criteria includes a write-off event when the bank determines that it has no reasonable expectation of cash flows from the customer.

Hedge accounting
The Bank Group enters into hedging transactions to manage interest rate risk on fixed rate borrowings. These transactions are recognised as fair value hedges. Fair value hedges are used when derivatives hedge changes in the fair value of recognised assets or liabilities with a specific risk. Derivatives are recognised in the balance sheet at fair value and changes in fair value of derivatives are recogniced in the income statement. Changes in the value of the hedged item, attributable to the hedged risk, adjust the carrying amount of the asset and are recognised in the income statement.

Nordea Direct Bank ASA has chosen to continue to apply hedge accounting in accordance with IAS 39. Applying the IFRS9 requirements would not have resulted in any change to the accounts.

The use of hedge accounting requires that the hedge is effective. A hedge is regarded as highly effective if, at inception and throughout the hedge period, it can be expected that changes in the fair value of the hedged item essentially offset changes in the fair value of the hedged instrument. The effectiveness of the hedge is measured at the individual level. At inception, the hedging effectiveness is measured on the basis of an interest rate shock at the individual instrument level. When assessing the hedge effectiveness retrospectively, the fair value of the hedged instrument is measured and compared with the change in fair value of the hedged item. The result must be within the range of 80%-125%.

Leasing
IFRS 16 requires all contracts that qualify under its definition as a lease to be reported on a lessee's balance sheet as right of use assets and lease liabilities. Earlier classification of leases as either operating leases or finance leases are removed. Short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements. A lessee shall recognise a right-of-use asset and a lease liability. The interest effect of discounting the lease liability shall be presented separately from the depreciation charge for the right-of-use asset. The depreciation expense will be presented with other depreciations, whereas the interest effect of discounting will be presented as a financial item.

Financial derivatives
Trading in financial derivatives is subject to strict limitations. All derivatives are measured at fair value on the contract date. Subsequent measurement is done at fair value with changes in value being recognised as they occur. The fair value of derivatives is measured based on listed prices whenever possible. When listed prices are not available, the company estimates fair value based on valuation models that use observable market data.

Derivatives that do not meet the criteria for hedge accounting are treated as financial instruments held for trading. The fair value of such derivatives is classified as either an asset or a liability with changes in fair value through profit or loss.

Dividends
Dividends from investments are recognised when the Company has an unconditional right to receive the dividends. Dividends payable are recognised as liabilities at the point in time when the General Meeting approves the payment of dividends.

Accounting provisions
A provision is made when the company has a legal or implicit liability as a result of a past event, and it is probable that this will lead to a payment or transfer of other assets to cover the liability.

Pensions
Pension liabilities are assessed at the present value of future pension benefits that are recognised as accrued at the reporting date. Future pension benefits are calculated on the basis of expected salary at the retirement date. Pension assets are valued at fair value. Net pension liability is the difference between the present value of future pension benefits and the fair value of the pension assets. Employer's social security cost is recognised during the period under which an underfunding occurs. Net pension liability is shown in the balance sheet on the line Pension lia-

bilities. Any overfunding is recognised to the extent that it is likely that the overfunding can be utilised. An overfunding in a funded plan cannot be offset against an underfunding in an unfunded plan. If there is a net overfunding in the funded plan, it is recognised as Pension assets.

The period's pension cost (service cost) and net interest expense (income) are recognised in the income statement and are presented as an operating cost in the income statement. Net interest expense is calculated using the discount rate for the liability at the beginning of the period of the net liability. Net interest expense therefore consists of interest on the obligation and return on the assets.

Deviations between estimated pension liability and estimated value of pension assets in the previous financial year and actuarial pension liability and fair value of pension assets at the beginning of the year are recognised in other comprehensive income. These will never be reclassified through profit or loss.

Gains and losses on curtailment or settlement of a defined benefit plan are recognised in the income statement at the time of the curtailment or settlement.

Deductible grants to defined contribution plans are recognised as employee expenses in the income statement when accrued.

Variable remuneration programs
Nordea Executive Incentive Program (EIP) reward performance meeting agreed predetermined targets on Group, business unit and individual level. The effect on the long-term result is to be considered when determining the targets. EIP shall be paid in the form of cash over a five- year period. EIP shall not exceed annual fixed salary. The changes, including social expenses, are recognized in the income statement under staff costs.

A limited number of managers have been offered Variable Salary Part (VSP). EIP reward performance meeting agreed predetermined targets on Group, business unit and individual level. The effect on the long-term result is to be considered when determining the targets. EIP shall be paid in the form of cash. VSP shall not exceed annual fixed salary. The changes, including social expenses, are recognized in the income statement under staff costs.

Taxation
The tax expense comprises tax payable and deferred tax. The income tax is recognised as an expense or income and is included in the income statement as a tax expense, with the exception of income tax on transactions that are recognised directly in equity.

Payable tax is based on the Company's taxable income and is calculated in accordance with Norwegian tax regulations and tax rates.

Deferred tax assets and liabilities are recognised using the balance method on all temporary differences that arise between the tax and accounting values of assets and liabilities. Deferred tax assets are calculated on unused loss carry forwards and unused tax credits. A tax asset is only recognised to the extent that it is probable that future taxable profits can be used to offset temporary differences, unused tax loss carry forwards and unused tax credits. The carrying values of deferred tax assets and deferred tax are subject to regular review. Deferred tax is calculated on temporary differences and untaxed provisions. Deferred tax assets and deferred tax liabilities are not discounted.

Assets and liabilities are measured at the current tax rate in the period when the asset is realised or the liability is settled, based on the tax rate on the balance sheet date. Payable tax assets and tax liabilities, as well as deferred tax assets and tax liabilities, are offset if legally possible.

1. Equity

Share capital
Nordea Direct Bank ASA is a wholly owned subsidiary of Nordea Bank Apb domiciled in Norway. Share capital for Nordea Direct Bank ASA as per 31 December 2020 was NOK 667.5m divided on 876,000 shares at 762.0 per share. As per 31 December 2019 share capital was NOK 666.0m divided on 876,000 shares at 760.3 per share.

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 bank has an unconditional right not to pay interest on the perpetual Tier 1 capital.

Share premium
Payments in excess of the nominal value per share are allocated to share premium.

Other equity
Other earned equity consists of this year's and previous year's retained earnings.

2. Critical accounting estimates and judgements

General
The preparation of the financial statements under IFRS and the application of the adopted accounting policies require that the management makes assessments, prepares estimates and applies assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and the associated assumptions are based on historic experience and other factors that are assessed as being justifiable based on the underlying conditions. The actual figures may deviate from these estimates. The estimates and the associated assumptions are reviewed regularly. Changes in accounting estimates are recognised in the period the estimates are revised if the change only affects this period, or both in the period the estimates change and in future periods if the changes affect both existing and future periods.

Nordea Direct Bank ASA's accounting principles, whereby assessments, estimates and assumptions may diverge significantly from the actual results, are discussed below.

Write-downs and losses
The write-down equals the difference between the outstanding balance of the loan and the net present value of estimated future cash flows, discounted by the financial asset's original effective interest rate (i.e. the effective interest rate calculated initially or subsequently agreed with the customer). Objective evidence means evidence of occurrences indicating that the loan is impaired. This can be information about bankruptcy or defaults.

A final write-off (loss) is recognised when it is evident that the loan will not be repaid and there is no collateral left to cover the loan. In such instances, any corresponding provision (write-down) will be reversed.

In certain instances, where there is lacks of data or sufficient information, the bank uses judgment based on credit experience in the assessment of expected credit loss. This includes, but is not limited to the following:

- For some portfolios, where there is not enough data or history to develop internal scoring models, the credit score information purchased from external credit reference agencies are used.
- In determining PDs, portfolio which are limited in size or have limited data, the estimate of expectation of default rates are computed as simple ratios based on historical observations at a total portfolio level rather than probabilities of default at a granular level.
- Expected life time of loan is determined by analysing historical performance in months on groups of loans taken from the initially recognition point to the time the cumulative bad rates flatten, i.e. none or li mited loans turn bad incrementally. In cases, where portfolios have not reached sufficient number of months after initial recognition, historical performance of similar loan are taken.
- In determining LGD for portfolios which are limited in size, have limited data or historical performance data, the bank utilizes information of similar portfolio if possible or judgment.
- As the bank has relatively limited history, despite best efforts, the determination of the impact of changes in macro-economic variables on the bank's defaults rates was not possible and hence the bank has utilized analysis published by Norges Bank which establishes the macroeconomic factors that drives the increase of problem loans in banks.
- In the banks analysis it was seen that using the historical performance data, changes in risk levels between origination and reporting date did not conclusively indicate a significant increase in credit risk. As such the bank judgmentally uses increase by greater than 2 risk classes compared to initial recognition, as the definition of significant increase in credit risk.

Nordea Direct has applied critical judgements in the preparation of the collective loan loss due to the significant uncertainties concerning the potential long-term impact of COVID-19 on the financial statements. Critical judgement has been applied in the assessment of when loans have experienced a significant increase in credit risk.

For further information, see note 31 Risk and risk management on write-downs and losses.

Equipment and intangible assets
Equipment and intangible assets are reviewed annually to ensure that the depreciation method and pe-

riod used match economic realities. The same applies to the residual value. Assets are written down if there is evidence of impairment.

Fair value of financial instruments
The fair value of financial instruments that are not traded in an active market (such as unlisted shares) is determined using valuation methods. These valuation methods are primarily based on the market conditions on the balance sheet date.

- Bonds are valued based on prices collected from Nordic Bond Pricing.
- Unlisted derivatives, including interest rate and foreign exchange instruments, are valued theoretically based on observable market data. Money market rates, swap rates, exchange rates and volatilities that form the basis for valuations are supplied by Bloomberg and Oslo Stock Exchange.

For further information, see note 25 Fair value of financial.

Amortised cost method
Market prices are used to price loans and receivables from credit institutions and loans to customers. The value of loans that have been written down is determined by discounting future cash -flows using the internal rate of return based on market conditions for equivalent loans that have not been written down. For further information, see note 25 Fair value of financial instruments.

Financial assets at fair value through other comprehensive income:
Financial assets held to receive contractual cash flows and for sale shall be measured at fair value with changes in value taken over other comprehensive income. Interest income and write-downs should be recorded in the ordinary result. Mortgage loans to customers in the parent company (Nordea Direct Bank ASA) is required to be measured at fair value over other comprehensive income, as loans can be held to maturity and sold to Nordea Direct Boligkreditt AS.

Pension liabilities
The present value of pension liabilities is calculated on the basis of actuarial and financial assumptions. Any change in the assumptions affects the estimated liability. A change in the discount rate is the assumption of most significance to the value of the pension liability. The discount rate and other assumptions are normally reviewed once a year when the actuarial calculations are performed, unless there have been significant changes during the year.

3. Segment information

The bank's primary target group consists of retail customers. This segment is composed of members of partner organisations, loyalty customers and other customers.

The bank also offers deposit and loan products to the business market. The volume related to these products is currently of a size that it is not reported as a separate segment.

The bank only operates in Norway and the reporting of secondary geographical segments provides little additional information. Loan assets are broken down geographically, however, in a separate note.

4. Net interest income

Parent Company			Consolidated	
2019	2020	NOKt	2020	2019
		Interest income etc, amortised cost		
7,777	2,556	Loans to credit institutions	2,557	7,782
1,322,473	867,669	Loans to the public	1,254,128	1,843,589
45,958	30,247	Other income		
1,376,207	**900,471**	**Total interest income etc, amortised cost**	**1,256,686**	**1,851,371**
		Interest income etc, fair value		
113,336	77,409	Interest-bearing securities	53,016	81,592
113,336	**77,409**	**Total interest income etc, fair value**	**53,016**	**81,592**
		Interest expenses		
84,980	101,961	Deposits by credit institutions	95,135	71,993
251,708	140,155	Deposits by the public	140,155	251,708
		Debt securities in issue		
201,778	126,562	- valued at amortised cost	320,896	541,569
13,537	7,256	Subordinated debt	7,256	13,537
11,373	21,443	Other interest expenses	21,629	11,373
563,376	**397,378**	**Total interest costs etc[2]**	**585,072**	**890,181**
926,167	**580,503**	**Net interest income**	**724,630**	**1,042,782**

5. Net commission income

Parent Company			Consolidated	
2019	2020	NOKt	2020	2019
		Commission income		
24,074	2,115	Commissions from saving products	2,115	24,074
316	268	Interbank fees	268	316
21,482	20,399	Card fees	20,399	21,482
7,617	4,909	Payment transactions	4,912	7,620
7,481	3,293	Loan fees	5,477	9,788
62,541	855	Other commission income	855	62,541
123,509	**31,840**	**Total commission income**	**34,027**	**125,819**
		Commission expenses		
788	471	Interbank fees	471	788
4,074	14,825	Payment transactions	14,825	4,074
174,710	44,902	Other commission expenses	44,902	174,710
179,572	**60,198**	**Total commission expenses**	**60,198**	**179,572**
-56,063	**-28,358**	**Total net commission**	**-26,171**	**-53,752**

6. Net gains on financial instruments at fair value

Parent Company			Consolidated	
2019	2020	NOKt	2020	2019
-17,484	136,467	Net income on foreign currency trading and financial derivatives	156,190	-37,119
-17,484	**136,467**	**Net income on financial instruments**	**156,190**	**-37,119**
4,527	-1,293	Net income on commercial paper and bonds	-3,701	4,607
	5,220	Net income on shares/ ownership interests	5,220	
26,254	-162,283	Net income on financial liabilities	-181,919	45,804
30,780	**-158,356**	**Net income on financial instruments measured at fair value**	**-180,400**	**50,411**
13,296	**-21,889**	**Net gains on financial instruments measured at fair value**	**-24,211**	**13,292**

7. Operating expenses

Parent Company			Consolidated	
2019	2020	NOKt	2020	2019
117,026	73,186	Wages, salaries, etc.	74,449	118,801
		Pension costs		
12,108	8,289	- defined contribution schemes	8,463	12,292
1,195	1,215	- defined benefit schemes	1,215	1,195
21,367	16,080	Employer's National Insurance contributions	16,360	21,655
6,046	912	Other staff-related costs	909	6,099
157,744	**99,682**	**Total staff costs**	**101,396**	**160,043**
115,227	88,611	IT expenses	89,075	115,682
67,997	28,580	Marketing etc.	28,580	67,997
22,657	23,066	Other administrative expenses	23,113	22,783
28,440	5,833	Consultancy fees	16,748	39,564
35,150	34,935	Other operating expenses	39,647	26,026
269,472	**175,197**	**Total other expenses**	**180,431**	**272,052**
26,147	15,690	Ordinary depreciation	15,690	26,147
453,362	**290,569**	**Total operating expenses**	**297,517**	**458,241**
		Auditor's fee (incl. VAT)		
950	681	Statutory audit	819	1,070
326	104	Other assurance services	232	445
		Other non-assurance services		
		Tax consultant services		
1,276	**785**	**Total payments to auditor**	**1,051**	**1,515**
114	107	Number of employees	108	115
142	107	Average numbres of employees	108	143

7. Operating expenses (cont.)

Salary and other benefits paid to management and governing bodies in 2020

NOKt Name and position	Fixed salary/ fee	Earned variable salary	Other benefits	Rights earned in the finan-cial year according to pension plan	Loans	Interest rate	The current Re-payment schedule
Senior executives							
Krister Georg Aanesen, CEO[1]	1,477	692	82	291			
Stig Heide, Deputy CEO	1,504	549	163	216	3,226	1.49%	25.10.2043
Cristina Zgherea, CFO (22.6-31.12)	687		103	176			
Teemu Alaviitala, CFO (1.1-31.7)	1,339	623	95	186			
Tor Egil Nedrebø, Retail Banking, Treasury and Branch Manager	1,556	648	163	213	2,669	2.30%	25.10.2036
Ole Bjørn Harang, Consumer Finance, Sales and Distribution	1,502	320	192	290			
Mats Fjeldtvedt, Credit Risk Director (1.1-30.6)	673	50	46	133			
Jan Kåre Raae, CEO Nordea Direct Boligkreditt AS	1,284	449	23	187			
The Board							
Randi Marjamaa, Chairman (8.6-31.12)							
John Arne Sætre, Chairman (1.1-7.6)							
Sjur Loen							
Marte Kopperstad							
Per Kumle	197						
Mona Eek-Jensen	42						
Hans Jacob Starheim, employee repr.[2]	53						
Total for senior executives and the Board	**10,315**	**3,331**	**868**	**1,692**	**5,895**		

The company pays no other remuneration to the CEO and has not committed itself to giving special consideration to the CEO or chair upon termination of their appointment.

The stated remuneration applies to the period in which he / she has held the position.

[1]Employment moved to Nordea Bank Apb 1.7. Stated remuneration applies for period 1.1-30.6.

[2]For staff representatives only remuneration for the current position is stated.

7. Operating expenses (cont.)

Salary and other benefits paid to management and governing bodies in 2019

NOKt Name and position	Fixed salary/ fee	Earned variable salary	Other benefits	Rights earned in the finan-cial year according to pension plan	Loans	Interest rate	The current Re-payment schedule
Senior executives							
Krister Georg Aanesen, CEO	2,494	1,994	166	265			
Stig Heide, Deputy CEO	1,417	850	163	184	3,338	2.65%	20.10.2043
Teemu Alaviitala, CFO	1,600	1,422	162	187			
Lene Steinum, Technology Director	1,294	763	204	173	4,301	2.59%	20.5.2044
Tor Egil Nedrebø, Retail Banking, Treasury and Branch Manager	1,451	928	164	178	2,807	2.30%	20.11.2039
Ole Bjørn Harang, Consumer Finance, Sales and Distribution	1,416	844	173	201			
Alexander von Hirsch, Marketing Director	1,081	581	164	149	5,974	2.65%	20.11.2046
Mats Fjeldtvedt, Credit Risk Director	1,235	381	68	171			
Jan Kåre Raae, CEO Gjensidige Bank Boligkreditt AS	1,200	797	22	170			
Rajeev Prabhu, Credit Risk Director (1.1-30.4)	675	929	42	167	4,223	2.81%	20.7.2037
Nina Felicity Mydske, Operations Director (1.1-31.10)	1,093	764	138	166			
Trond Nyhus, Car Finance Director (1.1-31.10)	1,206	817	136	167			
The Board							
John Arne Sætre, Chairman (1.3-31.12)							
Sjur Loen (1.3-31.12)							
Marte Kopperstad (1.3-31.12)							
Per Kumle	45						
Mona Eek-Jensen (15.10-31.12)							
Marianne Broholm Einarsen (1.1-14.10)	192						
Hans Jacob Starheim, employee repr.[1]	19						
Mats Gottschalk, Chairman (1.1-28.2)							
Anita Gundersen (1.1-28.2)							
Janneke Tranås Hjorth (1.1-28.2)							
Total for senior executives and the Board	**16,419**	**11,068**	**1,602**	**2,178**	**20,643**		

The company pays no other remuneration to the CEO and has not committed itself to giving special consideration to the CEO or chair upon termination of their appointment.

The stated remuneration applies to the period in which he / she has held the position.

[1]For staff representatives only remuneration for the current position is stated.

7. Operating expenses (cont.)

Declaration from the board regarding salaries and other remuneration

Nordea Direct Bank ASA remuneration policies

The bank has established a remuneration scheme that applies to all employees. The bank is covered by the Nordea Group's guidelines for remuneration scheme. The remuneration schemes are disclosed in more detail in the Nordea Group's annual report. The bank is also subject to the rules on remuneration schemes in the Financial Undertakings Regulations.

The Groups policy shall support the bank to attract, develop and retain motivated, competent and performance-oriented employees. Ensure that employees are offered a competitive and marked aligned total reward offering. The policy shall support sustainable results and the long-term interest of the shareholders and ensure that remunerations is aligned with efficient risk management, the groups purpose and values and regulations. Remuneration to employees shall not encourage excessive risk-taking or counteract the Groups long-term interest. An upper limit for variable remuneration applies.

The determination of which functions of the company that shall be defined as employees with tasks of crucial importance for the company's risk exposure, both qualitative criteria related to the role and quantitative criteria related to the level of remuneration is to be taken into account.

Decision-making process

The Board of Nordea Direct Bank ASA serves as the bank's remuneration Committee. It is primarily responsible for:

- The Board's annual statement on Nordea Direct Banks's remuneration policy
- The annual evaluation of matters concerning salary and other remuneration to the CEO
- Guidelines for salary and other remuneration to executive personnel
- Statement of salary and other remuneration to executive personnel, including:
  o Guidelines for determining salary and other remuneration for the coming fiscal year
  o Statement of the remuneration policy that has taken place during the previous financial year, including how the guidelines for the remuneration of employees have been implemented
  o Statement of impact on the company and owners of implementation / changes in incentive schemes relating to shares
- Other important personnel matters relating to executive personnel
- Board's handling of completed HR processes, including talent and successor development and strategic staffing control

Guidelines for the upcoming financial year
Remuneration of the CEO

For the upcoming financial year, the CEO will receive his remuneration from Nordea Bank Apb, Norway.

Remuneration of executive personnel and employees who can materially influence the Group's risk

Remuneration of the senior group management is stipulated by the CEO, in accordance with limits discussed with the remuneration committee and on the basis of guidelines issued by the Board.
Correspondingly, Nordea's guidelines are used as the basis for other executive personnel and employees who can materially influence risk.

The overall remuneration is decided on the basis of the need to attract, develop and retain motivated, competent and performance-oriented employees and to ensure that employees are offered a competitive and marked aligned total reward offering.

The fixed salary is assessed and stipulated annually on the basis of wage growth in society in general and in the financial industry in particular.

A limited number of managers have been offered Variable Salary Part (VSP). VSP reward performance meeting agreed predetermined targets on Group, business unit and individual level. The effect on the long-term result is to be considered when determining the targets. For Identified Staff, VSP awards are partly delivered in financial instruments. Parts of awards for Identified Staff in VSP are subject to a three year pro-rata deferral period with forfeiture conditions applying during the deferral period.

After consulting with the remuneration committee, the CEO may make exceptions for special positions if this is necessary to be able to offer competitive terms. Payments in kind to executive personnel shall be related to their function in the Group, and otherwise be in line with the Groups guidelines for remuneration.

The Company's executives have a retirement age of 70, except for the Director Distribution whose retirement age is 65 years.

The Director Distribution has a defined benefit pension scheme that has been carried over from previous employment in Gjensidige Forsikring ASA. For other employees, there is a defined contribution plan for salaries up to 12 G (the National Insurance basic amount).

8. Tax expense

Parent Company			Consolidated	
2019	**2020**	**NOKt**	**2020**	**2019**
46,212	46,688	Tax payable	79,050	69,735
1,762	-7,745	Change in deferred tax/tax assets	-8,446	3,777
6,729	4,723	Recognised directly on equity	4,723	6,729
54,703	**43,666**	**Tax expense**	**75,327**	**80,241**
		Reconciliation of tax expense		
216,290	169,719	Profit/ (loss) before tax expense	296,365	318,442
54,073	42,430	Expected tax at nominal tax rate of 25%	74,091	79,611
26		Tax effect of permanent differences		26
604	1,236	Profit and loss OCI	1,236	604
54,703	**43,666**	**Tax expense**	**75,327**	**80,241**
25%	26%	The average effective tax rate	25%	25%
		Deferred tax assets		
		Deferred tax assets arising from temporary differences		
6,954	7,731	- Pension liabilities	7,731	6,954
5,479	7,140	- Current assets	7,147	5,489
-2,327	4,275	- Financial instruments	5,212	-2,093
10,106	**19,146**	**Net deferred tax assets**	**20,090**	**10,349**
		Net changes in deferred tax assets/ deferred tax through profit or loss are as follows:		
-1,214	-777	Pension liabilities	-777	-1,214
-968	-1,661	Current assets	-1,658	-964
	-6,601	Financial instruments	-7,305	
	1,295	Adjustments previous years	1,295	
5,225	**-7,745**	**Total**	**-8,446**	**7,240**
		Tax payable and deferred tax recognised directly in equity		
-6,729	-4,723	Tax payable and deferred tax recognised directly in equity	-4,723	-6,729
-6,729	**-4,723**	**Total**	**-4,723**	**-6,729**

Deferred tax assets resulting from loss carryforwards are only recognised to the extent that it is probable that they will be realised. Deferred tax assets and deferred tax are offset and the net amount is entered when this is permitted by legislation and the amounts relate to the same tax authority.

9. Intangible assets

Consolidated NOKt	Capitalised project costs	Capitalised software	Total
Cost or adjusted value 1 Jan 2020	82,062	144,240	226,302
Acquired		2,246	2,246
Disposed of		-537	-537
Cost or adjusted value 31 Dec 2020	**82,062**	**145,949**	**228,011**
Accumulated depreciation and write-downs 1 Jan 2020	82,062	118,526	200,588
Depreciation for the year		14,794	14,794
Write-downs for the year			
Accumulated depreciation and write-downs 31 Dec 2020	**82,062**	**133,321**	**215,383**
Carrying value 31 Dec 2020		**12,629**	**12,629**
Cost or adjusted value 1 Jan 2019	82,062	132,596	214,658
Acquired		18,479	18,479
Disposed of		-6,835	-6,835
Cost or adjusted value 31 Dec 2019	**82,062**	**144,240**	**226,302**
Accumulated depreciation and write-downs 1 Jan 2019	82,062	98,343	180,405
Depreciation for the year		20,183	20,183
Write-downs for the year			
Accumulated depreciation and write-downs 31 Dec 2019	**82.062**	**118,526**	**200,588**
Carrying value 31 Dec 2019		**25,714**	**25,714**
Amortisation method	Straight-line	Straight-line	
Useful life	6-10 years	3 years	

9. Intangible assets (cont.)

Parent Company NOKt	Capitalised project costs	Capitalised software	Total
Cost or adjusted value 1 Jan 2020	82,062	142,316	224,378
Acquired		2,246	2,246
Disposed of		-537	-537
Cost or adjusted value 31 Dec 2020	**82,062**	**144,025**	**226,087**
Accumulated depreciation and write-downs 1 Jan 2020	82,062	116,602	198,664
Depreciation for the year		14,794	14,794
Write-downs for the year			
Accumulated depreciation and write-downs 31 Dec 2020	**82,062**	**131,396**	**213,458**
Carrying value 31 Dec 2020		**12,629**	**12,629**
Cost or adjusted value 1 Jan 2019	82,062	130,672	212,734
Acquired		18,479	18,479
Disposed of		-6,835	-6,835
Cost or adjusted value 31 Dec 2019	**82,062**	**142,316**	**224,378**
Accumulated depreciation and write-downs 1 Jan 2019	82,062	96,419	178,481
Depreciation for the year		20,183	20,183
Write-downs for the year			
Accumulated depreciation and write-downs 31 Dec 2019	**82.062**	**116,602**	**198,664**
Carrying value 31 Dec 2019		**25,714**	**25,714**
Amortisation method	Straight-line	Straight-line	
Useful life	6-10 years	3 years	

10. Fixed assets

(Figures relate to Nordea Direct Bank ASA as there are no differences between the parent company and Group)

Parent Company NOKt	Improvements to leased premises	Machinery, fixtures, fittings and vehicles	Total
Cost or adjusted value 1 Jan 2020	5,834	9,613	15,447
Acquired			
Disposed of			
Cost or adjusted value 31 Dec 2020	**5,834**	**9,613**	**15,447**
Accumulated depreciation and write-downs 1 Jan 2020	5,834	7,325	13,158
Depreciation for the year		896	896
Write-downs for the year			
Accumulated depreciation and write-downs 31 Dec 2020	**5,834**	**8,220**	**14,054**
Carrying value 31 Dec 2020		**1,393**	**1,393**
Cost or adjusted value 1 Jan 2019	5,834	10,083	15,917
Acquired		45	45
Disposed of		-515	-515
Cost or adjusted value 31 Dec 2019	**5,834**	**9,613**	**15,447**
Accumulated depreciation and write-downs 1 Jan 2019	5,834	6,101	11,935
Depreciation for the year		1,223	1,223
Write-downs for the year			
Accumulated depreciation and write-downs 31 Dec .2019	**5,834**	**7,325**	**13,158**
Carrying value 31 Dec 2019		**2,289**	**2,289**
Useful life	4 years	5 years	

11. Interest-bearing securities

Parent Company			Consolidated	
31 Dec 2019	**31 Dec 2020**	**NOKt**	**31 Dec 2020**	**31 Dec 2019**
842,432	849,674	Short-term government bonds	961,638	928,632
6,185,594	4,423,966	Covered bonds	3,108,125	3,767,916
617,160	610,067	Money market funds and other securities	610,067	617,160
7,645,186	**5,883,707**	**Total**	**4,679,830**	**5,313,708**
7,645,186	5,883,707	Stock exchange listed securities	4,679,830	5,313,708
		Unlisted securities		
7,645,186	**5,883,707**	**Total**	**4,679,830**	**5,313,708**

The maximum credit exposure of financial assets for Nordea Direct Bank ASA and Nordea Direct Bank Group valued at fair value through profit or loss constituted NOK 5,883.7m (NOK 4,679.4m) as of 31 December 2020 and NOK 7,645.2m (NOK 5,313.7m) as of 31 December 2019.

12. Financial derivatives

Financial derivatives are linked to underlying amounts which are not carried on the balance sheet. In order to quantify the volume of derivatives, reference is made to gross nominal volume and the like.

For interest derivatives, an asset position implies a positive change in value if interest rates are reduced . An asset position in a currency derivative generates a positive change in value if the exchange rate against the NOK sees an increase.

Consolidated **NOKt** **31 Dec 2020**	**Gross nominal volume**	**Carrying amount assets**	**Carrying amount liabilities**
Interest rate swaps	6,640,000	185,465	32,029
Currency swaps	195,600	13,859	
Total	**6,835,600**	**199,324**	**32,029**

Consolidated **NOKt** **31 Dec 2019**	**Gross nominal volume**	**Carrying amount assets**	**Carrying amount liabilities**
Interest rate swaps	8,360,000	50,037	49,336
Currency swaps	195,600	510	6,640
Total	**8,555,600**	**50,547**	**55,976**

Parent company **NOKt** **31 Dec 2020**	**Gross nominal volume**	**Carrying amount assets**	**Carrying amount liabilities**
Interest rate swaps	6,040,000	129,380	28,910
Currency swaps	195,600	13,859	
Total	**6,235,600**	**143,239**	**28,910**

Parent company **NOKt** **31 Dec 2019**	**Gross nominal volume**	**Carrying amount assets**	**Carrying amount liabilities**
Interest rate swaps	6,910,000	9,408	45,250
Currency swaps	195,600	510	6,640
Total	**7,105,600**	**9,918**	**51,890**

Net cash paid as security for derivative liability was NOK 141.0m as of 31. December 2020 and NOK 28.8m as of 31 December 2019.

13. Loans to and receivables from credit institutions

Parent Company			Consolidated	
31 Dec 2019	31 Dec 2020	NOKt	31 Dec 2020	31 Dec 2019
		Loans to credit institutions		
545,174	347,245	Loans without an agreed term to maturity	347,838	545,647
1,732,406	5,277,975	Loans with an agreed term to maturity	3,062	4,217
2,277,580	**5,625,219**	**Gross loans to credit institutions**	**350,899**	**549,864**
		Write-downs		
2,277,580	**5,625,219**	**Net loans to credit institutions**	**350,899**	**549,864**
		Deposits by credit institutions		
513,246	449,027	Deposits by credit institutions without agreed terms or notice periods		
2,956,000	15,831,000	Deposits by credit institutions with agreed terms or notice periods	15,831,000	2,956,000
3,469,246	**16,280,027**	**Deposits by credit institutions**	**15,831,000**	**2,956,000**

14. Loans to and receivables from customers

Parent Company			Consolidated	
31 Dec 2019	31 Dec 2020	NOKt	31 Dec 2020	31 Dec 2019
		Loans to the public		
6,766,941	5,716,086	Loans to the public, amortised cost	50,708,573	43,203,811
14,572,164	23,168,981	Loans to the public, fair value over other comprehensive income		
21,339,106	**28,885,067**	**Gross loans to and receivables from customers**	**50,708,573**	**43,203,811**
-380,657	-161,427	Write-downs on loans, amortised cost, collectively reviewed for impairment	-169,591	-385,807
-5,977	-11,767	Write-downs on loans, fair value over OCI		
2,416	4,944	Change in value, fair value over OCI		
20,954,888	**28,716,816**	**Loans to the public**	**50,538,982**	**42,818,003**

15. Loans by geographic area

Parent Company					Consolidated			
31 Dec 2019		31 Dec 2020		NOKt	31 Dec 2020		31 Dec 2019	
Loans	Per cent	Loans	Per cent	Loans by county	Loans	Per cent	Loans	Per cent
564,154	2.6 %	814,697	2.8 %	Agder	1,243,468	2.5 %	952,035	2.2 %
1,384,686	6.5 %	1,515,765	5.2 %	Innlandet	2,211,744	4.4 %	2,207,815	5.1 %
626,668	2.9 %	802,500	2.8 %	Møre og Romsdal	1,207,217	2.4 %	1,082,270	2.5 %
658,036	3.1 %	1,062,753	3.7 %	Nordland	1,489,872	2.9 %	1,058,839	2.5 %
3,941,702	18.5 %	5,068,816	17.5 %	Oslo	10,226,325	20.2 %	9,141,332	21.2 %
1,772,362	8.3 %	2,296,433	8.0 %	Rogaland	3,606,354	7.1 %	3,165,965	7.3 %
1,234,638	5.8 %	1,884,118	6.5 %	Vestfold and Telemark	2,982,695	5.9 %	2,279,255	5.3 %
897,760	4.2 %	1,421,419	4.9 %	Troms and Finnmark	2,262,974	4.5 %	1,629,469	3.8 %
1,801,712	8.4 %	2,351,384	8.1 %	Trøndelag	4,264,186	8.4 %	3,941,843	9.1 %
2,363,501	11.1 %	3,355,080	11.6 %	Vestland	5,576,608	11.0 %	4,604,162	10.7 %
6,045,035	28.3 %	8,271,462	28.6 %	Viken	15,547,874	30.7 %	13,026,107	30.2 %
48,852	0.2 %	40,639	0.1 %	Svalbard, abroad	89,256	0.2 %	114,718	0.3 %
21,339,106	**100.0 %**	**28,885,067**	**100.0 %**	**Total gross loans by county**	**50,708,573**	**100.0 %**	**43,203,811**	**100.0 %**

16. Write-downs and losses on loans

Parent Company			Consolidated	
31 Dec 2019	31 Dec 2020	NOKt	31 Dec 2020	31 Dec 2019
		Write-downs and losses for the period		
195,599	-215,968	+/- Changes in Expected credit loss (ECL)[1,2]	-216,217	195,979
10,305	301,719	+ Write-off during the period[3]	301,719	10,305
21,790	1,308	- Payments on previously written-off accounts	1,308	21,790
227,695	**87,060**	**Write-downs and losses for the period**	**86,810**	**228,074**
		Loss allowance		
328,214	384,218	Loss allowance at the start of the period	385,807	329,424
56,003	-215,968	+/- Change in loss allowance for the period[1,2]	-216,217	56,383
384,218	**168,250**	**Loss allowance at the end of the period**	**169,591**	**385,807**
		Defaulted loans		
575,247	88,600	Gross default over 90 days	94,866	580,281

[1] NOK 139,597m transfered to Nordea Finans Norge AS in 2019

[2] NOK 337.446m reversal relating to portfolio sale in 2020

[2] NOK 255.080m relating to portfolio sale in 2020

Parent Company			Consolidated	
31 Dec 2019	31 Dec 2020	NOKt	31 Dec 2020	31 Dec 2019
		Losses by sector and industry		
210,597	87,060	Private individuals	86,810	210,976
17,098		Commercial business		17,098
227,695	**87,060**	**Total losses by sector and industry**	**86,810**	**228,074**

16. Write-downs and losses on loans (cont.)

Credit quality by risk group

Consolidated

31 Dec 2020 NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Loans to and claims on customers				
Low	47,809,339	2,791	15,486	47,827,617
Medium	1,249,473	373,506	9,578	1,632,557
High	414,461	698,657	57,493	1,170,611
Not classified	2,299	347	1	2,646
Impaired and written down			97,866	97,866
Adjustment	-22,724			-22,724
Total	**49,452,848**	**1,075,302**	**180,423**	**50,708,573**
Loss allowance	68,382	51,175	50,034	169,591
Total net	**49,384,466**	**1,024,127**	**130,389**	**50,538,982**

Consolidated

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	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**

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

Loans to and claims on customers by past due status

	31 Dec 2020		31 Dec 2019	
Consolidated **NOKt**	**Gross carrying amount**	**Loss allowance**	**Gross carrying amount**	**Loss allowance**
0-29 days	50,447,842	100,323	42,467,867	70,486
30-59 days	122,768	28,125	109,557	18,161
60-89 days	43,098	10,408	46,106	13,902
90+ days	94,866	30,736	580,281	283,258
Total	**50,708,573**	**169,591**	**43,203,811**	**385,807**

16. Write-downs and losses on loans (cont.)

Credit quality by risk group

Parent Company

31 Dec 2020 **NOKt**	**Stage 1** **12-month ECL**	**Stage 2** **lifetime ECL**	**Stage 3** **lifetime ECL**	**Total**
Loans to and claims on customers				
Low	25,431,982	2,791	12,995	25,447,768
Medium	1,246,571	329,564	7,599	1,583,734
High	412,328	611,026	48,842	1,072,196
Not classified	1,379	347	1	1,726
Impaired and written down			91,600	91,600
Adjustment	688,043			688,043
Total	**27,780,302**	**943,728**	**161,036**	**28,885,067**
Loss allowance	67,782	50,844	49,625	168,250
Total net	**27,712,521**	**892,884**	**111,411**	**28,716,816**

Parent Company

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	17,836,632	342	12,504	17,849,477
Medium	1,135,770	337,142	8,531	1,481,443
High	513,179	840,554	44,923	1,398,656
Not classified	3,533	159	43	3,735
Impaired and written down	959	6	583,790	584,755
Adjustment	21,039			21,039
Total	**19,511,112**	**1,178,203**	**649,791**	**21,339,106**
Loss allowance	31,518	47,342	305,358	384,218
Total net	**19,479,594**	**1,130,861**	**344,433**	**20,954,888**

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

Loans to and claims on customers by past due status

	31 Dec 2020		**31 Dec 2019**	
Parent Company **NOKt**	**Gross carrying amount**	**Loss allowance**	**Gross carrying amount**	**Loss allowance**
0-29 days	28,639,233	99,369	20,618,695	69,071
30-59 days	119,751	28,063	102,875	18,090
60-89 days	37,484	10,196	42,289	13,878
90+ days	88,600	30,622	575,247	283,179
Total	**28,885,067**	**168,250**	**21,339,106**	**384,218**

16. 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

Consolidated **NOKt**	**Stage 1** **12-month ECL**	**Stage 2** **lifetime ECL**	**Stage 3** **lifetime ECL**	**Total balance** **sheet allowance**
Loss allowance as at 1 Jan 2020	**31,998**	**47,456**	**306,354**	**385,807**
Transfer to stage 1	2,945	-8,311	-1,630	-6,996
Transfer to stage 2	-2,440	24,238	-831	20,967
Transfer to stage 3	-1,421	-1,953	22,078	18,705
New Financial assets originated during the period	26,861	11,730	7,170	45,761
Financial assets that have been derecognised	-5,482	-7,755	-21,785	-35,022
Management judgement due to Covid-19, payment reliefs		13,103		13,103
Additional Management judgement due to Covid-19	17,025			17,025
Portfolio sale	-1,685	-18,997	-257,485	-278,168
Changes in balance with no transfer between stages	582	-8,335	-3,837	-11,591
Loss allowance as at 31 Dec 2020	**68,382**	**51,175**	**50,034**	**169,591**
of which mortgage	5,796	4,258	8,113	18,167
of which credit card	7,986	1,026	6,807	15,819

Consolidated **NOKt**	**Stage 1** **12-month ECL**	**Stage 2** **lifetime ECL**	**Stage 3** **lifetime ECL**	**Total balance** **sheet 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**
of which mortgage	3,086	1,249	9,649	13,984
of which credit card	8,680	970	28,219	37,869

16. Write-downs and losses on loans (cont.)

NOKt	31 Dec 2020	31 Dec 2019
Stage 1	68,382	31,998
Stage 2	51,175	47,456
Stage 3	50,034	306,354
Total	**169,591**	**385,807**
Stage 1	40.3%	8.3%
Stage 2	30.2%	12.3%
Stage 3	29.5%	79.4%
Total	**100.0%**	**100.0%**

Loss allowance

Parent Company NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total balance sheet allowance
Loss allowance as at 1 Jan 2020	**31,518**	**47,341**	**305,358**	**384,217**
Transfer to stage 1	2,917	-8,287	-1,625	-6,996
Transfer to stage 2	-2,382	24,033	-685	20,967
Transfer to stage 3	-1,218	-1,910	21,832	18,705
New Financial assets originated during the period	26,679	11,705	7,170	45,554
Financial assets that have been derecognised	-5,334	-7,696	-21,741	-34,771
Management judgement due to Covid-19, payment reliefs		13,103		13,103
Additional Management judgement due to Covid-19	17,025			17,025
Portfolio sale	-1,685	-18,997	-257,485	-278,168
Changes in balance with no transfer between stages	262	-8,449	-3,198	-11,385
Loss allowance as at 31 Dec 2020	**67,782**	**50,844**	**49,625**	**168,250**
of which mortgage	5,196	3,927	7,703	16,827
of which credit card	7,986	1,026	6,807	15,819

Parent Company NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total balance sheet allowance
Loss allowance as at 1 Jan 2019	**45,497**	**40,217**	**242,500**	**328,214**
Transfer to stage 1	2,157	-7,116	-1,860	-6,819
Transfer to stage 2	-2,193	25,453	-134	23,126
Transfer to stage 3	-2,708	-14,751	121,634	104,175
New Financial assets originated during the period	5,656	19,047	25,844	50,547
Financial assets that have been derecognised	-22,268	-16,223	-41,828	-80,319
Changes in balance with no transfer between stages	5,376	715	-40,797	-34,706
Loss allowance as at 31 Dec 2019	**31,518**	**47,342**	**305,358**	**384,218**
of which mortgage	2,606	1,134	8,654	12,394
of which credit card	8,680	970	28,219	37,869

16. Write-downs and losses on loans (cont.)

NOKt	31 Dec 2020	31 Dec 2019
Stage 1	67,782	31,518
Stage 2	50,844	47,342
Stage 3	49,625	305,358
Total	**168,250**	**384,218**
Stage 1	40.3%	8.2%
Stage 2	30.2%	12.3%
Stage 3	29.5%	79.5%
Total	**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

Consolidated NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Gross carrying amount as at 1 Dec 2020	**41,121,650**	**1,407,959**	**674,202**	**43,203,811**
Transfer to stage 1	495,937	-484,115	-11,822	
Transfer to stage 2	-370,191	378,874	-8,683	
Transfer to stage 3	-60,643	-29,170	89,813	
New financial assets originated	21,632,175	338,142	19,300	21,989,617
Financial assets that have been derecognised	-11,688,632	-375,755	-58,342	-12,122,729
Change in balances due to payments	-1,564,932	-69,610	-8,202	-1,642,744
Portfolio sale	-67,784	-85,763	-496,781	-650,328
Other changes [1]	-44,731	-5,261	-19,061	-69,053
Gross carrying amount as at 31 Dec 2020	**49,452,848**	**1,075,302**	**180,423**	**50,708,573**
Loss allowance as at 31 Dec 2020	68,382	51,175	50,034	169,591

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

16. Write-downs and losses on loans (cont.)

Consolidated NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Gross carrying amount as at 1 Dec 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

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

Loans to and claims on customers

Consolidated NOKt	31 Dec 2020	31 Dec 2019
Stage 1	49,452,848	41,121,650
Stage 2	1,075,302	1,407,959
Stage 3	180,423	674,202
Total	**50,708,573**	**43,203,811**
Stage 1	97.5%	95.2%
Stage 2	2.1%	3.3%
Stage 3	0.4%	1.6%
Total	**100.0%**	**100.0%**

16. Write-downs and losses on loans (cont.)

Loans to and claims on customers

Parent Company NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Gross carrying amount as at 1 Jan 2020	**19,511,112**	**1,178,203**	**649,791**	**21,339,106**
Transfer to stage 1	360,602	-356,887	-3,715	
Transfer to stage 2	-301,687	307,256	-5,569	
Transfer to stage 3	-51,861	-26,881	78,743	
New financial assets originated	14,017,955	317,831	19,300	14,355,085
Financial assets that have been derecognised	-5,643,770	-319,808	-53,898	-6,017,476
Change in balances due to payments	-710,295	-64,960	-7,774	-783,030
Portfolio sale	-67,784	-85,763	-496,781	-650,328
Other Changes [1]	666,032	-5,261	-19,061	641,710
Gross carrying amount as at 31 Dec 2020	**27,780,302**	**943,728**	**161,036**	**28,885,067**
Loss allowance as at 31 Dec 2020	67,782	50,844	49,625	168,250

Parent Company NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Gross carrying amount as at 1 Jan 2019	**25,371,270**	**896,433**	**666,154**	**26,933,857**
Transfer to stage 1	220,340	-213,946	-6,394	
Transfer to stage 2	-462,341	462,587	-246	
Transfer to stage 3	-208,425	-73,490	281,915	
New financial assets originated	10,239,083	574,131	64,354	10,877,569
Financial assets that have been derecognised	-13,440,871	-436,157	-347,996	-14,225,024
Change in balances due to payments	-700,768	-21,498	-18,244	-740,510
Other Changes [1]	-1,507,177	-9,857	10,248	-1,506,786
Gross carrying amount as at 31 Dec 2019	**19,511,112**	**1,178,203**	**649,791**	**21,339,106**
Loss allowance as at 31 Dec 2019	31,518	47,342	305,358	384,218

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

Loans to and claims on customers

Parent Company NOKt	31 Dec 2020	31 Dec 2019
Stage 1	27,780,302	19,511,112
Stage 2	943,728	1,178,203
Stage 3	161,036	649,791
Total	**28,885,067**	**21,339,106**
Stage 1	96.2%	91.4%
Stage 2	3.3%	5.5%
Stage 3	0.6%	3.0%
Total	**100.0%**	**100.0%**

17. Customer deposits

	31 Dec 2020		31 Dec 2019	
NOKt	**Deposits**	**Per cent**	**Deposits**	**Per cent**
Deposits from/ debt to customers w/o agreed term to maturity	12,837,942	89.2 %	14,836,982	85.7 %
Deposits from/ debt to customers with agreed term to maturity	1,553,600	10.8 %	2,469,541	14.3 %
Total	**14,391,542**	**100.0 %**	**17,306,523**	**100.0 %**
Average interest rate 31 Dec		0.9 %		1.2%
Deposits covered by deposit guarantee	12,354,157	85.8 %	13,128,487	75.9 %
Deposits by sector and industry				
Retail market	12,665,871	88.0 %	13,306,516	76.9 %
Other	1,725,671	12.0 %	4,000,008	23.1 %
Total deposits by sector and industry	**14,391,542**	**100.0 %**	**17,306,523**	**100.0 %**
Deposits by county				
Agder	426,283	3.0 %	488,662	2.8 %
Innlandet	855,325	5.9 %	1,014,062	5.9 %
Møre og Romsdal	473,420	3.3 %	612,300	3.5 %
Nordland	456,944	3.2 %	582,495	3.4 %
Oslo	2,792,926	19.4 %	3,810,835	22.0 %
Rogaland	904,349	6.3 %	1,167,345	6.7 %
Vestfold andTelemark	703,949	4.9 %	819,171	4.7 %
Troms and Finnmark	518,210	3.6 %	549,401	3.2 %
Trøndelag	1,328,284	9.2 %	1,407,718	8.1 %
Vestland	1,643,689	11.4 %	2,143,047	12.4 %
Viken	4,153,809	28.9 %	4,570,123	26.4 %
Svalbard, abroad	134,353	0.9 %	141,364	0.8 %
Total deposits by county	**14,391,542**	**100.0 %**	**17,306,523**	**100.0 %**

Figures relates to Nordea Direct Bank ASA as there are no differences between the parent company and Group.

18. Liabilities opened for the issue of securities

Parent Company			Consolidated	
31 Dec 2019	31 Dec 2020	NOKt	31 Dec 2020	31 Dec 2019
		Liabilities opened for the issue of securities		
3,141,309	2,358,923	Bond debt[1]	15,484,240	18,019,689
-250,000		- Own non-amortised certificates/bonds		-250,000
2,891,309	**2,358,923**	**Total liabilities opened for the issue of securities**	**15,484,240**	**17,769,689**
		Liabilities opened for the issue of securities		
5,308,898	4,822,158	Bond debt[1]	5,475,105	6,795,521
5,308,898	**4,822,158**	**Total liabilities included in fair value hedge**	**5,475,105**	**6,795,521**
8,200,207	**7,181,081**	**Total liabilities opened for the issue of securities**	**20,959,345**	**24,565,210**

[1]Minus covered bonds held by Nordea Direct Bank ASA issued by Nordea Direct Boligkreditt AS with a nominal value of NOK 1,389.0m as of 31 December 2020. The cover pool market value was NOK 2,038.7m.

The bank considers that changes in the value of the debt securities come from general changes in credit spreads and risk-free rate in the financial market.

The method used to assess the specific credit risk is to compare the pricing / credit spreads on the bank's commercial paper and bond debt with the pricing / credit spreads of other Norwegian certificate / bond equivalent issuers.

19. Liabilities from financing activitites

Consolidated NOKt	1 Jan 2020	Cash flow	Non cash flow Exchange rate changes	Non cash flow Other changes	31 Dec 2020
Deposits by credit institutions	2,956,000	12,875,000			15,831,000
Debt securities in issue	24,565,210	-4,163,805	-19,707	577,647	20,959,345
Subordinated debt	299,887	-107,187		7,256	199,956
Total liabilities from financing activities	**27,821,097**	**8,604,007**	**-19,707**	**584,904**	**36,990,301**

Consolidated NOKt	1 Jan 2019	Cash flow	Non cash flow Exchange rate changes	Non cash flow Other changes	31 Dec 2019
Deposits by credit institutions		2,956,000			2,956,000
Debt securities in issue	29,382,398	-5,200,747	4,992	378,567	24,565,210
Subordinated debt	549,794	-263,445		13,537	299,887
Total liabilities from financing activities	**29,932,192**	**-2,508,192**	**4,992**	**392,105**	**27,821,097**

Parent Company NOKt	1 Jan 2020	Cash flow	Non cash flow Exchange rate changes	Non cash flow Other changes	31 Dec 2020
Deposits by credit institutions	3,469,246	12,810,781			16,280,027
Debt securities in issue	8,200,207	-1,273,576	-19,707	274,157	7,181,081
Subordinated debt	299,887	-107,187		7,256	199,956
Total liabilities from financing activities	**11,969,339**	**11,430,018**	**-19,707**	**281,413**	**23,661,064**

Parent Company NOKt	1 Jan 2019	Cash flow	Non cash flow Exchange rate changes	Non cash flow Other changes	31 Dec 2019
Deposits by credit institutions	382,327	3,086,919			3,469,246
Debt securities in issue	10,106,188	-1,953,242	4,992	42,269	8,200,207
Subordinated debt	549,794	-263,445		13,537	299,887
Total liabilities from financing activities	**11,038,309**	**870,232**	**4,992**	**55,806**	**11,969,339**

20. Hedge accounting

The bank's criteria for classifying a derivative as a hedging instrument are as follows:

1. When entering into a hedge, the correlation between the hedge instrument and the hedged object is documented. In addition the hedge's goal and strategy is documented.
2. The hedge is expected to be highly effective by offsetting changes in the fair value of an identified object.
3. The effectiveness of the hedge can be reliably measured.
4. There is adequate documentation when entering into a hedge that, among other things, shows that the hedging is effective.
5. The hedge is evaluated regularly and has proven to be effective for the accounting period , i.e. within the range 80-125%.

Fair value hedges

The bank uses fair value hedges to manage its interest rate risk. Hedging is carried out to hedge against fluctuations in the value of issued fixed rate bonds due to changes in interest rates. Interest rate swaps designated as hedging instruments are measured at fair value, and changes in fair value are recognised in the income statement. For the hedged item, the fixed rate bond, the change in fair value attributable to the hedged risk is accounted for as an addition to or deduction from the carrying value in the balance sheet and in the income statement. If the hedge ceases, value changes in the carrying value of the hedged item are amortised over the remaining life using the effective interest method if the hedging instrument is a financial instrument recognised using the effective interest method.

Fair value interest rate risk

To hedge exposure to changes in the fair value of financial instruments with a fixed interest rate, the bank uses interest rate swaps.
The fair value of derivatives included in the fair value hedge are as follows:

Parent Company			Consolidated	
31 Dec 2019	31 Dec 2020	NOKt	31 Dec 2020	31 Dec 2019
		Hedge instrument:		
-41,343	122,900	Interest rate swap	175,866	-4,800
5,350,000	**4,700,000**	**Interest rate swap nominal value**	**5,300,000**	**6,800,000**
		Hedge object		
35,377	-126,906	Fixed rate bond issued	-182,957	-1,038
5,350,000	**4,700,000**	**Fixed rate bond issued niminal value**	**5,300,000**	**6,800,000**

Gain/(loss) on fair value hedges

Gain/(loss) on hedging instruments and hedged items designated in fair value hedges are as follows:

Parent Company			Consolidated	
31 Dec 2019	31 Dec 2020	NOKt	31 Dec 2020	31 Dec 2019
		Hedging instrument:		
-26,747	163,230	Interest rate swap	182,953	-46,382
		Hedge item:		
26,254	-162,283	Bond debt	-181,919	45,804
-493	**947**	**Total**	**1,034**	**-576**

Gain (loss) is shown in the income statement under "Net gains on financial instruments at fair value"

Hedge effectiveness

The hedge is evaluated regularly and has proven to be effective for the accounting period , i.e. within the range 80-125%

Parent Company			Consolidated	
31 Dec 2019	31 Dec 2020	Per cent	31 Dec 2020	31 Dec 2019
102-122%	99-100%	Hedge effectiveness - prospektiv	99-100%	100-122%
92-102%	103-108%	Hedge effectiveness - retrospektiv	103-108%	92-102%

Fixed leg of the interest rate swap is 100% mached to the fixed rate covered bobnd bond cash flow. Ineficiency is caused by changes in value of the floating leg of the interest rate swap.

21. Subordinated debt

Name	Nordea Direct Bank ASA 2016/2026 FRN C SUB	Nordea Direct Bank ASA 2018/2028 FRN C SUB
ISIN	NO0010765027	NO0010832090
Issuer	Nordea Direct Bank ASA	Nordea Direct Bank ASA
Principal amount	100	100
Currency	NOK	NOK
Issue date	19.5.2016	13.9.2018
Maturity date	19.5.2026	13.9.2028
Next call date	19.5.2021	13.9.2023
Interest rate	NIBOR 3M + 2,55%	NIBOR 3M + 1.35%
General terms:		
Regulatory regulation	CRD IV	CRD IV
Regulatory call	Yes	Yes
Conversion right	No	No

22. Provisions and other liabilities

Parent Company			Consolidated	
31 Dec 2019	**31 Dec 2020**	**NOKt**	**31 Dec 2020**	**31 Dec 2019**
		Accounts payable		
5,470	3,715	Liabilities to public authorities	3,788	5,598
12,756	152,361	Other liabilities	152,361	12,756
18,226	**156,076**	**Total other liabilities**	**156,149**	**18,354**

23. Pensions

Nordea Direct Bank ASA is required to have an occupational pension plan pursuant to the Norwegian Act relating to Mandatory Occupational Pensions. The Company's pension plans meet the requirements of the Act.

Nordea Direct Bank ASA has both defined contribution and defined benefit plans for its employees. The defined benefit plan has been placed in a separate pension fund and is closed to new employees. New employees become members of the defined contribution pension plan.

Nordea Direct Bank ASA has funded its pension obligations through Nordea Norge Pensjonskasse (pension fund), which is managed by Gabler AS, and are final salary and service based pension plans providing pension benefits on top of the statutory systems.

Nordea Direct Bank ASA is also member of Fellesordningen for AFP (Avtalefestet Pensjon). Defined contribution plans are not reflected in the balance sheet, unless when earned pension rights have not been paid for.

Defined benefit plans may Nordea Direct Bank ASA via changes in the net present value of obligations and/or changes in the market value of plan assets. Changes in the obligation are most importantly driven by changes in assumptions on discount rates (interest rates and credit spreads), salary increases, turnover and mortality as well as relevant experience adjustments where the actual outcome differs from the assumption. Assets are invested in diversified portfolios as further disclosed below, with bond exposures mitigating the interest rate risk in the obligations and a fair amount of real assets (inflation protected) to reduce the long term inflationary risk in liabilities.

NOKt	2020	2019
Present value of the defined benefit obligation		
At 1. Jan	33,815	27,285
Current service cost	527	455
Employer's National Insurance contribution on current service cost	101	87
Interest cost	720	789
Actuarial gains and losses	3,355	7,004
Benefits paid	-1,141	-1,511
Employer's National Insurance contribution on benefits paid	-218	-294
At 31. Dec	**37,159**	**33,815**
Amount recognised in the balance sheet		
Present value of unfunded plans	29,607	27,145
Present value of funded plans	7,551	6,669
Present value of the defined benefit obligation	**37,159**	**33,815**
Fair value of plan assets	-6,234	-6,000
Net defined benefit obligation	**30,925**	**27,815**
Net pension liability in the balance sheet	**30,925**	**27,815**

23. Pensions (cont.)

NOKt	2020	2019
Fair value of plan assets		
At 1. Jan	6,000	4,327
Expected return on plan assets	132	135
Actuarial gains and losses	102	1,512
Contributions by plan participants	218	319
Employer's National Insurance contribution on benefits paid	-218	-294
At 31. Dec	**6,234**	**6,000**
Remeasurements of the net defined benefit liability/asset recognised in other comprehensive income		
Current service cost	527	455
Interest cost	720	789
Expected return on plan assets	-132	-135
Past service costs		
Employer's National Insurance contributions	101	87
Total defined benefit pension cost	**1,215**	**1,195**
The expense is recognised in the following line in the income statement		
Total operating expenses	1,215	1,195
Actuarial gains and losses recognised in other comprehensive income		
Cumulative amount at 1. Jan	4,006	-1,486
Recognised during the period	3,253	5,492
Cumulative amount at 31. Dec	**7,259**	**4,006**

Per cent	2020	2019
Actuarial assumptions		
Discount rate	1.50%	2.12%
Expected return on plan assets	1.75%	2.75%
Change in National Insurance basic amount	1.75%	3.00%
Future pension increases	1.00%	1.00%

NOKt	2020	2019
Other specifications		
Amount recognised as expense for the defined contribution plan	7,204	9,770
Amount recognised as expense for Fellesordningen LO/NHO	1,353	2,027
Expected contribution to Fellesordningen LO/NHO next year	700	1,800
Expected contribution to the defined benefit plan for the next year	120	200

23. Pensions (cont.)

Per cent	Change in pension benefits 2020	Change in pension benefits 2019
Sensitivity		
10% increased mortality	-4.7%	-4.3%
10% decreased mortality	3.5%	3.2%
+ 1% point discount rate	-11.4%	-10.9%
- 1% point discount rate	13.8%	13.4%
+1% point salary adjustment	2.0%	4.3%
- 1% point salary adjustment	-1.9%	-3.7%
+ 1% point National Insurance basic amount	-1.1%	-2.5%
- 1% point National Insurance basic amount	1.0%	2.5%
+ 1% point future pension increase	12.4%	11.6%
- 1% point future pension increase	-10.6%	-9.8%

Valuation hierarchy NOKt	Level 1: Quoted prices in active markets	Level 2: Valuation techniques based on observable market data	Level 3: Valuation techniques based on non-observable market data	Total as of 31 Dec 2020
Shares and similar interests		1,124		1,124
Bonds		4,119		4,119
Bank				
Derivatives		991		991
Total		**6,234**		**6,234**

Valuation hierarchy NOKt	Level 1: Quoted prices in active markets	Level 2: Valuation techniques based on observable market data	Level 3: Valuation techniques based on non-observable market data	Total as of 31 Dec 2019
Shares and similar interests		1,008		1,008
Bonds		4,074		4,074
Bank				
Derivatives		918		918
Total		**6,000**		**6,000**

24. Perpetual Tier 1 capital

The bank has issued perpetual Tier 1 capital instruments with a total nominal value of NOK 145m. Perpetual Tier 1 capital 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 adequacy purposes. This means that the bank has a unilateral right not to repay interest or 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.

Name	Nordea Direct Bank ASA 17/ PERP FRN C HYBRID	Nordea Direct Bank ASA 17/ PERP FRN C HYBRID
ISIN	NO0010797509	NO0010797509
Issuer	Nordea Direct Bank ASA	Nordea Direct Bank ASA
Principal amount	70	70
Currency	NOK	NOK
Issue date	20.06.2017	20.06.2017
Maturity date	Perpetual	Perpetual
Next call date	20.06.2022	20.06.2022
Interest rate	NIBOR 3M + 3.20%	NIBOR 3M + 3.20%
General terms:		
Regulatory regulation	CRD IV	CRD IV
Regulatory call	Yes	Yes
Conversion right	No	No

25. Fair value of financial instruments

Method used to calculate the fair value of financial instruments
Financial instruments measured at fair value (incl. financial instruments available for sale).

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. For assets and liabilities for which amortised cost and fair value are virtually identical, book values and the fair value are presented with identical amounts.

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.

Financial instruments measured at amortised cost
Market prices are used to price loans and receivables from credit institutions and loans to customers. The value of loans that have been written down is determined by discounting future cash -flows using the internal rate of return based on market conditions for equivalent loans that have not been written down. Fair value is considered to be the carrying amount for loans and receivables measured at amortised

25. Fair value of financial instruments (cont.)

cost. No allowance has been made for any changes in credit risk over and above the changes in estimated future cash flows for loans that have been written down.

The fair value of short-term liabilities to credit institutions is estimated as being their amortised cost. Long-term liabilities to credit institutions are measured at fair value based on the equivalent interest rate the bank pays on its own bonds. Debt securities measured at amortised cost are valued in the same way as debt securities measured at fair value, cf. note 1.

Off-balancesheet obligations and guarantees
Mortgaged assets are measured at fair value, cf. note 1. Other off- balance sheet obligations and guarantees are measured at their nominal value. The fair value is shown in the balance sheet under provisions.

For assets and liabilities where amortised cost and fair value are identical, carrying amount and the fair value are presented as identical amounts equal to amortised cost, and not included in the fair value hierarchy below.

25. Fair value of financial instruments (cont.)

Consolidated	31 Dec 2020		31 Dec 2019	
NOKt	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and receivables from central banks	**58,553**	**58,553**	**60,668**	**60,668**
Loans to and receivables from credit institutions, amortised cost	350,899	350,899	549,864	549,864
Loans to and receivables from credit institutions	**350,899**	**350,899**	**549,864**	**549,864**
Loans to and receivables from customers, amortised cost	50,538,982	50,564,229	42,818,003	42,815,707
Loans to and receivables from customers, fair value				
Loans to and receivables from customers, fair value over other comprehensive income				
Loans to and receivables from customers	**50,538,982**	**50,564,229**	**42,818,003**	**42,815,707**
Interest-bearing securities, receivables and loans, amortised cost				
Interest-bearing securities, fair value	4,679,830	4,679,830	5,313,708	5,313,708
Interest-bearing securities	**4,679,830**	**4,679,830**	**5,313,708**	**5,313,708**
Derivatives	199,324	199,324	50,547	50,547
Derivatives	**199,324**	**199,324**	**50,547**	**50,547**
Shares available for sale	10,620	10,620	11,934	11,934
Shares	**10,620**	**10,620**	**11,934**	**11,934**
Other financial assets, amortised cost	71,900	71,900	105,457	105,457
Total other financial assets	**71,900**	**71,900**	**105,457**	**105,457**
Total financial assets	**55,910,109**	**55,935,355**	**48,910,182**	**48,907,886**
Liabilities				
Liability to credit institutions, amortised cost	15,831,000	15,831,000	2,956,000	2,956,000
Liability to credit institutions	**15,831,000**	**15,831,000**	**2,956,000**	**2,956,000**
Deposits and liabilities to customers, amortised cost	14,391,542	14,393,732	17,306,523	17,305,755
Deposits and liabilities to customers, fair value				
Deposits and liabilities to customers	**14,391,542**	**14,393,732**	**17,306,523**	**17,305,755**
Liability incurred through the issue of securities, amortised cost	15,484,240	15,571,313	17,769,689	17,894,405
Liability incurred through the issue of securities, fair value hedge	5,475,105	5,523,411	6,795,521	6,851,562
Liability incurred through the issue of securities, fair value				
Liability incurred through the issue of securities	**20,959,345**	**21,094,724**	**24,565,210**	**24,745,968**
Derivatives	32,029	32,029	55,976	55,976
Derivatives	**32,029**	**32,029**	**55,976**	**55,976**
Subordinated debt, amortised cost	199,956	202,038	299,887	304,064
Subordinated debt	**199,956**	**202,038**	**299,887**	**304,064**
Other financial liabilities, amortised cost	90,111	90,111	143,361	143,361
Other financial liabilities	**90,111**	**90,111**	**143,361**	**143,361**
Total financial liabilities	**51,503,983**	**51,643,634**	**45,326,956**	**45,511,123**
Off-balance sheet obligations and guarantees				
Guarantees				
Mortgage assets[1]	2,090,485	2,090,485	842,432	842,432

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

25. Fair value of financial instruments (cont.)

Parent Company	31 Dec 2020		31 Dec 2019	
NOKt	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and receivables from central banks	**58,553**	**58,553**	**60,668**	**60,668**
Loans to and receivables from credit institutions, amortised cost	5,625,219	5,625,219	2,277,580	2,277,580
Loans to and receivables from credit institutions	**5,625,219**	**5,625,219**	**2,277,580**	**2,277,580**
Loans to and receivables from customers, amortised cost	5,554,659	5,579,905	6,386,285	6,383,988
Loans to and receivables from customers, fair value				
Loans to and receivables from customers, fair value over other comprehensive income	23,162,157	23,167,101	14,568,603	14,571,019
Loans to and receivables from customers	**28,716,816**	**28,747,006**	**20,954,888**	**20,955,008**
Interest-bearing securities, receivables and loans, amortised cost				
Interest-bearing securities, fair value	5,883,707	5,883,707	7,645,186	7,645,186
Interest-bearing securities	**5,883,707**	**5,883,707**	**7,645,186**	**7,645,186**
Derivatives	143,239	143,239	9,918	9,918
Derivatives	**143,239**	**143,239**	**9,918**	**9,918**
Shares available for sale	10,620	10,620	11,934	11,934
Shares	**10,620**	**10,620**	**11,934**	**11,934**
Other financial assets, amortised cost	53,223	53,223	72,536	72,536
Total other financial assets	**53,223**	**53,223**	**72,536**	**72,536**
Total financial assets	**40,491,379**	**40,521,569**	**31,032,710**	**31,032,830**
Liabilities				
Liability to credit institutions, amortised cost	16,280,027	16,280,027	3,469,246	3,469,246
Liability to credit institutions	**16,280,027**	**16,280,027**	**3,469,246**	**3,469,246**
Deposits and liabilities to customers, amortised cost	14,391,542	14,393,732	17,306,523	17,305,755
Deposits and liabilities to customers, fair value				
Deposits and liabilities to customers	**14,391,542**	**14,393,732**	**17,306,523**	**17,305,755**
Liability incurred through the issue of securities, amortised cost	2,358,923	2,368,357	2,891,309	2,902,569
Liability incurred through the issue of securities, fair value hedge	4,822,158	4,859,060	5,308,898	5,351,448
Liability incurred through the issue of securities, fair value				
Liability incurred through the issue of securities	**7,181,081**	**7,227,417**	**8,200,207**	**8,254,017**
Derivatives	28,910	28,910	51,890	51,890
Derivatives	**28,910**	**28,910**	**51,890**	**51,890**
Subordinated debt, amortised cost	199,956	202,038	299,887	304,064
Subordinated debt	**199,956**	**202,038**	**299,887**	**304,064**
Other financial liabilities, amortised cost	65	65	79,976	79,976
Other financial liabilities	**65**	**65**	**79,976**	**79,976**
Total financial liabilities	**38,081,581**	**38,132,190**	**29,407,729**	**29,464,949**
Off-balance sheet obligations and guarantees				
Guarantees				
Mortgage assets[1]	2,090,485	2,090,485	842,432	842,432

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

25 Fair value of financial instruments (cont.)

Consolidated		31 Dec 2020		
NOKt	Level 1	Level 2	Level 3	Total
Interest-bearing securities, fair value	4,679,830			4,679,830
Shares			10,620	10,620
Derivatives		199,324		199,324
Total financial assets measured at fair value	**4,679,830**	**199,324**	**10,620**	**4,889,775**
Loans to and receivables from customers, amortised cost			50,564,229	50,564,229
Total financial assets measured at amortised cost			**50,564,229**	**50,564,229**
Derivatives		32,029		32,029
Total financial liabilities measured at fair value		**32,029**		**32,029**
Deposits and liabilities to customers, amortised cost			14,393,732	14,393,732
Liability incurred through the issue of securities, amortised cost		15,571,313		15,571,313
Subordinated debt, amortised cost		202,038		202,038
Total financial liabilities measured at amortised cost		**15,773,350**	**14,393,732**	**30,167,083**
Liability incurred through the issue of securities, fair value hedge		5,523,411		5,523,411
Total financial liabilities included in fair value hedge		**5,523,411**		**5,523,411**

Consolidated		31 Dec 2019		
NOKt	Level 1	Level 2	Level 3	Total
Interest-bearing securities, fair value	5,313,708			5,313,708
Shares			11,934	11,934
Derivatives		50,547		50,547
Total financial assets measured at 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 measured at amortised cost			**42,815,707**	**42,815,707**
Derivatives		55,976		50,547
Total financial liabilities measured at fair value		**50,547**		**50,547**
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 debt, amortised cost		304,064		304,064
Total financial liabilities measured at 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 included in fair value hedge		**6,851,562**		**6,851,562**

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

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

If there are any transfers between levels of the fair value hierarchy, they are recognised at the end of the reporting period during which the change has occurred.

25. Fair value of financial instruments (cont.)

Parent Company		31 Dec 2020		
NOKt	Level 1	Level 2	Level 3	Total
Interest-bearing securities, fair value	5,883,707			5,883,707
Shares			10,620	10,620
Derivatives		143,239		143,239
Total financial assets measured at fair value	**5,883,707**	**143,239**	**10,620**	**6,037,567**
Loans to and receivables from customers, fair value over other comprehensive income			23,167,101	23,167,101
Total assets measured at fair value over other comprehensive income			**23,167,101**	**23,167,101**
Loans to and receivables from customers, amortised cost			5,579,905	5,579,905
Loans to and receivables from customers			**5,579,905**	**5,579,905**
Derivatives		28,910		28,910
Total financial liabilities measured at fair value		**28,910**		**28,910**
Deposits and liabilities to customers, amortised cost			14,393,732	14,393,732
Liability incurred through the issue of securities, amortised cost		2,368,357		2,368,357
Subordinated debt, amortised cost		202,038		202,038
Total financial liabilities measured at amortised cost		**2,570,395**	**14,393,732**	**16,964,127**
Liability incurred through the issue of securities, fair value hedge		4,859,060		4,859,060
Total financial liabilities included in fair value hedge		**4,859,060**		**4,859,060**

Parent Company		31 Des 2019		
NOKt	Level 1	Level 2	Level 3	Total
Interest-bearing securities, fair value	7,645,186			7,645,186
Shares			11,934	11,934
Derivatives		9,918		9,918
Total financial assets measured at fair value	**7,645,186**	**9,918**	**11,934**	**7,667,038**
Loans to and receivables from customers, fair value over other comprehensive income			14,571,019	14,571,019
Total assets measured at fair value over other comprehensive income			**14,571,019**	**14,571,019**
Loans to and receivables from customers, amortised cost			6,383,988	12,576,170
Loans to and receivables from customers			**6,383,988**	**12,576,170**
Derivatives		51,890		51,890
Total financial liabilities measured at fair value		**51,890**		**51,890**
Deposits and liabilities to customers, amortised cost			17,305,755	17,305,755
Liability incurred through the issue of securities, amortised cost		2,902,569		2,902,569
Subordinated debt, amortised cost		304,064		304,064
Total financial liabilities measured at amortised cost		**3,206,633**	**17,305,755**	**20,512,388**
Liability incurred through the issue of securities, fair value hedge		5,351,448		5,351,448
Total financial liabilities included in fair value hedge		**5,351,448**		**5,351,448**

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

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

If there are any transfers between levels of the fair value hierarchy, they are recognised at the end of the reporting period during which the change has occurred.

25. Fair value of financial instruments (cont.)

Reconciliation of financial assets valued based on non-observable market data (level 3) 2020

Consolidated NOKt	As at 1 Jan	Net realised/ unrealised gains recognised in profit or loss	Purchases	Sales	Transfer into/ out of level 3	As at 31 Dec
Shares	11,934	10,599	152	-12,066		10,620
Total financial assets measured at fair value	**11,934**	**10,599**		**-12,066**		**10,620**

Sensitivity of shares 2020

Level 3 shares represent a total of NOK 10.6m in unquoted shares in Visa Norge, Norsk Gjeldsinformasjon 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.

Reconciliation of financial assets valued based on non-observable market data (level 3) 2019

Consolidated NOKt	As at 1 Jan	Net realised/ unrealised gains recognised in profit or loss	Purchases	Sales	Transfer into/ out of level 3	As at 31 Dec
Shares	7,386	4,548				11,934
Total financial assets measured at fair value	**7,386**	**4,548**				**11,934**

Sensitivity of shares 2019

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

Reconciliation of financial assets valued based on non-observable market data (level 3) 2020

Parent company NOKt	As at 1 Jan	Net realised/ unrealised gains recognised in profit or loss	Acquisitions/ Disposals	Sales to Nordea Direct Boligkreditt AS	Transfer into/ out of level 3	As at 31 Dec
Shares	11,934	10,599	-11,913			10,620
Loans to and receivables from customers, fair value over other comprehensive income	14,571,019		16,807,073	-8,210,991		23,167,101
Total financial assets measured at fair value	**14,582,953**	**10,599**	**16,795,160**	**-8,210,991**		**23,177,721**

Reconciliation of financial assets valued based on non-observable market data (level 3) 2019

Parent Company NOKt	As at 1 Jan	Net realised/ unrealised gains recognised in profit or loss	Acquisitions/ Disposals	Sales to Gjensidige Bank Boligkreditt AS	Transfer into/ out of level 3	As at 31 Dec
Shares	7,386	4,548				11,934
Loans to and receivables from customers, fair value over other comprehensive income	10,923,567		10,121,205	-6,473,752		14,571,019
Total financial assets measured at fair value	**10,930,953**	**4,548**	**10,121,205**	**-6,473,752**		**14,582,953**

26. 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 companies in the group are to be regarded as related parties and will be specified to the extent that the Company has transactions or balances with them. All transactions and agreements with these parties are carried out in accordance with arm's length principles.

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

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

Further information about the credit agreements:
a) A long-term credit facility of up to NOK 1,000.0m. Expiry date 31 December 2022.
b) A short-term credit facility of up to NOK 8,000.0m. Expiry date 30 November 2021.
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 31 December 2020, the credit limit of the agreement was NOK 5,000.0m.

NOK 8,211.0m in loans to and claims on customers was transferred from Nordea Direct Bank ASA to Nordea Direct Boligkreditt AS in 2020.

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.

For transactions with senior management and the Board, see note 7.

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

	2020			2019		
NOKt	**Nordea Direct Bank Boligkreditt AS**	**Nordea Bank Abp**	**Other Nordea companies**	**Nordea Direct Bank Boligkreditt AS**	**Nordea Bank Abp**	**Other Nordea companies**
Net interest income	47,274	74,197		65,169	77,161	
Other operating income	10,648		6,773	11,510		8,091
Other operating expenses	-950	-10,971		-917	-6,589	

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

NOKt	**31 Dec 2020**			**31 Dec 2019**		
NOKt	**Nordea Direct Bank Boligkreditt AS**	**Nordea Bank Abp**	**Other Nordea companies**	**Nordea Direct Bank Boligkreditt AS**	**Nordea Bank Abp**	**Other Nordea companies**
Deposit	449,027	282,683		513,246	505,833	
Loans to credit institutions	5,280,351	2,904		1,736,594		7,109
Interest-bearing securities	1,393,903	664,882		2,495,854	660,107	
Deposits by credit institutions		15,345,487			2,964,484	
Other liabilities		5,900				

Transactions between Nordea Direct Bank ASA and other legal entities or branches in the Nordea Group are performed according to market based principles in conformity with OECD requirements on transfer pricing.

27. Events after the balance sheet day

No significant events have occurred after the balance sheet date.

28. Capital adequacy

Parent Company			Consolidated	
31 Dec 2019	**31 Dec 2020**	**NOKt**	**31 Dec 2020**	**31 Dec 2019**
1,781,886	2,481,886	Share capital and share premium	2,481,886	1,781,886
634,840	747,666	Other equity	1,552,509	1,344,800
2,416,726	**3,229,552**	**Total equity (exclusive perpetual Tier 1 capital)**	**4,034,395**	**3,126,686**
		Deductions		
-25,714	-12,629	Goodwill and other intangible assets	-12,629	-25,714
-24,675	-31,385	Value adjustments due to the requirement for prudent valuation	-4,922	-5,432
		Increase		
7,273	7,273	IFRS 9 transitional arrangements for credit loss provisioning	7,273	7,273
2,373,609	**3,192,810**	**Common equity Tier 1 capital**	**4,024,117**	**3,102,813**
		Perpetual Tier 1 capital		
445,441	144,884	Perpetual Tier 1 capital	144,884	445,441
2,819,050	**3,337,695**	**Tier 1 capital**	**4,169,002**	**3,548,253**
		Supplementary capital		
299,887	199,956	Subordinated debt	199,956	299,887
3,118,937	**3,537,651**	**Net primary capital**	**4,368,958**	**3,848,140**
		Minimum requirement for equity and subordinated debt		
		credit risk		
		Of which:		
2,021	3,829	Local and regional authorities	4,018	2,070
58,447	118,730	Institutions	13,816	12,997
		Enterprises		
211,346	193,764	Mass market positions	195,144	213,419
501,420	735,971	Positions secured by mortgage	1,346,268	1,112,847
47,310	24,294	Overdue positions	25,378	48,109
49,585	35,420	Covered bonds	24,907	30,268
		Shares in securities fund		
20,475	20,370	Equtiy positions	850	955
7,312	4,895	Other positions	4,895	7,317
897,915	**1,137,273**	**Total minimum requirement credit risk**	**1,615,276**	**1,427,981**
97,715	89,293	Operational risk	108,871	118,677
648	4,290	CVA-risk	9,372	3,280
996,277	**1,230,856**	**Minimum requirement for net primary capital**	**1,733,518**	**1,549,938**
10,639,143	**13,501,942**	**Basis of calculation of balance sheet items not included in trading portfolio**	**19,735,335**	**17,491,310**
584,795	**713,973**	**Basis of calculation of off-balance sheet items not included in trading portfolio**	**455,615**	**358,457**
12,453,464	**15,385,703**	**Risk-weighted assets (calculation basis for capital adequacy ratio)**	**21,668,977**	**19,374,227**

28. Capital adequacy (cont.)

Parent Company			Consolidated	
31 Dec 2019	31 Dec 2020		31 Dec 2020	31 Dec 2019
		Buffer requirements		
373,604	461,571	Systemic risk buffer	650,069	581,227
311,337	384,643	Conservation buffer	541,724	484,356
311,337	153,857	Countercyclical buffer	216,690	484,356
996,277	**1,000,071**	**Total buffer requirement for common equity Tier 1 capital**	**1,408,484**	**1,549,938**
211,709	**261,557**	**Pillar 2 requirement 1.7% for common equity Tier 1 capital set by The Financial Supervisory Authority of Norway**	**368,373**	**329,362**
605,217	**1,238,826**	**Available common equtiy Tier 1 capital net min.requirement**	**1,272,157**	**351,673**
		Capital adequacy		
25.0%	23.0%	Capital adequacy ratio	20.2%	19.9%
22.6%	21.7%	Tier 1 capital ratio	19.2%	18.3%
19.1%	20.8%	Common equity Tier 1 capital ratio	18.6%	16.0%
8.1%	7.5%	Leverage ratio	7.3%	7.1%

For credit risk the standard method is used, while basis method is used for oparational 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% and 16.2% for primary capital as of year end 2020.

New standard IFRS 9 guidelines for credit loss provisioning were implementet 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 increased of loss and provision will be phased in over five years.

Parent Company			Consolidated	
31 Dec 2019	31 Dec 2020	NOKt	31 Dec 2020	31 Dec 2019
		Numbers without use of transitional arrangements:		
2,366,336	3,185,538	Common equity Tier 1 capital	4,016,845	3,095,540
2,811,777	3,330,422	Tier 1 capital	4,161,729	3,540,981
3,111,664	3,530,378	Net primary capital	4,361,685	3,840,867
19.0%	20.7%	Common equity Tier 1 capital ratio	18.5%	16.0%
22.6%	21.6%	Tier 1 capital ratio	19.2%	18.3%
25.0%	22.9%	Capital adequacy ratio	20.1%	19.8%

29. Classification of financial instruments

Consolidated NOKt Balance 31 Dec 2020	Financial instruments measured at fair value through profit or loss	Financial instruments measured at fair value through OCI	Financial assets and liabilities at amortised cost	Financial derivatives as hedging instruments	Non-financial assets and liabilities	Total
Assets						
Cash and claims on central banks			58,553			58,553
Loans to and claims on credit institutions			350,899			350,899
Loans to and claims on customers			50,538,982			50,538,982
Certificates, bonds and other interest-bearing securities	4,679,830					4,679,830
Derivatives	18,739			180,585		199,324
Shares and ownership interests	7,384		3,237			10,620
Intangible assets					12,629	12,629
Fixed assets					1,393	1,393
Deferred tax assets					20,090	20,090
Other assets			71,900		59,122	131,022
Total assets	**4,705,953**		**51,023,570**	**180,585**	**93,234**	**56,003,342**
Liabilities and equity						
Liabilities to credit institutions			15,831,000			15,831,000
Deposits and liabilities to customers			14,391,542			14,391,542
Liabilities opened for the issue of securities			20,959,345			20,959,345
Derivatives	22,516			9,513		32,029
Other liabilities			90,111		289,155	379,266
Provision for pension liability					30,925	30,925
Subordinated debt			199,956			199,956
Total liabilities	**22,516**		**51,471,954**	**9,513**	**320,079**	**51,824,063**
Total equity					**4,179,280**	**4,179,280**
Total liabilities and equity	**22,516**		**51,471,954**	**9,513**	**4,499,359**	**56,003,342**

29. Classification of financial instruments (cont.)

Parent Company NOKt Balance 31 Dec 2020	Financial instruments measured at fair value through profit or loss	Financial instruments measured at fair value through OCI	Financial assets and liabilities at amortised cost	Financial derivatives as hedging instruments	Non-financial assets and liabilities	Total
Assets						
Cash and claims on central banks			58,553			58,553
Loans to and claims on credit institutions			5,625,219			5,625,219
Loans to and claims on customers		23,162,157	5,554,659			28,716,816
Certificates, bonds and other interest-bearing securities	5,883,707					5,883,707
Derivatives	18,739			124,500		143,239
Shares and ownership interests	7,384		3,237			10,620
Shares in subsidiaries			1,220,030			1,220,030
Intangible assets					12,629	12,629
Fixed assets					1,393	1,393
Deferred tax assets					19,146	19,146
Other assets			53,223		59,124	112,347
Total assets	**5,909,830**	**23,162,157**	**12,514,921**	**124,500**	**92,292**	**41,803,701**
Liabilities and equity						
Liabilities to credit institutions			16,280,027			16,280,027
Deposits and liabilities to customers			14,391,542			14,391,542
Liabilities opened for the issue of securities			7,181,081			7,181,081
Derivatives	22,516			6,395		28,910
Other liabilities			71,900		244,924	316,823
Provision for pension liability					30,925	30,925
Subordinated debt			199,956			199,956
Total liabilities	**22,516**		**38,124,506**	**6,395**	**275,849**	**38,429,265**
Total equity					**3,374,436**	**3,374,436**
Total liabilities and equity	**22,516**		**38,124,506**	**6,395**	**3,650,285**	**41,803,701**

29. Classification of financial instruments (cont.)

Consolidated NOKt Balance 31 Dec 2019	Financial instruments measured at fair value through profit or loss	Financial instruments measured at fair value through OCI	Financial assets and liabilities at amortised cost	Financial derivatives as hedging instruments	Non-financial assets and liabilities	Total
Assets						
Cash and claims on central banks			60,668			60,668
Loans to and claims on credit institutions			549,864			549,864
Loans to and claims on customers			42,818,003			42,818,003
Certificates, bonds and other interest-bearing securities	5,313,708					5,313,708
Derivatives	6,753			43,794		50,547
Shares and ownership interests	11,779		155			11,934
Intangible assets					25,714	25,714
Fixed assets					2,289	2,289
Deferred tax assets					10,349	10,349
Other assets			105,457		113,884	219,340
Total assets	**5,332,240**		**43,534,148**	**43,794**	**152,235**	**49,062,417**
Liabilities and equity						
Liabilities to credit institutions			2,956,000			2,956,000
Deposits and liabilities to customers			17,306,523			17,306,523
Liabilities opened for the issue of securities			24,565,210			24,565,210
Derivatives	7,382			48,593		55,976
Other liabilities			143,361		135,519	278,880
Deferred tax liabilities						
Provision for pension liability					27,815	27,815
Subordinated debt			299,887			299,887
Total liabilities	**7,382**		**45,270,981**	**48,593**	**163,334**	**45,490,290**
Total equity					**3,572,127**	**3,572,127**
Total liabilities and equity	**7,382**		**45,270,981**	**48,593**	**3,735,461**	**49,062,417**

29. Classification of financial instruments (cont.)

Parent Company NOKt Balance 31 Dec 2019	Financial instruments measured at fair value through profit or loss	Financial instruments measured at fair value through OCI	Financial assets and liabilities at amortised cost	Financial derivatives as hedging instruments	Non-financial assets and liabilities	Total
Assets						
Cash and claims on central banks			60,668			60,668
Loans to and claims on credit institutions			2,277,580			2,277,580
Loans to and claims on customers		14,568,603	6,386,285			20,954,888
Certificates, bonds and other interest-bearing securities	7,645,186					7,645,186
Derivatives	6,753			3,165		9,918
Shares and ownership interests	11,779		155			11,934
Shares in subsidiaries			1,220,030			1,220,030
Intangible assets					25,714	25,714
Fixed assets					2,289	2,289
Deferred tax assets					10,106	10,106
Other assets			72,536		113,821	186,357
Total assets	**7,663,718**	**14,568,603**	**10,017,254**	**3,165**	**151,930**	**32,404,670**
Liabilities and equity						
Liabilities to credit institutions			3,469,246			3,469,246
Deposits and liabilities to customers			17,306,523			17,306,523
Liabilities opened for the issue of securities			8,200,207			8,200,207
Derivatives	7,382			44,508		51,890
Other liabilities			79,976		106,960	186,936
Provision for pension liability					27,815	27,815
Subordinated debt			299,887			299,887
Total liabilities	**7,382**		**29,355,838**	**44,508**	**134,775**	**29,542,503**
Total equity					**2,862,167**	**2,862,167**
Total liabilities and equity	**7,382**		**29,355,838**	**44,508**	**2,996,941**	**32,404,670**

30. Shares and ownership interests

Parent Company			Consolidated	
31 Dec 2019	31 Dec 2020	NOKt	31 Dec 2020	31 Dec 2019
11,934	10,620	Ownership interest/shares	10,620	11,934
1,220,030	1,220,030	Shares in subsidiaries		
1,231,964	**1.230.650**	**Total**	**10,620**	**11,934**
4,548	3,237	Stock exchange listed securities	3,237	4,548
1,227,416	1,227,414	Unlisted securities	7,384	7,386
1,231,964	**1,230,650**	**Total**	**10,620**	**11,934**

31 Dec 2020 **Specification of ownership interest/shares**	**Norwegian registratin number**	**Acquisition cost**	**Carrying amount**	**Market value**	**Voting shares %**
VN Norge AS	821 083 052	4,490	7,231	7,231	0,53%
Gjensidige Forsikring ASA	995 568 217	3,237	3,237	3,237	ia
Norsk Gjeldsinformasjon	920 013 015	152	152	152	

31 Dec 2020 **Shares in subsidiaries**	**Registered office**	**Acqusi-tion year**	**Carrying amount**	**Share capital in company**	**Interest held**	**Controlling interest**	**Currency**
Nordea Direct Boligkreditt AS	Essendrops gate 7, Oslo, Norway	2009	1,220,030	208,000	100%	100%	NOK

31 Dec 2019 **Specification of ownership interest/shares**	**Norwegian registratin number**	**Acquisition cost**	**Carrying amount**	**Market value**	**Voting shares %**
Vipps AS	918 713 867	155	155	na	0.16%
VN Norge AS	821 083 052	4,490	7,231	7,231	0.53%
Gjensidige Forsikring ASA	995 568 217	4,548	4,548	4,548	na

31 Dec 2019 **Shares in subsidiaries**	**Registered office**	**Acqusi-tion year**	**Carrying amount**	**Share capital in company**	**Interest held**	**Controlling interest**	**Currency**
Gjensidige Bank Boligkreditt AS	Essendrops gate 7, Oslo, Norway	2009	1,220,030	208,000	100%	100%	NOK

31. Risk and risk management

Nordea Direct Bank ASA is mainly exposed to credit risk, market risk, liquidity risk and operational risk. The Board approves the strategy and policies for managing the bank's risks including limits for risk appetite. The largest risk is credit risk.

The Board of Nordea Direct Bank ASA has the overall responsibility for ensuring efficient processes for risk management and internal control. The bank's management is responsible for implementing the guidelines issued by the Board for efficient risk management and internal control processes and keeping the board informed of the risk situation. The bank's 2nd line risk management functions (CRO and Compliance) is responsible for independent surveillance of the banks risk management and risk exposure and ensure that the Board at all time is adequately informed of the bank risk exposure.

Nordea Direct Bank ASA is owned by Nordea Bank Abp, which provides capital that ensures the bank is at all times solidly capitalized in accordance with laws and regulations and the group's policy.

Capital adequacy regulations
The capital regulations are built on three pillars:

- Pillar 1 Minimum capital requirements
- Pillar 2 ICAAP process for evaluation of the bank's total capital requirements
- Pillar 3 Requirements for the public disclosure of financial information

Pillar 1: The bank uses the standard method for reporting credit risk and the basic indicator approach for reporting operational risk.

Pillar 2: The bank prepares the ICAAP document in accordance with its own ICAAP process. Guidelines for ICAAP are Board-approved. The document is prepared with broad involvement of management and specialists in the bank, as well as the involvement of the Board.

Pillar 3: The bank has defined guidelines for the public disclosure of information, and they have been adopted by the Board. The Pillar 3 document is published together with the annual report.

Credit risk liquidity portfolio by counterparty:

31 Dec 2020

Consolidated NOKt	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	Unrated	Total
Cash and claims on central banks	58,553					58,553
Loans to and claims on credit institutions		280,886	70,013			350,899
State and government guaranteed bonds	961,638					961,638
Municipalities and counties	337,074	91,830				428,903
Covered bonds	3,107,686					3,107,686
Other	181,163					181,163
Total	**4,646,114**	**372,715**	**70,013**			**5,088,843**

31 Dec 2020

Parent company NOKt	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	Unrated	Total
Cash and claims on central banks	58,553					58,553
Loans to and claims on credit institutions		280,886	70,013			350,899
State and government guaranteed bonds	849,674					849,674
Municipalities and counties	337,074	91,830				428,903
Covered bonds	4,423,927					4,423,927
Other	181,163					181,163
Total	**5,850,391**	**372,715**	**70,013**			**6,293,120**

31. Risk and risk management (cont.)

Credit risk liquidity portfolio by counterparty:

31 Dec 2019

Consolidated NOKt	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	Unrated	Total
Cash and claims on central banks	60,668					60,668
Loans to and claims on credit institutions		487,879	61,986			549,864
State and government guaranteed bonds	928,632					928,632
Municipalities and counties	583,637	93,312				676,949
Covered bonds	3,334,374				189,524	3,523,898
Other	184,229					184,229
Total	**5,091,540**	**581,191**	**61,986**		**189,524**	**5,924,241**

31 Dec 2019

Parent company NOKt	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	Unrated	Total
Cash and claims on central banks	60,668					60,668
Loans to and claims on credit institutions		487,879	61,986			549,864
State and government guaranteed bonds	842,432					842,432
Municipalities and counties	583,637	93,312				676,949
Covered bonds	5,752,052				189,524	5,941,576
Other	184,229					184,229
Total	**7,423,018**	**581,191**	**61,986**		**189,524**	**8,255,719**

Credit risk derivatives by counterparty 31 Dec 2020

Consolidated NOKt	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	Unrated	Total
Credit risk by counterparty		27,061	142,677			169,738
Total		**27,061**	**142,677**			**169,738**

Parent company NOKt	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	Unrated	Total
Credit risk by counterparty		27,061	89,711			116,772
Total		**27,061**	**89,711**			**116,772**

Credit risk derivatives by counterparty 31 Dec 2019

Consolidated NOKt	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	Unrated	Total
Credit risk by counterparty		4,363	37,596			41,959
Total		**4,363**	**37,596**			**41,959**

Parent company NOKt	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	Unrated	Total
Credit risk by counterparty		4,363	1,053			5,416
Total		**4,363**	**1,053**			**5,416**

31. Risk and risk management (cont.)

The bank's risk areas

The bank's risk areas are evaluated continuously, and the strategy for the risk areas is reviewed annually by the Board. As a part of the ICAAP-process the bank uses different models to calculate capital requirements. The capital requirements are calculated for the risk areas for the entire strategy period in the current strategy plan, shown in the bank's ICAAP document, and capital adequacy is reported to the Board quarterly. The capital plan is constantly updated based on actual growth and updated forecasts.

Credit risk

Credit risk refers to the risk the bank faces in the event of a borrower's failure to repay a loan or credit or to meet their contractual obligation to the bank. The bank's credit risk originates mostly from loans and credits to consumers in Norway. The bank is also exposed to credit risk derivatives and through placements in the liquidity reserve.

The Board sets the overall limit for the bank's credit risk appetite. Nordea Direct Bank ASA offers a wide range of lending products, including secured as well as unsecured loans and credits, to meet a variety of needs of consumers in the country.

Secured lending mainly comprises loans and credits secured by residential property.

The bank also has a portfolio of unsecured consumer finance lending which is moderate in size compared to the total lending exposure in the bank. The bank has a higher return on this portfolio that is proportionate to the level of credit risk in the portfolio. A large part of the credit losses is consequently related to the unsecured consumer finance lending portfolio. The bank uses risk-based pricing models driven by scores.

The credit risk related to the bank's liquidity portfolio is assessed as low.

Models for monitoring credit risk

The bank uses application score models based on internal and external customer information for decisions relating to customers' applications for a loan. In addition, the bank uses behavior score models that predict the probability of default on customers for decisions related to top-ups, collections, group write-downs and other portfolio management decisions.

With the help of these score models, the lending portfolios in the bank are grouped into risk classes, from the lowest to highest risk, based on their probability of

Parent Company			Loan-to-value, secured loans	Consolidated		
Distribution as percentage	Gross carrying amounts	Unused credit lines	31 Dec. 2020 NOKt	Distribution as percentage	Gross carrying amounts	Unused credit lines
4.48%	1,153,728	210,886	0% - 40%	12.57%	5,981,825	630,338
14.35%	3,696,086	320,216	40% - 60%	29.15%	13,867,280	1,195,428
54.96%	14,153,852	149,954	60% - 80%	43.62%	20,749,187	742,998
24.54%	6,319,244	12,554	80% - 90%	13.56%	6,452,364	30,962
1.04%	267,066	9,081	90% - 100%	0.65%	307,702	22,477
0.64%	163,927	12,932	>100%	0.45%	212,313	23,389
100.00%	**25,753,903**	**715,624**	**Home Loans**	**100.00%**	**47,570,671**	**2,645,591**

Parent Company			Loan-to-value, secured loans	Consolidated		
Distribution as percentage	Gross carrying amounts	Unused credit lines	31 Dec. 2019 NOKt	Distribution as percentage	Gross carrying amounts	Unused credit lines
4.44%	780,163	192,971	0% - 40%	13.68%	5,398,196	632,746
14.28%	2,512,620	317,789	40% - 60%	29.47%	11,629,000	1,156,686
52.88%	9,301,405	148,655	60% - 80%	43.28%	17,077,014	806,542
26.16%	4,602,367	11,999	80% - 90%	12.28%	4,845,560	31,628
1.38%	242,131	6,611	90% - 100%	0.74%	290,376	13,547
0.86%	151,289	12,452	>100%	0.54%	214,535	20,595
100.00%	**17,589,975**	**690,477**	**Home Loans**	**100.00%**	**39,454,680**	**2,661,745**

31. Risk and risk management (cont.)

default. These risk categorizations are mainly intended to assist in various credit decisions and monitoring. They are then further grouped into three main risk groups: Low risk, Medium risk and High risk which are used in the bank's monthly portfolio monitoring and reporting. The loans that are already on the reporting date are included in a separate category – Impaired and Write-down. In addition, there are a small group of loans that may not have been classified into each of the above categories due to the fact that these are not scored or rated due to insufficient data on the reporting date.

The bank's maximum credit exposure related to lending portfolio is NOK 57,486.2m.

The weighted average portfolio loan to value ratio is estimated at 61.5% for the mortgage portfolio. This estimate is based on the exposure on the reporting date as a ratio of the property value as estimated upon loan approval, including any higher priority pledge(s). The bank regularly controls depotvalues and adjusts in case of significant change. The bank's credit policy is in accordance with the regulation for new mortgage loans set by the Ministry of Finance on 15 November 2019, and regulation for consumer lending set by the Ministry of Finance on 12 February 2019.

A final write-off is recognised when it is evident that the loan will not be repaid and there is no collateral left to cover the loan. In such instances, any corresponding provision will be reversed. In the event of a payment being received on a previously written-off loan, it is recognised as a recovery on a previously written-off loan. Contractual outstanding amounts for financial assets that were written down during the period and which are still subject to enforcement activities amount to approximately NOK 21m.

During the year the bank recognised NOK 86.8m in write-downs and losses. Write-offs were NOK 303.1m.

The majority of the bank's lending to customers are lending secured by residential property. When calculating loan loss provisions on loans secured by residential property, a conservative assessment of the value of the property is used. The basis for the assessment of the collateral value is the estimated market value with a "haircut" at the time of granting the loan. The bank monitors the value of the individual properties using "Eiendomsverdi" model, and in cases where the value of the property has dropped significantly, the collateral value is adjusted down. When calculating loss provisions, it is also taken into account that a forced realization of the residential property will result in a net settlement that is considerably lower than the estimated market value of the home. No changes have been done to the methodology of assessing collateral values the last reporting period.

The general increase in residential property prices over the last year result in a general underestimation of the collateral values compared to the actual market values at the moment.

The Board considers the loss and the provision levels to be satisfactory.

Market risk
Market risk is the risk of losses associated with movements in market prices, which in this context relate to positions and activities in the interest-, currency-, credit- and stock markets.

The bank's finance strategy set by the Board provides guidelines and limits for managing market risk.

The bank's market risk is substantially related to currency risk, interest rate risk and spread risk (credit risk).

Interest rate risk arises when the bank's assets and liabilities have different remaining fixed-rate periods. The interest rate risk is managed by adopting fixed interest rate periods for assets and liabilities. In addition, derivatives are used for hedging. Interest rate risk is measured as loss potential with 1% change in interest rate level. Fixed interest assets and liabilities in millions multiplied by the remaining interest rate period multiplied with 1%.

The interest rate risk limit for all time periods are plus/minus NOK 15m. The bank's limit for cumulative exposure to interest rate risk is NOK 15m. Interest rate risk under three months is measured and reported, but the exposure is not included in the interest risk limits. When the limit is fully utilised, the loss for the bank given a one percentage point change in the yield curve will be NOK 15m. Utilization of this limit is reported monthly to the Board.

As of 31 December 2020, the bank has an interest rate exposure of NOK 2m in the 3 months to one year interval. The net accumulated interest rate exposure over three months is NOK 9m as of 31 December 2020.

31. Risk and risk management (cont.)

Spread risk is mainly related to the banks liquidity portfolio. By investing in sound securities with short-term maturity and with expectations that the value will be less exposed to changes in the credit spread, the bank limits the spread risk on its assets. Risk limit related to spread risk is defined and calculated based on FSA's simplified module for market- and credit risk. Utilization of this limit is reported monthly to the Board.

The market value of the bank's own bonds varies with changes in the credit spreads. The bank uses hedge accounting for fixed rate bond issued, but is not hedging the spread risk for own bonds issued.

Currency risk is the risk of loss due to changes in exchange rates. The risk arises from the bank's bond in foreign currency. The bank manages this risk by using derivatives. The bank changes from currencies into NOK with an approved counterparty on both principal and interest through "cross currency rate swaps". In practice, this means that a combination of a bond in currency and cross-currency rate swap, the bond is converted from currency into a bond in NOK based on NIBOR. Under IFRS the changes in the fair value of the derivative related to changes in cross currency rate swaps are recognised as value change in financial instruments.

As of 31 December 2020 the bank has outstanding bonds in Swedish krone of 200m.

Nordea Direct Bank ASA does not have stock market risk. Nordea Direct Bank ASA does not have market risk under Pillar 1, because the bank does not have a trading portfolio.

Concentration risk
Concentration risk is the risk of losses due to the bank having large parts of its lending tied to a single borrower or to limited geographic or business areas. The concentration risk is measured and assessed through the bank`s ICAAP process. The concentration risk is assessed as limited since the bank`s exposure is only to the household segment with large numbers of single exposures with relatively small amounts.

As of 31 December 2020, the portfolio is geographically diverse, with the greatest lending in the most populous areas of the country. The bank's liquidity reserves are mainly placed in securities issued by the Norwegian government and Norwegian covered bonds (OMF).

Operational risk
Operational risk is the risk of losses resulting from inadequate or failing internal processes or systems, human error or external events and compliance and reputational risk. The bank has its own loss and event database for the evaluation, follow-up and storage of operational incidents.

Departmental managers in the various operational areas are responsible for identifying, limiting and managing operational risks within their respective areas. Operational risk sources are identified and communicated via the bank's internal procedures, which are tested regularly. Responsibility for follow-up of the internal control testing rests with the internal control responsible.

The bank's management regularly reviews its internal controls. The bank has a complex IT infrastructure that must function at all times. There is therefore particular focus on risks related to ICT/ security.

Liquidity risk
Liquidity risk is the risk of the bank not being able to meet its debt obligations when due and/or not being able to finance growth of its assets without incurring a substantial increase in costs.

The bank's finance strategy adopted by the Board provides guidelines and limits on managing the banks liquidity risk. The bank has established guidelines and limits for liquidity risk and risk tolerance, guidelines for liquid assets, guidelines for stable long-term funding and contingency plans. Stress tests are used to test the tolerance of the bank's liquidity situation.

The liquidity risk due to lack of access to liquidity is managed by having sufficiently liquid assets to cover the liabilities that reach maturity.

The bank shall have a liquidity reserve (buffer) in short-term deposits, liquid securities and/or committed credit facilities that, in an acute liquidity freeze in the market, allow sufficient time to implement the necessary measures.

As of 31 December 2020, the liquidity reserve was NOK 6,483.2m, divided between NOK 409.5m in bank deposits and NOK 6,073.7m 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 li-

31. Risk and risk management (cont.)

quid assets were at an adequate level that covers the bond debt that is due in the next 16 months.

Stress tests have also been carried out to demonstrate the bank's liquidity need based on future scenarios involving a general recession and/or a bank specific crisis.

The table below shows the lending portfolio and provisions as of 31 December 2020 and 31 December 2019 segmented by the risk groups:

Consolidated 31 Dec 2020 NOK million	**Gross lending**	**Guarantees**	**Total off-balance commitments**	**Other exposure**	**Maximum credit exposure**
Low	47,096		7,304		54,400
Medium	1,634		254		1,888
High	1,174		54		1,227
Not classified	20		23		42
Impaired and written down	793		13		806
Total	**50,716**		**7,648**		**58,364**
Loss allowance	170				170
Total net	**50,546**		**7,648**		**58,194**

Parent company 31 Dec 2020 NOK million	**Gross lending**	**Guarantees**	**Total off-balance commitments**	**Other exposure**	**Maximum credit exposure**
Low	25,427		12,716		38,143
Medium	1,585		253		1,838
High	1,075		51		1,126
Not classified	19		21		40
Impaired and written down	787		13		800
Total	**28,892**		**13,054**		**41,946**
Loss allowance	168				168
Total net	**28,724**		**13,054**		**41,778**

31. Risk and risk management (cont.)

Consolidated 31 Dec 2019 NOK million	Gross lending	Guarantees	Total off-balance commitments	Other exposure	Maximum credit exposure
Low	40,427		6,632		47,058
Medium	1,052		229		1,282
High	1,101		48		1,149
Not classified	5		18		23
Impaired and written down	619		13		632
Total	**43,204**		**6,940**		**50,144**
Loss allowance	385				385
Total net	**42,819**		**6,940**		**49,759**

Parent company 31 Dec 2019 NOK million	Gross lending	Guarantees	Total off-balance commitments	Other exposure	Maximum credit exposure
Low	18,825		10,261		29,086
Medium	957		769		1,726
High	939		281		1,220
Not classified	5		134		139
Impaired and written down	614		8		622
Total	**21,339**		**11,453**		**32,792**
Loss allowance	384				384
Total net	**20,955**		**11,453**		**32,409**

Based on the above development, the Board considers the credit risk levels in the bank's portfolio to be satisfactory.

32. Liquidity risk

Liquidity risk is the risk that the bank will be unable to meet all of its financial obligations when they fall due, or be unable to finance the assets, including desired growth, without significant additional costs. The banks financial strategy sets the framework and guidelines for managing the liquidity risk.

At the end of 2020, the Nordea Direct Bank Group had net liquid assets of NOK 6,483.2m, divided between NOK 409.5m in bank deposits and NOK 6,073.7m 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 16 months.

The figures below are nominal amounts and include interest payments based on the interest rates on the reporting date.

Consolidated 31 Dec 2020 NOKt	**1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**More than 5 years**	**Perpetual loans**	**Total**
Cash and balances with central banks						58,553	58,553
Loans to credit institutions						350,899	350,899
Loans to the public	20,377	738,878	2,991,051	12,623,215	41,549,411	4,009,710	61,932,641
Interest-bearing securities	1,837	306,577	1,160,389	3,253,316			4,722,120
Other financial assets	71,900					10,620	82,520
Derivatives – gross inflows	475	1,343	136,175	505,897	26,500		670,391
Total financial assets	**94,589**	**1,046,799**	**4,287,615**	**16,382,428**	**41,575,911**	**4,429,782**	**67,817,125**
Deposits by credit institutions	12,464	16,524	86,032	15,442,599			15,557,620
Deposits by the public	13,516,480	263,719	623,643				14,403,842
Debt securities in issue	347	37,580	5,936,097	15,155,806	526,500		21,656,329
Loan offers and unused credit facilities	7,648,007						7,648,007
Derivatives – gross outflows	1,140	19,743	58,491	332,936	9,117		421,426
Total liabilities	**21,178,437**	**337,566**	**6,704,264**	**30,931,341**	**535,617**		**59,687,224**

Consolidated 31 Dec 2019 NOKt	**1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**More than 5 years**	**Perpetual loans**	**Total**
Cash and balances with central banks						60,668	60,668
Loans to credit institutions						549,864	549,864
Loans to the public	61,353	794,316	2,887,594	12,342,170	39,638,518	4,224,379	59,948,330
Interest-bearing securities	5,512	220,430	1,524,669	3,813,227			5,563,838
Other financial assets	105,457					11,934	117,391
Derivatives – gross inflows	1,673	5,831	194,709	608,498	82,450		893,161
Total financial assets	**173,995**	**1,020,577**	**4,606,971**	**16,763,895**	**39,720,968**	**4,846,846**	**67,133,253**
Deposits by credit institutions	6,750	9,839	49,405	3,054,522			3,120,516
Deposits by the public	15,677,475	425,153	1,237,574				17,340,202
Debt securities in issue	356	472,085	2,641,542	21,480,434	1,932,450		26,526,868
Loan offers and unused credit facilities	6,940,165						6,940,165
Derivatives – gross outflows	1,878	48,903	147,841	600,035	53,726		852,383
Total liabilities	**22,626,623**	**955,980**	**4,076,362**	**25,134,991**	**1,986,176**		**54,780,133**

32. Liquidity risk (cont.)

Parent Company 31 Dec 2020 NOKt	1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Perpetual loans	Total
Cash and balances with central banks						58,553	58,553
Loans to credit institutions	3,115	6,230	4,301,034	1,008,400		350,899	5,669,678
Loans to the public	20,426	531,230	1,954,802	7,773,570	24,582,340	761,286	35,623,655
Interest-bearing securities	1,807	284,342	2,387,031	3,253,316			5,926,496
Other financial assets	53,223					10,620	63,844
Derivatives – gross inflows	475	1,343	114,575	419,497	26,500		562,391
Total financial assets	**79,047**	**823,145**	**8,757,442**	**12,454,784**	**24,608,840**	**1,181,358**	**47,904,616**
Deposits by credit institutions	439,732	16,524	86,032	15,442,599			15,984,888
Deposits by the public	13,516,480	263,719	623,643				14,403,842
Debt securities in issue	347	6,216	2,226,020	4,879,708	526,500		7,638,791
Loan offers and unused credit facilities	13,054,050						13,054,050
Derivatives – gross outflows	1,140	18,044	53,395	309,098	9,117		390,794
Total liabilities	**27,011,748**	**304,504**	**2,989,091**	**20,631,405**	**535,617**		**51,472,364**

Parent Company 31 Dec 2019 NOKt	1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Perpetual loans	Total
Cash and balances with central banks						60,668	60,668
Loans to credit institutions	3,131	6,262	755,719	1,022,800		549,864	2,337,777
Loans to the public	106,736	215,850	1,075,473	8,955,757	27,349,683	1,498,518	39,202,017
Interest-bearing securities	5,388	2,720,813	1,383,972	3,787,981			7,898,154
Other financial assets	72,536					11,934	84,470
Derivatives – gross inflows	1,673	5,831	142,084	522,098	60,850		732,536
Total financial assets	**189,464**	**2,948,756**	**3,357,249**	**14,288,636**	**27,410,533**	**2,120,985**	**50,315,622**
Deposits by credit institutions	519,995	9,839	49,405	3,054,522			3,633,761
Deposits by the public	15,677,475	425,153	1,237,574				17,340,202
Debt securities in issue	356	19,130	1,479,796	6,375,202	1,310,850		9,185,335
Loan offers and unused credit facilities	11,472,235						11,472,235
Derivatives – gross outflows	1,878	39,809	125,997	539,202	46,184		753,070
Total liabilities	**27,671,938**	**493,931**	**2,892,773**	**9,968,927**	**1,357,034**		**42,384,602**

33. Market risk

Market risk is the risk of losses associated with unfavourable movements in market prices, which, in this context, relate to posi- tions and activities in the interest-, currency-, credit- and stock markets.

Equity risk is the risk taken on by the bank through short-term and long-term investments in equities. Nordea Direct Bank ASA has no such investments.

Interest rate risk is the risk that interest rates will move at a different rate or in a different direction than assumed by the bank when planning its financing structure. Nordea Direct Bank ASA is exposed to interest rate risk through borrowings in the financial markets and fixed-rate loans to customers.

Currency risk is the risk of losses as a result of exchange rates moving at a different rate or in a different direction than assumed by the bank in its lanning. Nordea Direct Bank ASA is not exposed to currency risk.

The capital need for market risk is calculated in the total risk model using statistical models. The model uses a simulation-based method that generates a probability distribution of market losses over a one-year period. The bank has chosen a 99.9% confidence level. The confidence level expresses the security level the bank wishes to maintain. For example, a confidence level of 99.9% means that there is only a 0.1% likelihood that the bank has not reserved sufficient capital to cover unexpected losses.

Financial capital 99.9% **NOK million**	**2020**	**2019**	**2018**
Interest-rate risk	17.6	12.8	5.5
Equity price risk			
Foreign-exchange risk			
Total	**17.6**	**12.8**	**5.5**

34. Contingent liabilites and security

Off balance sheet liabilities and contingent liabilities

Parent company			**Consolidated**	
31 Dec 2019	**31 Dec 2020**	**NOKt**	**31 Dec 2020**	**31 Dec 2019**
		Guarantees		
3,339,658	4,100,304	Loan commitment	4,100,304	3,339,658
8,113,435	8,953,746	Undrawn credit limits	3,547,703	3,600,507
11,453,093	**13,054,050**	**Total contingent liabilities**	**7,648,007**	**6,940,165**

Undrawn credit limits relate to the unused portion of credit limits approved on overdraft accounts and credit cards, as well as the unused portion of lending limits on flexible mortgages. Unutilised credit facilities for Nordea Direct Bank Boligkreditt AS amounted to NOK 7,336.0m at the end of the year compared to 6,485.7 in 2019.

Collateral

Parent company			**Consolidated**	
31 Dec 2019	**31 Dec 2020**	**NOKt**	**31 Dec 2020**	**31 Dec 2019**
842,432	2.090.485	Securities pledged as collateral for loans from/credit facility with Norges Bank	2,090,485	842,432
842,432	**2.090.485**	**Total securities pledged**	**2,090,485**	**842,432**

In order to receive a loan from/ credit facility with Norges Bank, collateral must be provided in the form of interest-bearing securities or deposits in Norges Bank.

35. Funds

NOKt	31 Dec 2020	31 Dec 2019
Financial instruments clients		1,388,231
Client account		15,925
Client obligations		15,841
Total		**1,419,997**

Liquidation of savings of funds in Nordea Direct Bank ASA during 2020. The funds has been returned to the customers.
Figures for 2019 relates Nordea Direct Bank ASA as there are no differences between the parent company and Group.

Declaration from the Board and CEO

The Board and the CEO have today discussed and approved the annual report and financial statements for Nordea Direct Bank ASA for the calendar year 2020 and as of 31 December 2020 (Annual Report 2020).

We declare that, to the best of our knowledge, the financial statements for 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, credit institutions and financing companies. The accounting data provide a true and fair picture of the company's assets, liabilities, financial position and results as a whole, and the annual 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, 11 February 2021

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

To the General Meeting of Nordea Direct Bank ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nordea Direct Bank ASA, which comprise:

- The financial statements of the parent company Nordea Direct Bank ASA (the Company), which comprise the balance sheet as at 31 December 2020, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- The consolidated financial statements of Nordea Direct Bank ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2020, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.

- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Independent Auditor's Report - Nordea Direct Bank ASA

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accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

(2)

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements

(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 11 February 2021
PricewaterhouseCoopers AS

Erik Andersen
State Authorised Public Accountant

(This document is signed electronically)

Note: This translation from Norwegian has been prepared for information purposes only.

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