Nordea

Annual report 2021

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.

A year of stable operations, solid results and focus on integration

We are exiting 2021 with high customer satisfaction and growth within our key business areas. This, combined with stable and efficient operations, has given the bank strong results. In 2022 we will continue our efforts to maintain high customer satisfaction, competitive terms, especially for our union member customers, and completing the merger with Nordea.

The pandemic has, also this year, influenced the market with high uncertainty. We have nevertheless seen a sizable interest for home buying and refinancing among our customers, who appreciate a very attractive mortgage and banking offer. Furthermore, assisting some of our customers with down payment extensions, refinancing and debt consolidation, have helped them in dealing with challenges brought upon them by the pandemic.

The union partner market, where the key offerings are mortgage rates and daily banking, is continuing to be an important business area for the bank. We have throughout the year collaborated with our strategic partners to ensure an attractive banking offer to their members. We are proud of the growth in mortgages and have strengthened the partnerships by including Nordea Liv (pensions and life insurance) and Nordea Finans (car loans) to broaden the member offering.

The consumer finance market is going through a significant change, and has declined by 7 % in 2021. To meet the changing demand we have continued to adapt our customer journeys and positioning. As a result, we have succeeded in increasing our market shares through 2021. We have increased our efforts even further on customer service, and due to the pandemic, risk management. Ensuring solid control over credit risk exposure and losses.

Our staff has kept up their strong spirits and motivation even though the majority of our staff have been working from home, or with strict distancing policies, significant parts of the year. Additionally, many of our employees have worked with the project integrating Nordea Direct with Nordea. The scope and complexity of this project is significant, building common technology platforms and services, sharing competence, and merging the organizations. Nordea Directs all-digital solutions has contributed to the digital agenda of Nordea across the Nordics.

In 2022 we will, in collaboration with Nordea, continue to offer our customers a broad offering of banking products and services. We look forward to completing the integration of the two banks to strengthen the group's position and offering in the years to come.

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. During 2018 Nordea Direct Bank ASA (previously Gjensidige Bank ASA) was acquired by and Nordea Bank Abp. The merger between Nordea Direct Bank ASA and Nordea Bank Abp is ongoing and the target completion date is 1 November 2022. Completion is subject to regulatory approval.

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 until the legal merger with Nordea Bank Abp 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 272.8 m (NOK 155.0m) in 2021, compared to a profit of NOK 221.0m (NOK 126.1m) in 2020. The increase was a result of improved gains from financial instruments, one time bookings on the total Income, as well as improved write-down and losses. Operating expenses were higher than prior year, primarily a result of the delayed legal merger.

The return on equity[1] after tax in 2021 was 6.2%, compared to 5.5% in 2020.

Net profit before other comprehensive income[2] was 0.5 % in 2021 compared to 0.4% in 2020.

Net interest income amounted to NOK 692.0 m (NOK 513.6m) in 2021, compared to NOK 724.6m (NOK 580.5m) in 2020. Lending growth had a positive effect on the net interest income but it was offset by the decreased net interest margin.

[1] Ref. separate APM document
[2] Net profit before other comprehensive income in per cent of average total assets

Net interest margin[1] was 1.21% compared to 1.36% in 2020. The decrease was driven by the change in portfolio composition and lower yield on the Treasury placements due to the low NIBOR environment.

Net commission income and other operating income was NOK 16.7m (NOK 31.1m) in 2021, compared to minus NOK 43.9m (minus NOK 33.2m) in 2020. The increase was primarily driven by gains on financial instruments and a one-time booking related to a portfolio of pre-paid cards. The one-time booking relates to the closing of pre-paid cards issued by Gjensidige Bank ASA (now Nordea Direct Bank ASA) for a third party. The pre-paid cards have expired already before the acquisition of Gjensidige Bank ASA by Nordea Bank Abp and the board decided to write-off the balance of these cards, in close dialogue with the third party and after taking all necessary steps to pay out customer dues.

Operating expenses were NOK 315.5 m (NOK 308.9 m) in 2021, compared to NOK 297.5m (NOK 290.6m) in 2020. The increase was mainly driven by the implementation of new technical solutions required to support the bank's operations in the context of the delayed legal merger.

The cost/income ratio[1] was 44.5%, compared to 43.7% in 2020. This was a result of a higher growth in expenses when compared to the growth in the income.

Write-downs and losses

Write-downs and losses are recognised in accordance with IFRS9 standards. According to the standards, impairment allowance is measured using an expected loss model. The measurement of allowance for expected credit losses on financial assets is dependent on whether the credit risk has increased significantly since initial recognition. At initial recognition the allowance 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 allowance 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.

Loss allowance is calculated 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 2021 the bank recognised NOK 28.3m (NOK 28.1) in write-downs and losses, compared to NOK 86.8m (NOK 87.1m) in 2020. The main factors that contributed to the decrease were the sale of an unsecured lending portfolio at the end of 2020 as well as tightening of credit rules during 2020, which lead to an improved portfolio performance on the same unsecured portfolio. Write-offs were NOK 13.7m, compared to NOK 303.1 million in 2020, driven by the sale of the delinquent portfolio.

The development of the collective loan loss allowance is correlated with the development of the economic outlook. During the second quarter of 2021, the economic outlook improved, indicating a release of the allowance. Covid-19 still creates an uncertain environment and can have unexpected effects. In addition, a set of new models for calculating the collective loan loss allowance is under development. Considering the early stage, the effect they will have on the collective loan loss allowance was still unknown. With these two arguments in mind, the bank passed on a management judgement that mitigated the positive impact of the release. The bank also partially released the management judgement build in the second quarter of 2020. The release was related to forbearance, which was not included in the model for collective loan loss allowance at that time. During 2021, the model was updated to take forbearance into consideration and therefore the management judgement was released. In the second half of 2021, the collective loan loss allowance increased due to the portfolio performance, though at a slower pace

[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.

than previous years. The bank kept the level of the management judgement unchanged considering the uncertainties created by the new Omicron variant.

Write-downs and losses[1] were 0.05% of average gross lending, compared to 0.18% in 2020. The decrease was driven by lower write-downs and losses following the delinquent portfolio sale, tightened credit rules, as well as the change in the portfolio composition.

Gross lending in default over 90 days increased to NOK 215.0m (NOK 206.1m) at year-end, compared to NOK 94.9m (NOK 88.6m) in 2020. The main driver for the decrease is the sale of the delinquent unsecured loans portfolio in the fourth quarter of 2020. The total loss allowance on loans at the end of 2021 was NOK 184.1m (NOK 182.6m), compared to NOK 169.6m (NOK 168.3m) at the end of 2020. Gross lending in default over 90 days was 0.40% of gross lending at year-end compared to 0.19% in 2020.

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

Covid-19 Measures
During September 2021 Norway saw the society opening up due to the good progress of the vaccination programme run by the Norwegian authorities. At that time Nordea Direct Bank ASA considered the development and no longer saw the need or special measures and follow-ups due to Covid-19. With the Omicron variant in Q4'21, the bank returned to a full home office solution, while making sure that the customers continue to be served at the same standards as before. It also decided to keep the management judgement included in the loss allowance, considering the newly raised uncertainty. The bank will monitor the overall economic situation for any unexpected developments that could have negative impact on its operations or customers.

Organisation changes
During November 2021, a large share of the Nordea Direct Bank ASA organisation was moved into Nordea Bank Abp. In order to secure stable operations for the bank, Nordea Bank Abp will provide the services performed by the departments moved until the legal merger. 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 was notified about the move of the services and the governance structure.

Events after the balance sheet date
No significant events have occurred after the balance sheet date.

Balance sheet
At the end of 2021, the bank had total assets amounting to NOK 58,528.7m (NOK 49,050.8m), compared to NOK 56,003.3m (NOK 41,803.7m) in 2020.

Lending
At the end of 2021, the gross loans balance amounted to NOK 53,976.4m (NOK 34,311.9m), compared to NOK 50,708.6m (NOK 28,885.1m) in 2020. This translates into an increase of 6.4% over the year. The growth was due to the continuous work to develop the relationships established with the labour unions as well as the favourable market situation. During the second quarter of 2021, the bank sold all the lending contracts with its agriculture customers and transferred most of their outstanding relationships.

The weighted average loan to value ratio[1,2] was estimated at 61.7% for the mortgage portfolio compared to 61.5% in 2020.

Deposits
At the end of 2021 the deposits balance amounted to NOK 13,458.8m, compared to NOK 14,391.5m in 2020. This translates into a decrease of 6.5% over the year.

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

[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.

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 13,983.3m (NOK 5,152.8m) at the end of 2021, compared to NOK 21,159.3m (NOK 7,381.0m) at the end of 2020. The total face value of the securities issued by the bank was NOK 13,945.5m.

Repayments through ordinary maturity and buy back of bonds from investors were NOK 7,012.0m in 2021.

Liquidity
At the end of 2021, the Nordea Direct Bank ASA Group had net liquid assets of NOK 4,549.0m, divided between NOK 303.3m in bank deposits and NOK 4,245.7m in debt securities. Nordea Direct Bank Group had no longer any investments in the covered bonds issued by Nordea Direct Boligkreditt AS. The net liquid assets were at an ade-quate level that covers the bond debt that is due in the next 8 months.

Norwegian financial institutions are required to maintain a Liquidity Coverage Ratio (LCR) on 100 %, in order to be able to cover net liquidity outflow during periods with limited access to market funding. The LCR for Nordea Direct Bank Group was 401% compared to 409% at end of 2020.

The deposit to loan ratio[1] was 24.9% (39.2%), compared to 28.4% (49.8%) in 2020.

Capital adequacy and equity[1]
At the end of 2021, the bank had a capital adequacy ratio of 20.2% (18.2%), compared to 20.2% (21.6%) in 2020. The total capital held by the bank was NOK 4,547.2m (NOK 3,593.8m) compared to NOK 4,369.0m (NOK 3,537.7m) in 2020. The common equity Tier 1 capital ratio was 19.1% (17.0%) compared to 18.6% (19.5%) at the end of 2020.

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 2021, 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 2021.

At the end of 2021, equity was NOK 4,449.7m (NOK 3,527.0m), compared to NOK 4,179.3m (NOK 3,374.4m) in 2020; this is equivalent to 7.6% 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.

[1] Ref. separate APM document

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

Ulf Andre Bjørnhaug replaced Marte Kopperstad from 1 August 2021.

Board liability insurance
The company is covered by the Nordea Group's insurance policies, which cover the personal liabilities of its directors and officers (e.g. board members, CEO). The policy limit is in line with good standard for global banks.

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.

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 2021 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 reported 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 4,935m and it was exposed to a loss of about NOK 14.1m 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 2021, 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 2021, about 36.6% 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.

Climate risk
Climate risk can be divided into:

- Physical impact risk - potential adverse impacts from climate change such as extreme weather, floods or droughts, and sea level rise.

- Policy risk - tightening of climate policies and regulations to shift the economy away from fossil fuels.

The physical risk for Nordea Direct Bank ASA is assessed as minor due to that the mortgagor is well covered by good insurance arrangements in Norway.

EU Taxonomy set the standard for classification of economic activities and regulation in this area is under development.

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 5.0% in 2021 compared to 3.0% in 2020. 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 2021.

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 2021, the bank had 11 male and 8 female permanent employees. At the end of the year, the bank's senior management team consisted of 3 men and 1 woman. 33% 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 2021, 1 employed woman had part-time positions at their own wish. 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.

2 of the Board's 6 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 12% higher for leaders and 42% 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.

Outlook for 2022

During 2022, 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 155.0m to other equity.

Nordea Direct Bank ASA

Oslo, 10 February 2022

Randi Marjamaa Chairman	Sjur Loen Board member	Ulf Andre Bjørnhaug 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	
2020	**2021**	**NOKt**	**Note**	**2021**	**2020**
900,471	806,203	Interest income calculated using effective interest rate method	4	1,086,544	1,256,686
77,409	29,553	Interest income etc, fair value	4	23,945	53,016
397,378	322,116	Interest costs etc.	4	418,516	585,072
580,503	**513,639**	**Net interest income**		**691,973**	**724,630**
5,379	188	Dividends from investments in shares and funds		188	5,379
31,840	29,135	Fee and commission income	5	31,218	34,027
60,198	48,601	Fee and commission expense	5	48,601	60,198
-21,889	13,339	Net gains on financial instruments at fair value	6	8,942	-24,211
11,714	37,022	Other operating income		24,980	1,065
-33,154	**31,082**	**Net commission income and other operating income**		**16,728**	**-43,938**
547,348	**544,721**	**Total income**		**708,700**	**680,693**
99,682	83,379	Staff costs	7	85,409	101,396
15,690	9,732	Depreciations	7,9,10	9,732	15,690
175,197	215,810	Other operating expenses	7	220,344	180,431
290,569	**308,922**	**Total operating expenses before loan losses**		**315,484**	**297,517**
256,779	**235,800**	**Profit / (loss) before loan losses**		**393,216**	**383,175**
87,060	28,060	Loan losses	16	28,295	86,810
169,719	**207,740**	**Operating profit**		**364,921**	**296,365**
43,666	52,779	Income tax expense	8	92,074	75,328
126,053	**154,961**	**Net profit for the period**		**272,847**	**221,037**
116,681	150,680	Nordea Direct Bank ASA 's shareholders		268,566	211,666
9,372	4,281	Perpetual Tier 1 capital holders		4,281	9,372
133.2	172.0	Earnings per share, NOK (basic and diluted)		306.6	241.6

Statement of comprehensive income

Parent Company				Consolidated	
2020	2021	NOKt	Note	2021	2020
126,053	**154,961**	**Net profit for the period**		**272,847**	**221,037**
		Components of other comprehensive income			
		Items that are not subsequently reclassified to profit or loss			
-3,253	3,698	Actuarial gains/ (loss) on pensions	23	3,698	-3,253
813	-924	Tax on items that are not reclassified to profit or loss	8	-924	813
-2,440	**2,773**	**Total items that are not subsequently reclassified to profit or loss**		**2,773**	**-2,440**
		Items that may be reclassified subsequently to profit or loss			
4,944	3,374	Unrealised gain/(loss) on loans to customers, fair value over other comprehensive income			
-1,236	-844	Tax on items that may be reclassified to profit or loss	8		
3,708	**2,531**	**Total items that may subsequently be reclassified to profit or loss**		**-**	
1,268	**5,304**	**Total components of other comprehensive income**		**2,773**	**-2,440**
127,321	**160,265**	**Total comprehensive income for the period**		**275,620**	**218,598**

Nordea Direct Bank ASA
Oslo, 10 February 2022

Randi Marjamaa
Chairman

Sjur Loen
Board member

Ulf Andre Bjørnhaug
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 2020	**31 Dec 2021**	**NOKt**	**Note**	**31 Dec 2021**	**31 Dec 2020**
		Assets			
58,553	60,475	Cash and balances with central banks		60,475	58,553
5,625,219	9,429,068	Loans to credit institutions	13	242,839	350,899
28,716,816	34,129,366	Loans to the public	14,15,16	53,792,297	50,538,982
5,883,707	4,056,318	Interest-bearing securities	11	4,245,684	4,679,830
143,239	12,409	Derivatives	12,29	37,792	199,324
10,620	9,800	Shares	30	9,800	10,620
1,220,030	1,220,030	Shares in subsidiaries	30	-	
12,629	3,364	Intangible assets	9	3,364	12,629
19,146	19,559	Deferred tax assets	8	11,185	20,090
1,393	2,901	Fixed assets	10	2,901	1,393
1,586	798	Other assets		798	1,586
110,762	106,730	Advance payments and accrued income		121,611	129,436
41,803,701	**49,050,819**	**Total assets**		**58,528,746**	**56,003,342**
		Liabilities and equity			
16,280,027	26,623,961	Deposits by credit institutions	13	26,288,000	15,831,000
14,391,542	13,458,770	Deposits by the public	17	13,458,770	14,391,542
7,181,081	5,052,811	Debt securities in issue	18,20,34	13,883,350	20,959,345
28,910	6,920	Derivatives	12,29	9,368	32,029
46,688	52,727	Current tax liabilities	8	82,704	79,050
156,076	39,377	Other liabilities	22	39,454	156,149
114,059	162,568	Accrued expenses and prepaid income		190,758	144,066
30,925	26,666	Pension liability	23	26,666	30,925
199,956	99,982	Subordinated debt	21	99,982	199,956
38,429,265	**45,523,783**	**Total liabilities**		**54,079,054**	**51,824,063**
		Equity			
667,512	667,512	Share capital		667,512	667,512
1,814,374	1,814,374	Share premium		1,814,374	1,814,374
144,884	144,997	Perpetual Tier 1 capital	24	144,997	144,884
2,657	2,657	Other paid-in equity		2,647	2,647
745,009	897,497	Retained earnings		1,820,162	1,549,862
3,374,436	**3,527,036**	**Total equity**	1	**4,449,692**	**4,179,280**
41,803,701	**49,050,819**	**Total liabilities and equity**		**58,528,746**	**56,003,342**
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 2021	667,512	1,814,374	144,884	2,647	1,549,862	4,179,280
Net profit for the period			4,281		268,566	272,847
Other comprehensive income, net of tax					2,773	2,773
Total comprehensive income			**4,281**		**271,340**	**275,620**
Capital expansion						
Share-based payment transactions settled in equity					-1,040	-1,040
Tax payable and deferred tax relating to items recognised directly in equity						
AT1 capital						
Paid interest on AT 1 capital			-4,169			-4,169
Balance at 31 Dec 2021	**667,512**	**1,814,374**	**144,997**	**2,647**	**1,820,162**	**4,449,692**

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**

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 2021	667,512	1,814,374	144,884	2,657	745,009	3,374,436
Net profit for the period			4,281		150,680	154,961
Other comprehensive income, net of tax					2,773	2,773
Total comprehensive income			**4,281**		**153,453**	**157,734**
Capital expansion						
Share-based payment transactions settled in equity					-966	-966
Tax payable and deferred tax relating to items recognised directly in equity						
AT1 capital						
Paid interest on AT 1 capital			-4,169			-4,169
Balance at 31 Dec 2021	**667,512**	**1,814,374**	**144,997**	**2,657**	**897,497**	**3,527,036**

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**

Cash flow statement

Parent Company			Consolidated	
2020	2021	NOKt	2021	2020
		Operating activities		
-7,737,999	-5,569,977	Net payment of loans to customers	-3,410,564	-7,696,541
-2,914,981	-932,772	Net payment of deposits by customers	-932,772	-2,914,981
863,845	861,346	Payment of interest from customers	1,226,814	1,257,788
-146,116	-63,745	Payment of interest to customers	-63,745	-146,116
-109,448	-157,270	Net payment of interest from credit institutions etc.	-171,058	-101,585
-47,507	-46,688	Taxes paid	-79,050	-71,030
13,839	88,373	Net other commission income/expenses	7,617	-24,869
-391,666	-324,270	Payment to operations	-331,146	-398,897
1,636,693	1,621,969	Net receiv./paid (-) upon purchase and sale of financial instruments and interest-bearing securities	537,636	542,297
-8,833,339	**-4,523,034**	**Net cash flow from operating activities**	**-3,216,268**	**-9,553,933**
		Investment activities		
-1,709	-1,976	Net purchase of intangible assets and fixed assets	-1,976	-1,709
359,472	2,608	Net receipts/payments from sale/acquisition of loans to the public	2,608	359,472
357,762	**631**	**Net cash flow from investing activities**	**631**	**357,762**
		Financing activities		
12,810,781	10,343,934	Net receipts/payments on deposits from credit institutions	10,457,000	12,875,000
		Receipts of interest-bearing securities		
-1,300,000	-711,000	Payment of interest-bearing securities	-7,012,000	-3,903,000
26,424	-1,197,665	Interest payments on interest-bearing securities	-228,406	-260,805
-99,931	-99,974	Receipts of subordinated debt	-99,974	-99,931
-7,256	-2,953	Interest payments on subordinated debt	-2,953	-7,256
-298,200		Repayment additional Tier 1 capital		-298,200
-10,717	-4,169	Paid interest on Additional Tier 1 capital	-4,169	-10,717
700,000		Capital increases		700,000
11,821,101	**8,328,174**	**Net cash flow from financing activities**	**3,109,499**	**8,995,090**
3,345,524	**3,805,771**	**Total cash flow**	**-106,138**	**-201,080**
		Cash and cash equivalents		
2,338,248	5,683,772	Cash and cash equivalents at 1 January	409,452	610,533
5,683,772	9,489,543	Cash and cash equivalents at end of the period	303,315	409,452
3,345,524	**3,805,771**	**Net payment made(-)/received of cash**	**-106,138**	**-201,080**
		The following items are included in cash and cash equivalents:		
58,553	60,475	Cash and balances with central banks	60,475	58,553
5,625,219	9,429,068	Loans to credit institutions	242,839	350,899
5,683,772	**9,489,543**	**Liquid assets in statement of cash flow**	**303,315**	**409,452**

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 2021 were approved by the Board on 10 February 2020.

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 Accounting Policies and disclosures implemented in 2021

No new Standards or other changes in accounting policies have been imple¬mented during 2021 that are assessed to have significant effects on the financial statement.

Changes in Accounting Policies and disclosures not yet applied

No new standards or amendments not yet applied that are assessed to have significant effects on the financial statement.

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 from assets and liabilities measured at amortised cost are recognized based on the effective interest rate method. Assets recognized at fair value through comprehensive income are presented in the financial statement 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 recognized 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 recognised based on the effective interest method" 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 amortised 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, when they are assigned to low risk group on the internal risk scale and when 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. 12 months PDs are a reasonable approximation for the change in risk of a default occurring over the expected remaining lifetime. 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 and house prices in the collective loan loss allowance 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-bakbankenes-problemlan/.

The macro variables are also used by Nordea for their collective loan loss allowance model and Nordea Direct aligned the values in its model with Nordea's. The updated scenarios reflect the economic impact from Covid-19. Scenarios are developed by Nordea Enterprise Wide Risk Management, but leverages government and other sources including a reference point to the ECB scenarios.

	2021	2022	2023
Unemployment rate			
Alternative A (best case)	4.6%	3.5%	3.3%
Base case	4.6%	3.7%	3.6%
Alternative B (worst case)	4.7%	4.8%	4.6%
Housing prices			
Alternativ A (best sak)	10.1%	3.9%	2.5%
Basis sak	9.8%	1.7%	1.2%
Alternativ B (verste case)	9.7%	-4.6%	-3.0%

Scenario weighting 2021	
Alternativ A (best sak)	20%
Basis sak	60%
Alternativ B (verste case)	20%

The table below summarises the Macro scenarios used in Nordea Direct collective loan loss allowance model for 2021.

Until end of 2020, the household lending rate was used as a third variable in the model. After the annual validation process that was implemented during the first quarter of 2021, this variable was removed from the model.

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

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.

		ECL				
Product NOKt	**Gross asset**	**Alt. A**	**Base case**	**Alt. B**	**Weighted**	**Booked**
Mortgage	51,042,833	11,142	11,228	11,498	11,265	11,271
Unsecured Loans	2,809,460	150,015	151,671	156,674	152,340	152,373
Credit Cards	103,239	14,175	14,175	14,216	14,183	14,230
Overdraft	20,906	6,098	6,146	6,269	6,161	6,161
Total	**53,976,438**	**181,430**	**183,220**	**188,657**	**183,949**	**184,035**
Compared to Weighted - I/(D)		-2,520	-729	4,708		86
Compared to Weighted - I/(D) %		-1,4%	-0,4%	2,6%		

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)

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 liabilities. 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 2021 was NOK 667.5m divided on 876,000 shares at 762.0 per share. As per 31 December 2020 share capital was NOK 667.5m divided on 876,000 shares at 762.0 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 period 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	
2020	2021	NOKt	2021	2020
		Interest income calculated using effective interest rate method		
2,556	1,273	Loans to credit institutions	1,273	2,557
867,669	734,131	Loans to the public	1,085,270	1,254,128
30,247	70,798	Other income		
900,471	**806,203**	**Total interest income calculated using effective interest rate method**	**1,086,544**	**1,256,686**
		Interest income etc, fair value		
77,409	29,553	Interest-bearing securities	23,945	53,016
77,409	**29,553**	**Total interest income etc, fair value**	**23,945**	**53,016**
		Interest expenses		
101,961	165,934	Deposits by credit institutions	161,326	95,135
140,155	56,242	Deposits by the public	56,242	140,155
126,562	70,090	- valued at amortised cost	171,066	320,896
7,256	2,953	Subordinated debt	2,953	7,256
21,443	26,897	Other interest expenses	26,930	21,629
397,378	**322,116**	**Total interest costs etc[2]**	**418,516**	**585,072**
580,503	**513,639**	**Net interest income**	**691,973**	**724,630**

5. Net commission income

Parent Company			Consolidated	
2020	2021	NOKt	2021	2020
		Commission income		
2,115	194	Commissions from saving products	194	2,115
268	249	Interbank fees	249	268
20,399	21,098	Card fees	21,098	20,399
4,909	5,010	Payment transactions	5,014	4,912
3,293	1,528	Loan fees	3,607	5,477
855	1,056	Other commission income	1,057	855
31,840	**29,135**	**Total commission income**	**31,218**	**34,027**
		Commission expenses		
471	319	Interbank fees	319	471
14,825	11,397	Payment transactions	11,397	14,825
44,902	36,884	Other commission expenses	36,884	44,902
60,198	**48,601**	**Total commission expenses**	**48,601**	**60,198**
-28,358	**-19,466**	**Total net commission**	**-17,382**	**-26,171**

6. Net gains on financial instruments at fair value

Parent Company			Consolidated	
2020	2021	NOKt	2021	2020
136,467	-94,686	Net income on foreign currency trading and financial derivatives	-125,388	156,190
136,467	**-94,686**	**Net income on financial instruments**	**-125,388**	**156,190**
-1,293	-6,921	Net income on commercial paper and bonds	-11,391	-3,701
5,220	164	Net income on shares/ ownership interests	164	5,220
-162,283	114,781	Net income on financial liabilities	145,557	-181,919
-158,356	**108,025**	**Net income on financial instruments measured at fair value**	**134,330**	**-180,400**
-21,889	**13,339**	**Net gains on financial instruments measured at fair value**	**8,942**	**-24,211**

7. Operating expenses

Parent Company			Consolidated	
2020	2021	NOKt	2021	2020
73,186	61,209	Wages, salaries, etc.	62,714	74,449
		Pension costs		
8,289	6,632	- defined contribution schemes	6,806	8,463
1,215	829	- defined benefit schemes	829	1,215
16,080	13,015	Employer's National Insurance contributions	13,369	16,360
912	1,694	Other staff-related costs	1,691	909
99,682	**83,379**	**Total staff costs**	**85,409**	**101,396**
88,611	121,726	IT expenses	116,013	89,075
28,580	23,140	Marketing etc.	23,140	28,580
23,066	18,979	Other administrative expenses	25,212	23,113
5,833	27,786	Consultancy fees	28,072	16,748
34,935	24,180	Other operating expenses	27,906	39,647
175,197	**215,810**	**Total other expenses**	**220,344**	**180,431**
15,690	9,732	Ordinary depreciation	9,732	15,690
290,569	**308,922**	**Total operating expenses**	**315,484**	**297,517**
		Auditor's fee (incl. VAT)		
681	890	Statutory audit	984	819
104	10	Other assurance services	10	232
		Other non-assurance services		
		Tax consultant services		
785	**900**	**Total payments to auditor**	**994**	**1,051**
107	19	Number of employees	20	108
111	63	Average numbres of employees	64	112

7. Operating expenses (cont.)

Salary and other benefits paid to management and governing bodies in 2021

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]							
Stig Heide, Deputy Deputy CEO	1,635	390	160	187			
Cristina Zgherea, CFO	1,451	10	195	173			
Tor Egil Nedrebø, Retail Banking (1.1.31.10)[2]	1,398	491	142	169			
Ole Bjørn Harang, Consumer Finance, Sales and Distribution	1,613	322	174	225			
Jan Kåre Raae, CEO Nordea Direct Boligkreditt AS	1,354	304	20	174			
The Board							
Randi Marjamaa, Chairman							
Sjur Loen							
Ulf Andre Bjørnhaug (1.8-31.12)							
Marte Kopperstad (1.1-31.7)							
Per Kumle	200						
Mona Eek-Jensen	200						
Hans Jacob Starheim, employee repr.[3]	40						
Total for senior executives and the Board	**7,892**	**1,516**	**690**	**928**			

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]The CEO receive remuneration from Nordea Bank Apb, Norway.

[2]Employment moved to Nordea Bank Apb 1.11. Stated remuneration applies for period 1.1-31.10.

[3]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 2020

NOKt Name and position	Fixed salary/ fee	Earned variable salary	Other benefits	Rights earned in the financial 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 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	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.)

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	
2020	2021	NOKt	2021	2020
46,688	52,727	Tax payable	82,704	79,050
-7,745	-413	Change in deferred tax/tax assets	8,905	-8,446
4,723	465	Recognised directly on equity	465	4,723
43,666	**52,779**	**Tax expense**	**92,074**	**75,327**
		Reconciliation of tax expense		
169,719	207,740	Profit/ (loss) before tax expense	364,921	296,365
42,430	51,935	Expected tax at nominal tax rate of 25%	91,230	74,091
		Tax effect of permanent differences		
1,236	844	Profit and loss OCI	844	1,236
43,666	**52,779**	**Tax expense**	**92,074**	**75,327**
26%	25%	The average effective tax rate	25%	25%
		Deferred tax assets		
		Deferred tax assets arising from temporary differences		
7,731	6,666	- Pension liabilities	6,666	7,731
7,140	6,826	- Current assets	6,831	7,147
4,275	6,067	- Financial instruments	-2,312	5,212
19,146	**19,559**	**Net deferred tax assets**	**11,185**	**20,090**
		Net changes in deferred tax assets/ deferred tax through profit or loss are as follows:		
-777	1,065	Pension liabilities	1,065	-777
-1,661	314	Current assets	316	-1,658
-6,601	-1,792	Financial instruments	7,524	-7,305
1,295		Adjustments previous years		1,295
-7,745	**-413**	**Total**	**8,905**	**-8,446**
		Tax payable and deferred tax recognised directly in equity		
-4,723	-465	Tax payable and deferred tax recognised directly in equity	-465	-4,723
-4,723	**-465**	**Total**	**-465**	**-4,723**

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 2021	82,062	145,949	228,011
Acquired			
Disposed of			
Cost or adjusted value 31 Dec 2021	**82,062**	**145,949**	**228,011**
Accumulated depreciation and write-downs 1 Jan 2021	82,062	133,321	215,383
Depreciation for the year		9,265	9,265
Write-downs for the year			
Accumulated depreciation and write-downs 31 Dec 2021	**82,062**	**142,586**	**224,648**
Carrying value 31 Dec 2021		**3,364**	**3,364**
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**
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 2021	82,062	144,025	226,087
Acquired			
Disposed of			
Cost or adjusted value 31 Dec 2021	**82,062**	**144,025**	**226,087**
Accumulated depreciation and write-downs 1 Jan 2021	82,062	131,396	213,458
Depreciation for the year		9,265	9,265
Write-downs for the year			
Accumulated depreciation and write-downs 31 Dec 2021	**82,062**	**140,661**	**222,723**
Carrying value 31 Dec 2021		**3,364**	**3,364**
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**
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 2021	5,834	9,613	15,447
Acquired		1,976	1,976
Disposed of		-1	-1
Cost or adjusted value 31 Dec 2021	**5,834**	**11,588**	**17,422**
Accumulated depreciation and write-downs 1 Jan 2021	5,834	8,220	14,054
Depreciation for the year		467	467
Write-downs for the year			
Accumulated depreciation and write-downs 31 Dec 2021	**5,834**	**8,687**	**14,521**
Carrying value 31 Dec 2021		**2,901**	**2,901**
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**
Useful life	4 years	5 years	

11. Interest-bearing securities

Parent Company			Consolidated	
31 Dec 2020	**31 Dec 2021**	**NOKt**	**31 Dec 2021**	**31 Dec 2020**
849,674	842,823	Short-term government bonds	954,009	961,638
4,423,966	2,610,239	Covered bonds	2,688,419	3,108,125
610,067	603,256	Money market funds and other securities	603,256	610,067
5,883,707	**4,056,318**	**Total**	**4,245,684**	**4,679,830**
5,883,707	4,056,318	Stock exchange listed securities	4,245,684	4,679,830
		Unlisted securities		
5,883,707	**4,056,318**	**Total**	**4,245,684**	**4,679,830**

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 4,056.3m (NOK 4,245.7m) as of 31 December 2021 and NOK 5,883.7m (NOK 4,679.4m) as of 31 December 2020.

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 2021	**Gross nominal volume**	**Carrying amount assets**	**Carrying amount liabilities**
Interest rate swaps	4,935,000	38,628	9,368
Currency swaps	195,600	-836	
Total	**5,130,600**	**37,792**	**9,368**

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**

Parent company NOKt 31 Dec 2021	**Gross nominal volume**	**Carrying amount assets**	**Carrying amount liabilities**
Interest rate swaps	4,335,000	13,245	6,920
Currency swaps	195,600	-836	
Total	**4,530,600**	**12,409**	**6,920**

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**

Net cash paid as security for derivative liability was NOK 29.4m as of 31. December 2021 and NOK 141.0m as of 31 December 2020.

13. Loans to and receivables from credit institutions

Parent Company			Consolidated	
31 Dec 2020	31 Dec 2021	NOKt	31 Dec 2021	31 Dec 2020
		Loans to credit institutions		
347,245	241,836	Loans without an agreed term to maturity	241,911	347,838
5,277,975	9,187,232	Loans with an agreed term to maturity	928	3,062
5,625,219	**9,429,068**	**Gross loans to credit institutions**	**242,839**	**350,899**
		Write-downs		
5,625,219	**9,429,068**	**Net loans to credit institutions**	**242,839**	**350,899**
		Deposits by credit institutions		
449,027	335,961	Deposits by credit institutions without agreed terms or notice periods		
15,831,000	26,288,000	Deposits by credit institutions with agreed terms or notice periods	26,288,000	15,831,000
16,280,027	**26,623,961**	**Deposits by credit institutions**	**26,288,000**	**15,831,000**

14. Loans to and receivables from customers

Parent Company			Consolidated	
31 Dec 2020	31 Dec 2021	NOKt	31 Dec 2021	31 Dec 2020
		Loans to the public		
5,716,086	3,936,774	Loans to the public, amortised cost	53,976,438	50,708,573
23,168,981	30,375,159	Loans to the public, fair value over other comprehensive income		
28,885,067	**34,311,933**	**Gross loans to and receivables from customers**	**53,976,438**	**50,708,573**
-161,427	-176,165	Write-downs on loans, amortised cost, collectively reviewed for impairment	-184,142	-169,591
-11,767	-9,776	Write-downs on loans, fair value over OCI		
4,944	3,374	Change in value, fair value over OCI		
28,716,816	**34,129,366**	**Loans to the public**	**53,792,297**	**50,538,982**

15. Loans by geographic area

Parent Company					Consolidated			
31 Dec 2020		31 Dec 2021		NOKt	31 Dec 2021		31 Dec 2020	
Loans	Per cent	Loans	Per cent	Loans by county	Loans	Per cent	Loans	Per cent
814,697	2.8 %	1,067,610	3.1 %	Agder	1,425,077	2.6 %	1,243,468	2.5 %
1,515,765	5.2 %	1,570,755	4.6 %	Innlandet	2,240,771	4.2 %	2,211,744	4.4 %
802,500	2.8 %	890,173	2.6 %	Møre og Romsdal	1,239,787	2.3 %	1,207,217	2.4 %
1,062,753	3.7 %	1,228,248	3.6 %	Nordland	1,658,583	3.1 %	1,489,872	2.9 %
5,068,816	17.5 %	5,804,740	16.9 %	Oslo	10,167,844	18.8 %	10,226,325	20.2 %
2,296,433	8.0 %	2,569,563	7.5 %	Rogaland	3,721,083	6.9 %	3,606,354	7.1 %
1,884,118	6.5 %	2,239,201	6.5 %	Vestfold and Telemark	3,301,276	6.1 %	2,982,695	5.9 %
1,421,419	4.9 %	1,600,269	4.7 %	Troms and Finnmark	2,413,460	4.5 %	2,262,974	4.5 %
2,351,384	8.1 %	2,597,128	7.6 %	Trøndelag	4,267,896	7.9 %	4,264,186	8.4 %
3,355,080	11.6 %	4,085,427	11.9 %	Vestland	6,028,499	11.2 %	5,576,608	11.0 %
8,271,462	28.6 %	10,638,204	31.0 %	Viken	17,461,315	32.3 %	15,547,874	30.7 %
40,639	0.1 %	20,614	0.1 %	Svalbard, abroad	50,847	0.1 %	89,256	0.2 %
28,885,067	**100.0 %**	**34,311,933**	**100.0 %**	**Total gross loans by county**	**53,976,438**	**100.0 %**	**50,708,573**	**100.0 %**

16. Write-downs and losses on loans

Parent Company			Consolidated	
31 Dec 2020	31 Dec 2021	NOKt	31 Dec 2021	31 Dec 2020
		Write-downs and losses for the period		
-215,968	14,316	+/- Changes in Expected credit loss (ECL)[1]	14,551	-216,217
301,719	13,702	+ Write-off during the period[2]	13,702	301,719
1,308	41	- Payments on previously written-off accounts	41	1,308
87,060	**28,060**	**Write-downs and losses for the period**	**28,295**	**86,810**
		Loss allowance		
384,218	168,250	Loss allowance at the start of the period	169,591	385,807
-215,968	14,316	+/- Change in loss allowance for the period[1,2]	14,551	-216,217
168,250	**182,567**	**Loss allowance at the end of the period**	**184,142**	**169,591**
		Defaulted loans		
88,600	206,071	Gross default over 90 days	214,995	94,866

[1] 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 2020	31 Dec 2021	NOKt	31 Dec 2021	31 Dec 2020
		Losses by sector and industry		
87,060	28,060	Private individuals	28,295	86,810
		Commercial business		
87,060	**28,060**	**Total losses by sector and industry**	**28,295**	**86,810**

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

Credit quality by risk group

Consolidated

31 Dec 2021 NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Loans to and claims on customers				
Low	50,718,413	69,859	15,985	50,804,256
Medium	992,911	618,373	12,823	1,624,107
High	429,998	882,484	48,067	1,360,548
Not classified	9,484	272	1	9,756
Impaired and written down			218,381	218,381
Adjustment	-40,610			-40,610
Total	**52,110,196**	**1,570,986**	**295,256**	**53,976,438**
Loss allowance	53,783	45,446	84,912	184,142
Total net	**52,056,413**	**1,525,540**	**210,344**	**53,792,297**

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**

[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

Consolidated NOKt	31 Dec 2021 Gross carrying amount	31 Dec 2021 Loss allowance	31 Dec 2020 Gross carrying amount	31 Dec 2020 Loss allowance
0-29 days	53,659,455	95,302	50,447,842	100,323
30-59 days	71,115	12,279	122,768	28,125
60-89 days	30,873	6,271	43,098	10,408
90+ days	214,995	70,291	94,866	30,736
Total	**53,976,438**	**184,142**	**50,708,573**	**169,591**

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

Credit quality by risk group

Parent Company

31 Dec 2021 NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Loans to and claims on customers				
Low	30,609,472	44,627	9,267	30,663,366
Medium	992,911	559,535	12,823	1,565,270
High	429,998	753,880	37,264	1,221,142
Not classified	7,499	272	1	7,772
Impaired and written down			209,457	209,457
Adjustment	644,927			644,927
Total	**32,684,807**	**1,358,314**	**268,812**	**34,311,933**
Loss allowance	53,436	44,716	84,414	182,567
Total net	**32,631,371**	**1,313,597**	**184,398**	**34,129,366**

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**

[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 2021		31 Dec 2020	
Parent Company NOKt	**Gross carrying amount**	**Loss allowance**	**Gross carrying amount**	**Loss allowance**
0-29 days	34,017,868	94,081	28,639,233	99,369
30-59 days	58,207	12,071	119,751	28,063
60-89 days	29,787	6,263	37,484	10,196
90+ days	206,071	70,152	88,600	30,622
Total	**34,311,933**	**182,567**	**28,885,067**	**168,250**

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 2021	**68,382**	**51,175**	**50,034**	**169,591**
Transfer to stage 1	1,195	-4,958	-1,759	-5,522
Transfer to stage 2	-13,734	23,985	-965	9,286
Transfer to stage 3	-3,604	-16,105	40,541	20,832
New Financial assets originated during the period	32,917	10,872	5,337	49,126
Financial assets that have been derecognised	-20,746	-16,346	-10,054	-47,146
Management judgement due to Covid-19, payment reliefs	-7,129	-5,974		-13,103
Management judgement due to macroeconomic uncertainity 2021	7,328	14,386	11,576	33,290
Changes in balance with no transfer between stages	-10,826	-11,588	-9,799	-32,213
Loss allowance as at 31 Dec 2021	**53,783**	**45,446**	**84,912**	**184,142**
of which mortgage	3,811	4,181	9,440	17,432
of which credit card	5,880	881	7,469	14,230

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

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

NOKt	31 Dec 2021	31 Dec 2020
Stage 1	53,783	68,382
Stage 2	45,446	51,175
Stage 3	84,912	50,034
Total	**184,142**	**169,591**
Stage 1	29.2%	40.3%
Stage 2	24.7%	30.2%
Stage 3	46.1%	29.5%
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 2021	**67,782**	**50,844**	**49,625**	**168,250**
Transfer to stage 1	1,189	-4,953	-1,759	-5,522
Transfer to stage 2	-13,337	23,583	-959	9,286
Transfer to stage 3	-3,377	-16,099	40,307	20,832
New Financial assets originated during the period	32,796	10,563	5,318	48,677
Financial assets that have been derecognised	-20,555	-16,268	-9,982	-46,805
Management judgement due to Covid-19, payment reliefs	-7,129	-5,974		-13,103
Additional Management judgement due to Covid-19	7,328	14,386	11,576	33,290
Changes in balance with no transfer between stages	-11,261	-11,365	-9,713	-32,339
Loss allowance as at 31 Dec 2021	**53,436**	**44,716**	**84,414**	**182,567**
of which mortgage	3,464	3,451	8,941	15,857
of which credit card	5,880	881	7,469	14,230

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

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

NOKt	31 Dec 2021	31 Dec 2020
Stage 1	53,436	67,782
Stage 2	44,716	50,844
Stage 3	84,414	49,625
Total	**182,567**	**168,250**
Stage 1	29.3%	40.3%
Stage 2	24.5%	30.2%
Stage 3	46.2%	29.5%
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 2021	**49,452,848**	**1,075,302**	**180,423**	**50,708,573**
Transfer to stage 1	284,370	-275,614	-8,756	
Transfer to stage 2	-821,446	832,594	-11,148	
Transfer to stage 3	-81,344	-74,643	155,987	
New financial assets originated	21,288,532	462,166	18,739	21,769,437
Financial assets that have been derecognised	-15,972,236	-401,769	-41,400	-16,415,405
Change in balances due to payments	-2,022,673	-47,050	-8,127	-2,077,850
Portfolio sale				
Other changes [1]	-17,855	1	9,537	-8,316
Gross carrying amount as at 31 Dec 2021	**52,110,196**	**1,570,986**	**295,256**	**53,976,438**
Loss allowance as at 31 Dec 2021	53,783	45,446	84,912	184,142

[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 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.

Loans to and claims on customers

Consolidated NOKt	31 Dec 2021	31 Dec 2020
Stage 1	52,110,196	49,452,848
Stage 2	1,570,986	1,075,302
Stage 3	295,256	180,423
Total	**53,976,438**	**50,708,573**
Stage 1	96.5%	97.5%
Stage 2	2.9%	2.1%
Stage 3	0.5%	0.4%
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 2021	**27,780,302**	**943,728**	**161,036**	**28,885,067**
Transfer to stage 1	240,120	-232,794	-7,326	
Transfer to stage 2	-701,508	710,685	-9,177	
Transfer to stage 3	-69,819	-74,015	143,835	
New financial assets originated	15,935,248	407,064	16,850	16,359,162
Financial assets that have been derecognised	-9,477,287	-352,297	-38,341	-9,867,926
Change in balances due to payments	-979,182	-44,058	-7,602	-1,030,843
Portfolio sale				
Other Changes [1]	-43,066	1	9,537	-33,528
Gross carrying amount as at 31 Dec 2021	**32,684,807**	**1,358,314**	**268,812**	**34,311,933**
Loss allowance as at 31 Dec 2021	53,436	44,716	84,414	182,567

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

[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 2021**	**31 Dec 2020**
Stage 1	32,684,807	27,780,302
Stage 2	1,358,314	943,728
Stage 3	268,812	161,036
Total	**34,311,933**	**28,885,067**
Stage 1	95.3%	96.2%
Stage 2	4.0%	3.3%
Stage 3	0.8%	0.6%
Total	**100.0%**	**100.0%**

17. Customer deposits

	31 Dec 2021		31 Dec 2020	
NOKt	**Deposits**	**Per cent**	**Deposits**	**Per cent**
Deposits from/ debt to customers w/o agreed term to maturity	12,519,620	93.0 %	12,837,942	89.2 %
Deposits from/ debt to customers with agreed term to maturity	939,151	7.0 %	1,553,600	10.8 %
Total	**13,458,770**	**100.0 %**	**14,391,542**	**100.0 %**
Average interest rate 31 Dec		0.4 %		0.9 %
Deposits covered by deposit guarantee	11,772,749	87.5 %	12,354,157	85.8 %
Deposits by sector and industry				
Retail market	12,295,459	91.4 %	12,665,871	88.0 %
Other	1,163,311	8.6 %	1,725,671	12.0 %
Total deposits by sector and industry	**13,458,770**	**100.0 %**	**14,391,542**	**100.0 %**
Deposits by county				
Agder	387,469	2.9 %	426,283	3.0 %
Innlandet	794,425	5.9 %	855,325	5.9 %
Møre og Romsdal	448,118	3.3 %	473,420	3.3 %
Nordland	392,984	2.9 %	456,944	3.2 %
Oslo	2,473,556	18.4 %	2,792,926	19.4 %
Rogaland	823,122	6.1 %	904,349	6.3 %
Vestfold andTelemark	694,758	5.2 %	703,949	4.9 %
Troms and Finnmark	533,414	4.0 %	518,210	3.6 %
Trøndelag	1,211,219	9.0 %	1,328,284	9.2 %
Vestland	1,602,426	11.9 %	1,643,689	11.4 %
Viken	3,999,175	29.7 %	4,153,809	28.9 %
Svalbard, abroad	98,104	0.7 %	134,353	0.9 %
Total deposits by county	**13,458,770**	**100.0 %**	**14,391,542**	**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 2020	31 Dec 2021	NOKt	31 Dec 2021	31 Dec 2020
		Liabilities opened for the issue of securities		
2,358,923	1,344,555	Bond debt	9,552,255	15,484,240
		- Own non-amortised certificates/bonds		
2,358,923	**1,344,555**	**Total liabilities opened for the issue of securities**	**9,552,255**	**15,484,240**
		Liabilities opened for the issue of securities		
4,822,158	3,708,256	Bond debt	4,331,096	5,475,105
4,822,158	**3,708,256**	**Total liabilities included in fair value hedge**	**4,331,096**	**5,475,105**
7,181,081	**5,052,811**	**Total liabilities opened for the issue of securities**	**13,883,350**	**20,959,345**

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 2021	Cash flow	Non cash flow: Exchange rate changes	Non cash flow: Other changes	31 Dec 2021
Deposits by credit institutions	15,831,000	10,457,000			26,288,000
Debt securities in issue	20,959,345	-7,340,379	14,094	250,290	13,883,350
Subordinated debt	199,956	-2,953		-97,021	99,982
Total liabilities from financing activities	**36,990,301**	**3,113,668**	**14,094**	**153,270**	**40,271,333**

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**

Parent Company NOKt	1 Jan 2021	Cash flow	Non cash flow: Exchange rate changes	Non cash flow: Other changes	31 Dec 2021
Deposits by credit institutions	16,280,027	10,343,934			26,623,961
Debt securities in issue	7,181,081	-2,008,638	14,094	-133,725	5,052,811
Subordinated debt	199,956	-2,953		-97,021	99,982
Total liabilities from financing activities	**23,661,064**	**8,332,343**	**14,094**	**-230,746**	**31,776,755**

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**

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 2020	**31 Dec 2021**	**NOKt**	**31 Dec 2021**	**31 Dec 2020**
		Hedge instrument:		
122,900	9,205	Interest rate swap	32,139	175,866
4,700,000	**3,700,000**	**Interest rate swap nominal value**	**4,300,000**	**5,300,000**
		Hedge object		
-126,906	-12,125	Fixed rate bond issued	-37,400	-182,957
4,700,000	**3,700,000**	**Fixed rate bond issued niminal value**	**4,300,000**	**5,300,000**

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 2020	**31 Dec 2021**	**NOKt**	**31 Dec 2021**	**31 Dec 2020**
		Hedging instrument:		
163,230	-114,599	Interest rate swap	32,139	182,953
			4,300,000	
		Hedge item:		
-162,283	114,781	Bond debt	-37,400	-181,919
947	**182**	**Total**	**4,300,000**	**1,034**

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.

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

22. Provisions and other liabilities

Parent Company			Consolidated	
31 Dec 2020	**31 Dec 2021**	**NOKt**	**31 Dec 2021**	**31 Dec 2020**
		Accounts payable		
3,715	1,178	Liabilities to public authorities	1,256	3,788
152,361	38,198	Other liabilities	38,198	152,361
156,076	**39,377**	**Total other liabilities**	**39,454**	**156,149**

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	2021	2020
Present value of the defined benefit obligation		
At 1. Jan	37,159	33,815
Current service cost	329	527
Employer's National Insurance contribution on current service cost	133	101
Interest cost	461	720
Actuarial gains and losses	-2,386	3,355
Benefits paid	-1,167	-1,141
Employer's National Insurance contribution on benefits paid	-223	-218
At 31. Dec	**34,305**	**37,159**
Amount recognised in the balance sheet		
Present value of unfunded plans	26,775	29,607
Present value of funded plans	7,530	7,551
Present value of the defined benefit obligation	**34,305**	**37,159**
Fair value of plan assets	-7,639	-6,234
Net defined benefit obligation	**26,666**	**30,925**
Net pension liability in the balance sheet	**26,666**	**30,925**

23. Pensions (cont.)

NOKt	2021	2020
Fair value of plan assets		
At 1. Jan	6,234	6,000
Interest Income	94	
Expected return on plan assets	1,312	132
Actuarial gains and losses		102
Contributions by plan participants		218
Employer's National Insurance contribution on benefits paid		-218
At 31. Dec	**7,639**	**6,234**
Remeasurements of the net defined benefit liability/asset recognised in other comprehensive income		
Current service cost	329	527
Interest cost	367	720
Expected return on plan assets		-132
Past service costs		
Employer's National Insurance contributions	133	101
Total defined benefit pension cost	**829**	**1,215**
The expense is recognised in the following line in the income statement		
Total operating expenses	829	1,215
Actuarial gains and losses recognised in other comprehensive income		
Cumulative amount at 1. Jan	7,259	4,006
Recognised during the period	-3,698	3,253
Cumulative amount at 31. Dec	**3,561**	**7,259**

Per cent	2021	2020
Actuarial assumptions		
Discount rate	1.96%	1.50%
Expected return on plan assets	2.25%	1.75%
Change in National Insurance basic amount	2.25%	1.75%
Future pension increases	1.00%	1.00%

NOKt	2021	2020
Other specifications		
Amount recognised as expense for the defined contribution plan	5,766	7,204
Amount recognised as expense for Fellesordningen LO/NHO	1,150	1,353
Expected contribution to Fellesordningen LO/NHO next year	350	700
Expected contribution to the defined benefit plan for the next year	120	120

23. Pensions (cont.)

Per cent	Change in pension benefits 2021	Change in pension benefits 2020
Sensitivity		
10% increased mortality	-5.0%	-4.7%
10% decreased mortality	3.8%	3.5%
+ 1% point discount rate	-11.6%	-11.4%
- 1% point discount rate	12.7%	13.8%
+1% point salary adjustment	0.0%	2.0%
- 1% point salary adjustment	0.0%	-1.9%
+ 1% point National Insurance basic amount	N/A	-1.1%
- 1% point National Insurance basic amount	N/A	1.0%
+ 1% point future pension increase	15.5%	12.4%
- 1% point future pension increase	-14.8%	-10.6%

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 2021
Shares and similar interests		1,665		1,665
Bonds		4,599		4,599
Property		1,169		1,169
Bank		145		145
Other		61		61
Total		**7,639**		**7,639**

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**

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 18/PERP FRN C HYBRID
ISIN	NO0010797509	NO0010840036
Issuer	Nordea Direct Bank ASA	Nordea Direct Bank ASA
Principal amount	70	75
Currency	NOK	NOK
Issue date	20.06.2017	21.12.2018
Maturity date	Perpetual	Perpetual
Next call date	20.06.2022	21.12.2023
Interest rate	NIBOR 3M + 3.20%	NIBOR 3M + 3.60 %
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 2021		31 Dec 2020	
NOKt	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and receivables from central banks	**60,475**	**60,475**	**58,553**	**58,553**
Loans to and receivables from credit institutions, amortised cost	242,839	242,839	350,899	350,899
Loans to and receivables from credit institutions	**242,839**	**242,839**	**350,899**	**350,899**
Loans to and receivables from customers, amortised cost	53,792,297	53,794,728	50,538,982	50,564,229
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	**53,792,297**	**53,794,728**	**50,538,982**	**50,564,229**
Interest-bearing securities, receivables and loans, amortised cost				
Interest-bearing securities, fair value	4,245,684	4,245,684	4,679,830	4,679,830
Interest-bearing securities	**4,245,684**	**4,245,684**	**4,679,830**	**4,679,830**
Derivatives	37,792	37,792	199,324	199,324
Derivatives	**37,792**	**37,792**	**199,324**	**199,324**
Shares available for sale	9,800	9,800	10,620	10,620
Shares	**9,800**	**9,800**	**10,620**	**10,620**
Other financial assets, amortised cost	72,028	72,028	71,900	71,900
Total other financial assets	**72,028**	**72,028**	**71,900**	**71,900**
Total financial assets	**58,460,915**	**58,463,346**	**55,910,109**	**55,935,355**
Liabilities				
Liability to credit institutions, amortised cost	26,288,000	26,288,000	15,831,000	15,831,000
Liability to credit institutions	**26,288,000**	**26,288,000**	**15,831,000**	**15,831,000**
Deposits and liabilities to customers, amortised cost	13,458,770	13,457,789	14,391,542	14,393,732
Deposits and liabilities to customers, fair value				
Deposits and liabilities to customers	**13,458,770**	**13,457,789**	**14,391,542**	**14,393,732**
Liability incurred through the issue of securities, amortised cost	9,552,255	9,591,891	15,484,240	15,571,313
Liability incurred through the issue of securities, fair value hedge	4,331,096	4,375,547	5,475,105	5,523,411
Liability incurred through the issue of securities, fair value				
Liability incurred through the issue of securities	**13,883,350**	**13,967,438**	**20,959,345**	**21,094,724**
Derivatives	9,368	9,368	32,029	32,029
Derivatives	**9,368**	**9,368**	**32,029**	**32,029**
Subordinated debt, amortised cost	99,982	101,029	199,956	202,038
Subordinated debt	**99,982**	**101,029**	**199,956**	**202,038**
Other financial liabilities, amortised cost	88,699	88,699	90,111	90,111
Other financial liabilities	**88,699**	**88,699**	**90,111**	**90,111**
Total financial liabilities	**53,828,170**	**53,912,323**	**51,503,983**	**51,643,634**
Off-balance sheet obligations and guarantees				
Guarantees				
Mortgage assets[1]	842,345	842,345	2,090,485	2,090,485

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

25. Fair value of financial instruments (cont.)

Parent Company	31 Dec 2021		31 Dec 2020	
NOKt	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and receivables from central banks	**60,475**	**60,475**	**58,553**	**58,553**
Loans to and receivables from credit institutions, amortised cost	9,429,068	9,429,068	5,625,219	5,625,219
Loans to and receivables from credit institutions	**9,429,068**	**9,429,068**	**5,625,219**	**5,625',219**
Loans to and receivables from customers, amortised cost	3,760,609	3,763,040	5,554,659	5,579,905
Loans to and receivables from customers, fair value				
Loans to and receivables from customers, fair value over other comprehensive income	30,368,758	30,372,132	23,162,157	23,167,101
Loans to and receivables from customers	**34,129,366**	**34,135,172**	**28,716,816**	**28,747,006**
Interest-bearing securities, receivables and loans, amortised cost				
Interest-bearing securities, fair value	4,056,318	4,056,318	5,883,707	5,883,707
Interest-bearing securities	**4,056,318**	**4,056,318**	**5,883,707**	**5,883,707**
Derivatives	12,409	12,409	143,239	143,239
Derivatives	**12,409**	**12,409**	**143,239**	**143,239**
Shares available for sale	9,800	9,800	10,620	10,620
Shares	**9,800**	**9,800**	**10,620**	**10,620**
Other financial assets, amortised cost	57,157	57,157	53,223	53,223
Total other financial assets	**57,157**	**57,157**	**53,223**	**53,223**
Total financial assets	**45,774,200**	**45,780,006**	**40,491,379**	**40,521,569**
Liabilities				
Liability to credit institutions, amortised cost	26,623,961	26,623,961	16,280,027	16,280,027
Liability to credit institutions	**26,623,961**	**26,623,961**	**16,280,027**	**16,280,027**
Deposits and liabilities to customers, amortised cost	13,458,770	13,457,789	14,391,542	14,393,732
Deposits and liabilities to customers, fair value				
Deposits and liabilities to customers	**13,458,770**	**13,457,789**	**14,391,542**	**14,393,732**
Liability incurred through the issue of securities, amortised cost	1,344,555	1,350,539	2,358,923	2,368,357
Liability incurred through the issue of securities, fair value hedge	3,708,256	3,742,993	4,822,158	4,859,060
Liability incurred through the issue of securities, fair value				
Liability incurred through the issue of securities	**5,052,811**	**5,093,531**	**7,181,081**	**7,227,417**
Derivatives	6,920	6,920	28,910	28,910
Derivatives	**6,920**	**6,920**	**28,910**	**28,910**
Subordinated debt, amortised cost	99,982	101,029	199,956	202,038
Subordinated debt	**99,982**	**101,029**	**199,956**	**202,038**
Other financial liabilities, amortised cost	70,601	70,601	65	65
Other financial liabilities	**70,601**	**70,601**	**65**	**65**
Total financial liabilities	**45,313,046**	**45,353,831**	**38,081,581**	**38,132,190**
Off-balance sheet obligations and guarantees				
Guarantees				
Mortgage assets[1]	842,345	842,345	2,090,485	2,090,485

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

25 Fair value of financial instruments (cont.)

Consolidated	31 Dec 2021			
NOKt	Level 1	Level 2	Level 3	Total
Interest-bearing securities, fair value	4,245,684			4,245,684
Shares			9,800	9,800
Derivatives		37,792		37,792
Total financial assets measured at fair value	**4,245,684**	**37,792**	**9,800**	**4,293,276**
Loans to and receivables from customers, amortised cost			53,794,728	53,794,728
Total financial assets measured at amortised cost			**53,794,728**	**53,794,728**
Derivatives		9,368		9,368
Total financial liabilities measured at fair value		**9,368**		**9,368**
Deposits and liabilities to customers, amortised cost			13,457,789	13,457,789
Liability incurred through the issue of securities, amortised cost		9,591,891		9,591,891
Subordinated debt, amortised cost		101,029		101,029
Total financial liabilities measured at amortised cost		**9,692,920**	**13,457,789**	**23,150,709**
Liability incurred through the issue of securities, fair value hedge		4,375,547		4,375,547
Total financial liabilities included in fair value hedge		**4,375,547**		**4,375,547**

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**

There were no major moves between levels 1 and 2 in 2021.

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 2021		
NOKt	Level 1	Level 2	Level 3	Total
Interest-bearing securities, fair value	4,056,318			4,056,318
Shares			9,800	9,800
Derivatives		12,409		12,409
Total financial assets measured at fair value	**4,056,318**	**12,409**	**9,800**	**4,078,527**
Loans to and receivables from customers, fair value over other comprehensive income			30,372,132	30,372,132
Total assets measured at fair value over other comprehensive income			**30,372,132**	**30,372,132**
Loans to and receivables from customers, amortised cost			3,763,040	3,763,040
Loans to and receivables from customers			**3,763,040**	**3,763,040**
Derivatives		6,920		6,920
Total financial liabilities measured at fair value		**6,920**		**6,920**
Deposits and liabilities to customers, amortised cost			13,457,789	13,457,789
Liability incurred through the issue of securities, amortised cost		1,350,539		1,350,539
Subordinated debt, amortised cost		101,029		101,029
Total financial liabilities measured at amortised cost		**1,451,567**	**13,457,789**	**14,909,356**
Liability incurred through the issue of securities, fair value hedge		3,742,993		3,742,993
Total financial liabilities included in fair value hedge		**3,742,993**		**3,742,993**

Parent Company		31 Des 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**

There were no major moves between levels 1 and 2 in 2021.

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) 2021

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	10,620		55	-875		9,800
Total financial assets measured at fair value	**10,620**		**55**	**-875**		**9,800**

Sensitivity of shares 2021

Level 3 shares represent a total of NOK 9.8m 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) 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) 2021

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	10,620		-820			9,800
Loans to and receivables from customers, fair value over other comprehensive income	23,167,101		14,965,500	-7,760,469		30,372,132
Total financial assets measured at fair value	**23,177,721**		**14,964,679**	**-7,760,469**		**30,381,932**

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 Gjensidige Bank 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**

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 21,000.0m. Expiry date 30 November 2023.
b) 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 2021, the credit limit of the agreement was NOK 3,699.0m.

NOK 7,760.5m in loans to and claims on customers was transferred from Nordea Direct Bank ASA to Nordea Direct Boligkreditt AS in 2021.

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

	2021			2020		
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	70,467	240,904		47,274	74,197	
Other operating income	12,041		4,141	10,648		6,773
Other operating expenses	-961	-39,065		-950	-10,971	

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

NOKt	31 Dec 2021			31 Dec 2020		
NOKt	Nordea Direct Bank Boligkreditt AS	Nordea Bank Abp	Other Nordea companies	Nordea Direct Bank Boligkreditt AS	Nordea Bank Abp	Other Nordea companies
Deposit	335,961	177,161		449,027	282,683	
Loans to credit institutions	9,195,924	1,332		5,280,351	2,904	
Interest-bearing securities	0	196,609		1,393,903	664,882	
Deposits by credit institutions		26,322,952			15,345,487	
Other liabilities		37,123			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 2020	31 Dec 2021	NOKt	31 Dec 2021	31 Dec 2020
2,481,886	2,481,886	Share capital and share premium	2,481,886	2,481,886
747,666	900,154	Other equity	1,822,809	1,552,509
3,229,552	**3,382,039**	**Total equity (exclusive perpetual Tier 1 capital)**	**4,304,695**	**4,034,395**
		Deductions		
-12,629	-3,364	Goodwill and other intangible assets	-3,364	-12,629
-31,385	-35,039	Value adjustments due to the requirement for prudent valuation	-4,303	-4,922
		Increase		
7,273	5,195	IFRS 9 transitional arrangements for credit loss provisioning	5,195	7,273
3,192,810	**3,348,831**	**Common equity Tier 1 capital**	**4,302,224**	**4,024,117**
		Perpetual Tier 1 capital		
144,884	144,997	Perpetual Tier 1 capital	144,997	144,884
3,337,695	**3,493,828**	**Tier 1 capital**	**4,447,220**	**4,169,002**
		Supplementary capital		
199,956	99,982	Subordinated debt	99,982	199,956
3,537,651	**3,593,810**	**Net primary capital**	**4,547,203**	**4,368,958**
		Minimum requirement for equity and subordinated debt		
		credit risk		
		Of which:		
3,829	3,912	Local and regional authorities	2,237	4,018
118,730	258,523	Institutions	5,888	13,816
		Enterprises		
193,764	181,393	Mass market positions	182,170	195,144
735,971	899,346	Positions secured by mortgage	1,449,597	1,346,268
24,294	26,526	Overdue positions	27,310	25,378
35,420	20,903	Covered bonds	21,529	24,907
		Shares in securities fund		
20,370	98,386	Equtiy positions	784	850
4,895	3,236	Other positions	3,236	4,895
1,137,273	**1,492,223**	**Total minimum requirement credit risk**	**1,692,751**	**1,615,276**
89,293	86,039	Operational risk	106,271	108,871
4,290	672	CVA-risk	2,619	9,372
1,230,856	**1,578,934**	**Minimum requirement for net primary capital**	**1,801,640**	**1,733,518**
13,501,942	**16,884,915**	**Basis of calculation of balance sheet items not included in trading portfolio**	**20,712,641**	**19,735,335**
713,973	**1,767,878**	**Basis of calculation of off-balance sheet items not included in trading portfolio**	**446,740**	**455,615**
15,385,703	**19,736,680**	**Risk-weighted assets (calculation basis for capital adequacy ratio)**	**22,520,498**	**21,668,977**

28. Capital adequacy (cont.)

Parent Company			Consolidated	
31 Dec 2020	31 Dec 2021		31 Dec 2021	31 Dec 2020
		Buffer requirements		
461,571	592,100	Systemic risk buffer	675,615	650,069
384,643	493,417	Conservation buffer	563,012	541,724
153,857	197,367	Countercyclical buffer	225,205	216,690
1,000,071	**1,282,884**	**Total buffer requirement for common equity Tier 1 capital**	**1,463,832**	**1,408,484**
261,557	**335,524**	**Pillar 2 requirement 1.7% for common equity Tier 1 capital set by The Financial Supervisory Authority of Norway**	**382,848**	**368,373**
1,238,826	**842,273**	**Available common equtiy Tier 1 capital net min.requirement**	**1,442,120**	**1,272,157**
		Capital adequacy		
23.0 %	18.2 %	Capital adequacy ratio	20.2 %	20.2%
21.7 %	17.7 %	Tier 1 capital ratio	19.7 %	19.2%
20,8 %	17.0 %	Common equity Tier 1 capital ratio	19.1 %	18.6%
7,5 %	6.1 %	Leverage ratio	7.4 %	7.3%

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 reguirement 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 2021.

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 2020	31 Dec 2021	NOKt	31 Dec 2021	31 Dec 2020
		Numbers without use of transitional arrangements:		
3,185,538	3,343,636	Common equity Tier 1 capital	4,297,029	4,016,845
3,330,422	3,488,633	Tier 1 capital	4,442,026	4,161,729
3,530,378	3,588,615	Net primary capital	4,542,008	4,361,685
20,7 %	16.9 %	Common equity Tier 1 capital ratio	19.1 %	18.5%
21.6 %	17.7 %	Tier 1 capital ratio	19.7 %	19.2%
22.9 %	18.2 %	Capital adequacy ratio	20.2 %	20.1%

29. Classification of financial instruments

Consolidated NOKt Balance 31 Dec 2021	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			60,475			60,475
Loans to and claims on credit institutions			242,839			242,839
Loans to and claims on customers			53,792,297			53,792,297
Certificates, bonds and other interest-bearing securities	4,245,684					4,245,684
Derivatives	-836			38,628		37,792
Shares and ownership interests	7,439		2,361			9,800
Intangible assets					3,364	3,364
Fixed assets					2,901	2,901
Deferred tax assets					11,185	11,185
Other assets			72,028		50,380	122,408
Total assets	**4,252,287**		**54,170,001**	**38,628**	**67,830**	**58,528,746**
Liabilities and equity						
Liabilities to credit institutions			26,288,000			26,288,000
Deposits and liabilities to customers			13,458,770			13,458,770
Liabilities opened for the issue of securities			13,883,350			13,883,350
Derivatives	2,879			6,489		9,368
Other liabilities			88,699		224,218	312,917
Provision for pension liability					26,666	26,666
Subordinated debt			99,982			99,982
Total liabilities	**2,879**		**53,818,802**	**6,489**	**250,884**	**54,079,054**
Total equity					**4,449,692**	**4,449,692**
Total liabilities and equity	**2,879**		**53,818,802**	**6,489**	**4,700,576**	**58,528,746**

29. Classification of financial instruments (cont.)

Parent Company NOKt Balance 31 Dec 2021	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			60,475			60,475
Loans to and claims on credit institutions			9,429,068			9,429,068
Loans to and claims on customers		30,368,758	3,760,609			34,129,366
Certificates, bonds and other interest-bearing securities	4,056,318					4,056,318
Derivatives	-836			13,245		12,409
Shares and ownership interests	7,439		2,361			9,800
Shares in subsidiaries			1,220,030			1,220,030
Intangible assets					3,364	3,364
Fixed assets					2,901	2,901
Deferred tax assets					19,559	19,559
Other assets			57,157		54,305	107,528
Total assets	**4,062,921**	**30,368,758**	**14,529,701**	**13,245**	**80,129**	**49,050,819**
Liabilities and equity						
Liabilities to credit institutions			26,623,961			26,623,961
Deposits and liabilities to customers			13,458,770			13,458,770
Liabilities opened for the issue of securities			5,052,811			5,052,811
Derivatives	2,880			4,040		6,920
Other liabilities			72,028		182,644	254,672
Provision for pension liability					26,666	26,666
Subordinated debt			99,982			99,982
Total liabilities	**2,880**		**45,307,553**	**4,040**	**209,310**	**45,523,783**
Total equity					**3,527,036**	**3,527,036**
Total liabilities and equity	**2,880**		**45,307,553**	**4,040**	**3,736,346**	**49,050,819**

29. Classification of financial instruments (cont.)

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 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**	**54,545**	**320,079**	**51,824,063**
Total equity					**4,179,280**	**4,179,280**
Total liabilities and equity	**-22,516**		**51,471,954**	**54,545**	**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**

30. Shares and ownership interests

Parent Company			Consolidated	
31 Dec 2020	31 Dec 2021	NOKt	31 Dec 2021	31 Dec 2020
10,620	9,800	Ownership interest/shares	9,800	10,620
1,220,030	1,220,030	Shares in subsidiaries		
1.230.650	**1,229,830**	**Total**	**9,800**	**10,620**
3,237	2,361	Stock exchange listed securities	2,361	3,237
1,227,414	1,227,469	Unlisted securities	7,439	7,384
1,230,650	**1,229,830**	**Total**	**9,800**	**10,620**

31 Dec 2021 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	2,361	2,361	2,361	na
Norsk Gjeldsinformasjon	920 013 015	152	207	207	

31 Dec 2021 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 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	na
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. 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 2021

Consolidated NOKt	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	Unrated	Total
Cash and claims on central banks	60,475					60,475
Loans to and claims on credit institutions		176,734	66,105			242,839
State and government guaranteed bonds	954,009					954,009
Municipalities and counties	333,904	90,741				424,644
Covered bonds	2,688,419					2,688,419
Other	178,612					178,612
Total	**4,215,419**	**267,475**	**66,105**			**4,548,999**

31 Dec 2021

Parent company NOKt	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	Unrated	Total
Cash and claims on central banks	60,475					60,475
Loans to and claims on credit institutions		9,362,963	66,105			9,429,068
State and government guaranteed bonds	842,823					842,823
Municipalities and counties	333,904	90,741				424,644
Covered bonds	2,610,239					2,610,239
Other	178,612					178,612
Total	**4,026,052**	**9,453,704**	**66,105**			**13,545,861**

31. Risk and risk management (cont.)

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					3,108,125
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**

Credit risk derivatives by counterparty 31 Dec 2021

Consolidated **NOKt**	**AAA** **Fair value**	**AA** **Fair value**	**A** **Fair value**	**BBB** **Fair value**	**Unrated**	**Total**
Credit risk by counterparty			31,433			31,433
Total			**31,433**			**31,433**

Parent company **NOKt**	**AAA** **Fair value**	**AA** **Fair value**	**A** **Fair value**	**BBB** **Fair value**	**Unrated**	**Total**
Credit risk by counterparty			8,498			8,498
Total			**8,498**			**8,498**

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**

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. 2021 NOKt	Distribution as percentage	Gross carrying amounts	Unused credit lines
5.69%	1,780,101	221,359	0% - 40%	11.82%	6,022,539	607,312
18.90%	5,915,956	368,481	40% - 60%	28.60%	14,575,944	1,202,608
52.76%	16,509,336	150,692	60% - 80%	45.30%	23,085,071	713,616
21.21%	6,636,607	14,548	80% - 90%	13.19%	6,722,339	35,694
0.93%	291,444	13,055	90% - 100%	0.66%	334,460	28,675
0.51%	159,749	14,761	>100%	0.42%	215,668	18,792
100.00%	**31,293,192**	**782,895**	**Home Loans**	**100.00%**	**50,956,021**	**2,606,696**

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**

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 62,021.3m.

The weighted average portfolio loan to value ratio is estimated at 61.7% 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 lending (utlånsforskriften) set by the Ministry of Finance on 9 December 2020.

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 5.1m.

During the year the bank recognised NOK 28.3m in write-downs and losses. Write-offs were NOK 13.7m.

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 2021, 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 2021.

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 2021 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 2021, 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 2021, the liquidity reserve was NOK 4,549.0m, divided between NOK 303.3m in bank deposits and NOK 4,245.7m in debt securities. Nordea Direct Bank Group had no longer any investments in the covered bonds issued by Nordea Direct

31. Risk and risk management (cont.)

Boligkreditt AS. The net liquid assets were at an ade¬quate level that covers the bond debt that is due in the next 8 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 2021 and 31 December 2020 segmented by the risk groups:

Consolidated 31 Dec 2021 NOK million	Gross lending	Guarantees	Total off-balance commitments	Other exposure	Maximum credit exposure
Low	50,739		7,643		58,382
Medium	1,625		422		2,048
High	1,363		113		1,476
Not classified	27		39		67
Impaired and written down	224		9		233
Total	**53,978**		**8,227**		**62,205**
Loss allowance	184				184
Total net	**53,794**		**8,227**		**62,021**

Parent company 31 Dec 2021 NOK million	Gross lending	Guarantees	Total off-balance commitments	Other exposure	Maximum credit exposure
Low	31,284		21,336		52,620
Medium	1,566		422		1,988
High	1,223		111		1,334
Not classified	25		38		64
Impaired and written down	215		9		224
Total	**34,314**		**21,916**		**56,230**
Loss allowance	183				183
Total net	**34,131**		**21,916**		**56,047**

31. Risk and risk management (cont.)

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**

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 2021, the Nordea Direct Bank Group had net liquid assets of NOK 4,549.0m, divided between NOK 303.3m in bank deposits and NOK 4,245.7m in debt securities. Nordea Direct Bank Group had no longer any investments in the covered bonds issued by Nordea Direct Boligkreditt AS. The net liquid assets were at an adequate level that covers the bond debt that is due in the next 8 months.

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

Consolidated 31 Dec 2021 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						60,475	60,475
Loans to credit institutions						242,839	242,839
Loans to the public	17,760	763,369	3,110,554	13,162,856	45,596,911	3,679,487	66,330,937
Interest-bearing securities	182,292	217,587	2,172,994	1,716,995			4,289,868
Other financial assets	72,028					9,800	81,828
Derivatives – gross inflows	434	1,218	313,715	207,728	13,250		536,346
Total financial assets	**272,514**	**982,173**	**5,597,264**	**15,087,579**	**45,610,161**	**3,992,602**	**71,542,293**
Deposits by credit institutions	18,163	53,515	215,801	26,654,679			26,942,158
Deposits by the public	12,875,602	181,767	405,932				13,463,300
Debt securities in issue	342	34,291	6,330,745	7,539,320	513,250		14,417,947
Loan offers and unused credit facilities	4,758,413						4,758,413
Derivatives – gross outflows	949	18,874	252,951	108,407	4,120		385,301
Total liabilities	**17,653,468**	**288,446**	**7,205,429**	**34,302,406**	**517,370**		**59,967,119**

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**

32. Liquidity risk (cont.)

Parent Company 31 Dec 2021 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						60,475	60,475
Loans to credit institutions	8,457	16,913	77,518	9,280,530		242,839	9,626,257
Loans to the public	17,815	566,105	2,145,629	8,657,478	30,116,210	911,952	42,415,189
Interest-bearing securities	182,292	192,318	2,007,791	1,716,995			4,099,396
Other financial assets	57,157					9,800	66,957
Derivatives – gross inflows	434	1,218	292,115	142,928	13,250		449,946
Total financial assets	**266,155**	**776,553**	**4,523,054**	**19,797,931**	**30,129,460**	**1,225,067**	**56,718,220**
Deposits by credit institutions	354,124	53,515	215,801	26,654,679			27,278,119
Deposits by the public	12,875,602	181,767	405,932				13,463,300
Debt securities in issue	347	3,514	2,546,782	2,342,316	513,250		5,406,208
Loan offers and unused credit facilities	20,268,452						20,268,452
Derivatives – gross outflows	949	16,635	246,308	86,215	4,120		354,228
Total liabilities	**33,499,472**	**255,430**	**3,414,823**	**29,083,210**	**517,370**		**66,770,305**

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**

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**	**2021**	**2020**	**2019**
Interest-rate risk	28.6	17.6	12.8
Equity price risk			
Foreign-exchange risk			
Total	**28.6**	**17.6**	**12.8**

34. Contingent liabilites and security

Off balance sheet liabilities and contingent liabilities

Parent company			**Consolidated**	
31 Dec 2020	**31 Dec 2021**	**NOKt**	**31 Dec 2021**	**31 Dec 2020**
		Guarantees		
4,100,304	4,743,823	Loan commitment	4,743,823	4,100,304
8,953,746	17,172,132	Undrawn credit limits	3,483,327	3,547,703
13,054,050	**21,915,956**	**Total contingent liabilities**	**8,227,150**	**7,648,007**

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 Norda Direct Boligkreditt AS amounted to NOK 15,512.6m at the end of the year compared to 7,336.0 in 2020.

Collateral

Parent company			**Consolidated**	
31 Dec 2020	**31 Dec 2021**	**NOKt**	**31 Dec 2021**	**31 Dec 2020**
2.090.485	842,345	Securities pledged as collateral for loans from/credit facility with Norges Bank	842,345	2,090,485
2.090.485	**842,345**	**Total securities pledged**	**842,345**	**2,090,485**

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.

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 2021 and as of 31 December 2021 (Annual Report 2021).

We declare that, to the best of our knowledge, the financial statements for 2021 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, 10 February 2022

Randi Marjamaa Chairman	Sjur Loen Board member	Ulf Andre Bjørnhaug 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

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 2021, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement 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 2021, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, 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, and
- the financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, 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 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 the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

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

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We have been the auditor of the Company for 3 years from the election by the general meeting of the shareholders on 1 March 2019 for the accounting year 2019.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Value of loans to customers	
Loans to customers represents a considerable part of the Bank's total assets. The assessment of impairment losses is a model-based framework which includes elements of management judgment. The framework is complex and includes a considerable volume of data and judgmental parameters. We focused on this area due to the significance of the impairment considerations for the value of loans in the financial statements, and the fact that the use of judgment has a potential to affect the profit for the period. Furthermore, there is an inherent risk of errors because of the complexity and quantity of data involved in the modelling. In accordance with IFRS 9, write-downs on loans are to be based on more forward-looking assessments, so that write-downs reflect expected losses. The use of models to determine expected credit losses entails judgment, specifically with respect to: • classification of the various credit portfolios by risk and asset type • identification of impaired loans or loans presenting a significant increase in credit risk; • The categorization of loans into stages; and • Determination of significant parameters in the model The Bank's business is mainly concentrated on the retail market. The	In our audit of expected loss provisions, we assessed and reviewed the design and effectiveness of internal control to provide assurance for the assumptions and calculation method used. Further on, we performed tests of details on loan loss provisions calculated with use of the model. For loans, write-downs were calculated for groups of loans based on the model framework. We tested the framework and assessed the relevance and reasonableness of important assumptions used in the calculations. We obtained a detailed understanding of the process and relevant controls associated with • the calculations and methodologies used by management; • whether the management-approved model was in compliance with the framework and the model worked as intended; • the reliability of the sources of the data used in the model. Our review of the process and controls did not indicate material errors in the model or deviation from IFRS 9. The effects of the pandemic, including the impact on modelled loss provisions, was discussed with the management. Our performed procedures included testing aimed at the company's financial reporting systems relevant for financial reporting. The company uses external service providers to operate certain IT-systems. The external auditor of the relevant service organizations has been used to evaluate the design and efficiency of – and test established controls that ensure the integrity of the IT systems used in financial reporting. The auditor's testing included whether key calculations made by the core systems were performed in line with expectations, including interest rate calculations and amortization.

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Independent Auditor's Report - Nordea Direct Bank ASA

impairment model is designed to estimate loan-loss impairment provisions for this segment.

For the part of the group that has issued covered bonds, compliance with the requirements for collateral in real estate is of fundamental importance. The requirement is that the security pool is always within 75% of the value of the real estate. For this reason, this topic has also been an area of focus for the audit.

Notes 1.1-1.6, 2, 14, 15 and 16 in the annual report is relevant for the description of the Bank's model and processes to estimate loan-loss impairment provisions and the implementation of IFRS 9.

Testing also included integrity of data, change management and access to the systems. In order to be able to base our assessments on information in the auditor's reports, we assessed the auditor's competence and objectivity, reviewed issued reports and assessed possible exceptions and measures implemented. We also performed controls related to access management on the system utilized for financial reporting.

Our assessments and test substantiate that we could assume that the data handled in – and the calculations made by the company's external core system were reliable. This was necessary basis for our audit.

Our work also included review of whether realizable value of collateral was within the 75% requirement for loans financed with preferential rights.

We have read the read the notes and found the information to be adequate and comprehensive.

Other Information

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

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

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

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

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such

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Independent Auditor's Report - Nordea Direct Bank ASA

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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 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 ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Oslo, 10 February 2022
PricewaterhouseCoopers AS

Anne Lene Stensholdt
State Authorised Public Accountant

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

Nordea Direct Bank ASA
Essendropsgt. 7
P.O. Box 1166 Sentrum
0107 Oslo , Norway
Phone +47 915 03100