



Interim Report 1st quarter 2022

Nordea Direct Boligkreditt



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

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

Key financial figures

Summary of income statement

NOKt	Jan-Mar 2022	Jan-Mar 2021	Year 2021
Net interest income	30,401	47,806	178,334
Net commission income and other operating income	-1,779	787	-1,353
Total income	28,622	48,593	176,981
Staff costs	659	584	2,2029
Other expenses	6,373	7,061	17,536
Total operating expenses	7,032	7,645	19,565
Loan losses (negative figures are reversals)	-3	726	235
Operating profit	21,593	40,222	157,181
Income tax expense	5,398	10,055	39,295
Net profit for the period	16,195	30,166	117,886

Summary of balance sheet

NOKt	31 Mar 2022	31 Mar 2021	31 Dec 2021
Loans to the public (gross)	22,688,683	26,972,575	19,664,505
Allowance for loan losses	-1,572	-2,067	-1,575
Total assets	23,448,779	27,860,165	20,238,216
Equity	2,158,854	2,054,966	2,142,686

Ratios and key figures

		Jan-Mar 2022	Jan-Mar 2021	Year 2021
Net interest margin, annualised	%	0,54	0,76	0,73
Loss rate	%	0,00	0,02	0,00
Non-performing loans in % of gross lending ¹	%	0,04	0,04	0,05
Return on equity, annualised	%	3,1	5,9	5,6
Capital adequacy ²	%	25,6	20,4	29,4
Tier 1 capital ratio ²	%	25,6	20,4	29,4
Common equity Tier 1 capital ratio ²	%	25,6	20,4	29,4
Cost/income ratio	%	24,6	15,7	11,1
Liquidity Coverage Ratio	%	496	473	511
Average total assets	NOKt	22,979,732	25,461,072	24,444,725
Cover pool	NOKt	23,130,086	27,529,536	19,925
Number of loans	Number	12,566	14,337	11,108
Weighted indexed loan-to-value ratio ³	%	42,0	46,4	43,5
Weighted average remaining life	Year	21,3	21,6	20,7

¹ Gross default over 90 days

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

³ LTV for September 2021 is based on house prices per June 2021

Nordea Direct Boligkreditt AS

Introduction

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

Nordea Direct Boligkreditt AS is licensed by the Financial Supervisory Authority of Norway to issue covered bonds. The objective is to provide residential mortgage loans, and to primarily finance the lending portfolio by issuing covered bonds. The company is in a merge process with Nordea Eiendoms kreditt AS, and the last covered bond was issued 23 March 2017. In this period covered bond funding gradually has been replaced with unsecured funding from Nordea Direct Bank ASA. The Company only has residential mortgage loans purchased from Nordea Direct Bank ASA.

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

With reference to previous updates regarding the merger between Nordea Direct Boligkreditt AS and Nordea Eiendoms kreditt AS, the companies are reassessing the manner in which Nordea Direct Boligkreditt AS will be integrated into the Nordea Group and its covered bonds transferred to Nordea Eiendoms kreditt AS. The target completion for such transactions is 1 November 2022. Completion is subject to regulatory approval.

Income statement

Operating profit was NOK 16.2m (NOK 30.2m). The decrease was mainly driven by reduced net interest margins due to higher funding cost.

Total income amounted to NOK 28.6m (NOK 48.6m).

Net interest income amounted to NOK 30.4m (NOK 47.8m).

Net commission income and other income amounted to minus NOK 1.8m (plus NOK 0.8m). The reduction was mainly due to repurchasing of own covered bond March 2022.

The net interest margin¹ was 0.54% (0.76%).

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

Operating expenses were NOK 7.0m (NOK 7.6m).

Total write-downs and losses amounted to NOK 0.0m (NOK 0.7m). The balance of group write-downs amounted to NOK 1.6m (NOK 2.1m).

The group write-downs are intended to cover losses on commitments that are not individually identified as doubtful.

The Company uses the Banking Group's guidelines for assessing and writing down loans. No individual write-downs related to individual commitments have been made. At the end of the period, the Company had seven loans with an outstanding amount of NOK 4.7m in default over 90 days.

Lending

As of March 31, 2022, the Company had 12,566 loans with a total outstanding balance of NOK 22,688.7m (NOK 26,972.6m). The portfolio continues to be of high quality.

The entire lending portfolio has been acquired from Nordea Direct Bank ASA. It consists of loans with variable interest rates. The average loan commitment was NOK 1.8m per loan as of March 2022. The largest single exposure was NOK 8.7m and 13.2% of the lending portfolio consisted of loans with credit lines (fleksilån). Including the unutilised credit facilities, 19.8% of the lending portfolio consisted of loans with credit lines (fleksilån).

Nordea Direct Boligkreditt AS has a weighted loan-to-value ratio, indexed, of 42.0% (46.4%).

Segments

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

Capital position

As of March 31, 2022, the Company had a common equity Tier 1 capital ratio of 25.6% (20.4%). The total capital held by the Company was NOK 2,142.5m (NOK 2,024.6m).

Rating

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

Nordea Direct Boligkreditt AS will hold the amount of over-collateralisation required to maintain the cur-

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

rent rating for Nordea Direct Boligkreditt AS's covered bond program.

Debt securities issued

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

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

Liquidity

As of March 31, 2022, the Company had net liquid assets of NOK 721.5m, of which NOK 532.2m in bank deposits, NOK 53.1 m in covered bonds and NOK 136.2m in treasury bills.

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 the Company was 496% (473%) at end of first quarter.

The Company has a long-term credit facility with the parent company of NOK 21,000.0m. Unutilised credit facilities amounted to NOK 7,034.2m as of March 31 2022. In addition, the Company has a credit facility

agreement that allows Nordea Direct Boligkreditt AS to borrow money in order to repay its outstanding bond debt.

Covid-19 Measures


During Q1 Norway saw the society opening up due to the flattening out of the virus spread curve and the less serious nature of the Omnicron variant. Considering the development, Nordea Direct no longer sees the need for special measures and follow-ups due to Covid-19. The company will continue to monitor the overall economic situation for any unexpected developments that could have negative impact on its operations.

Events after the balance sheet date

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

Nordea Direct Boligkreditt AS

Oslo, 10 May 2022


Børre Sten Gundersen
Chairman


Morten Keil
Board member


Elen Margrethe Stiksrud
Board member


Cathrine K. Conradi
Board member


Jan Kåre Raae
Chief Executive Officer

Income statement

NOKt	Note	Jan-Mar 2022	Jan-Mar 2021	Year 2021
Interest income etc, amortised cost		103,637	95,343	355,748
Interest income etc, fair value		353	149	-1,330
Interest costs etc.		75,589	47,685	176,084
Net interest income		30,401	47,806	178,334
Fee and commission income		497	548	2,083
Net gains on financial instruments at fair value		-2,540	-1	-4,397
Other operating income		265	240	961
Net commission income and other operating income		-1,779	787	-1,353
Total income		28,622	48,593	176,981
Staff costs		659	584	2,029
Other operating expenses		6,373	7,061	17,536
Total operating expenses		7,032	7,645	19,565
Profit / (loss) before loan losses		21,590	40,948	157,416
Loan losses	4	-3	726	235
Operating profit		21,593	40,222	157,181
Income tax expense		5,398	10,055	39,295
Net profit for the period		16,195	30,166	117,886
Basic/diluted earnings per share, NOK		124,6	232,0	906,8

Statement of comprehensive income

NOKt	Jan-Mar 2022	Jan-Mar 2021	Year 2021
Net profit for the period	16,195	30,166	117,886
Components of other comprehensive income			
Items that are not reclassified subsequently to profit or loss			
Items that may be reclassified subsequently to profit or loss			
Total components of other comprehensive income			
Total comprehensive income for the period	16,195	30,166	117,886

Balance sheet

NOKt	Note	31 Mar 2022	31 Mar 2021	31 Dec 2021
Assets				
Loans to credit institutions	6	532,205	623,414	336,114
Loans to the public	2,4	22,687,111	26,970,509	19,662,930
Interest-bearing securities	9	189,301	189,945	189,367
Derivatives	9	7,631	42,486	25,382
Deferred tax assets			944	
Advance payments and accrued income		32,531	32,867	24,423
Total assets		23,448,779	27,860,165	20,238,216
Liabilities and equity				
Liabilities to credit institutions	6	13,965,805	10,568,411	9,186,381
Debt securities in issue	3,6	7,254,848	15,157,480	8,830,539
Derivatives	9	2,278	2,955	2,448
Current tax liabilities		3,014	30,656	29,978
Other liabilities		63,979	45,697	37,810
Deferred tax liabilities				8,374
Total liabilities		21,289,924	25,805,199	18,095,530
Equity				
Share capital		221,000	221,000	221,000
Share premium reserve		999,020	999,020	999,020
Retained earnings		922,639	804,780	922,666
Net profit for the period		16,195	30,166	
Total equity		2,158,854	2,054,966	2,142,686
Total liabilities and equity		23,448,779	27,860,165	20,238,216

Statement of changes in equity

NOKt	Share capital	Share premium reserve	Other equity	Total equity
Balance at 1 Jan 2022	221,000	999,020	922,666	2,142,686
Net profit for the period			16,195	16,195
Other comprehensive income, net of tax				
Total comprehensive income			16,195	16,195
Capital expansion				
Share-based payment transactions settled in equity			-26	-26
Balance at 31 Mar 2022	221,000	999,020	938,834	2,158,854

NOKt	Share capital	Share premium reserve	Other equity	Total equity
Balance at 1 Jan 2021	221,000	999,020	804,853	2,024,873
Net profit for the period			117,886	117,886
Other comprehensive income, net of tax				
Total comprehensive income			117,886	117,886
Capital expansion				
Share-based payment transactions settled in equity			-74	-74
Balance at 31 Dec 2021	221,000	999,020	922,666	2,142,686

NOKt	Share capital	Share premium reserve	Other equity	Total equity
Balance at 1 Jan 2021	221,000	999,020	804,853	2,024,873
Net profit for the period			30,166	30,166
Other comprehensive income, net of tax				
Total comprehensive income			30,166	30,166
Capital expansion				
Share-based payment transactions settled in equity			-74	-74
Balance at 31 Mar 2021	221,000	999,020	834,946	2,054,966

Number of shares at end of period 130.000

Cash flow statement

NOKt	Jan-Mar 2022	Jan-Mar 2021	Year 2021
Operating activities			
Net payment of loans to customers	-3,024,103	-5,148,399	2,159,559
Payment of interest from customers	98,235	91,131	350,680
Net payment of interest from credit institutions etc.	-30,938	-4,132	-21,181
Taxes paid	-16,181	-11,761	-32,362
Net other commission income	761	788	3,045
Payment to operations	-3,729	-4,299	-19,888
Net received/paid (-) upon purchase and sale of financial instruments and interest-bearing securities	66	81	660
Net cash flow from operating activities	-2,975,888	-5,076,591	2,440,512
Investment activities			
Net purchase of intangible assets and fixed assets			
Net cash flow from investment activities			
Financing activities			
Net receipts/payments on deposits from credit institutions	4,779,424	5,293,425	3,911,395
Receipts of interest-bearing securities	-68,781		
Payment of interest-bearing securities	-1,555,000		-6,301,000
Interest payments on interest-bearing securities	16,336	-43,113	-164,486
Capital increases			
Cash flow from financing activities	3,171,979	5,250,312	-2,554,091
Cash flow for the period	196,091	173,721	-113,580
Cash and cash equivalents			
Cash and cash equivalents at 1 January	336,114	449,693	449,693
Cash and cash equivalents at end of the period	532,205	623,414	336,114
Change	196,091	173,721	-113,580
The following items are included in cash and cash equivalents:			
Loans to credit institutions	532,205	623,414	336,114
Total cash and cash equivalents	532,205	623,414	336,114

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

Notes to the financial statements

Note 1 Accounting policies

The financial statements as of the first quarter of 2022, concluded on 31 March 2022, comprise Nordea Direct Boligkreditt AS. With the exception of the changes described below, the accounting policies applied in the interim report is the same as those used in the annual report for 2021.

The financial statements as of the first quarter of 2022 are prepared in accordance with IAS 34 "Interim Financial Reporting", as adopted by the EU. In addition, certain complementary rules in the Norwegian Accounting Act with supported regulation have been applied.

The report includes a condensed set of financial statements and is to be read in conjunction with the audited consolidated financial statement for the year ended 31 December 2021.

With exception for the items presented in the section "Changed accounting policies and presentation" below, the accounting policies and methods of computation are unchanged in comparison to Note 1 in the Annual Report 2021. For more information see Note 1 in the Annual Report 2021

Changes in accounting policies and presentation

No changes in accounting policies and presentation have been implemented by Nordea Direct Boligkreditt AS in Q1 2022.

Amendments

The following amended standards issued by the International Accounting Standards Board (IASB) were implemented by Nordea Direct Boligkreditt on 1 January 2022, but have not had any significant impact on the financial statements of Nordea Direct Boligkreditt.

- Amendments to International Financial Reporting Standard (IFRS) 3 Business Combinations: Reference to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract
- Annual improvements to IFRS Standards 2018–2020

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In 2021 the IASB published amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

The amendments require companies to recognise deferred tax on particular transactions that, on initial recognition, give rise to taxable and deductible temporary differences of equal amounts. Such a requirement may apply on the initial recognition of a lease liability and the corresponding right-of-use asset at the commencement of a lease. The requirement also applies in the context of decommissioning, restoration and similar liabilities where the corresponding amounts are recognised as part of the cost of the related asset.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. The standard is not yet endorsed by the EU and Nordea Direct bank Group does not currently intend to adopt it early. The gross deferred tax assets and liabilities will be disclosed, but will be set off on the balance sheet if such requirements are met. The current assessment of Nordea Direct Boligkreditt AS is that the amendments will not have any significant impact on its financial statements or capital adequacy in the period of initial application.

Other amendments to IFRSs

Other amendments to IFRSs are not assessed to have any significant impact on the financial statements or capital adequacy of Nordea Direct Boligkreditt in the period of their initial application.

Critical judgements and estimation uncertainty

Nordea Direct Boligkreditt applied critical judgements in the preparation of this interim report due to the uncertainty concerning the potential long-term impact of the war in Ukraine on the financial statements. The crisis have shaken financial markets, hitting all asset classes and causing global risk aversion. The escalation comes at a time when anxiety is already high in markets as central banks prepare to withdraw the ample liquidity injected during the coronavirus crisis.

In terms of direct credit risk Nordea Direct Boligkreditt is unaffected by the invasion as the exposure towards Russia and Ukraine is insignificant.

Information on where critical judgements are generally applied and where estimation uncertainty exists can be found in Note 2 "Critical accounting estimates and judgements" in the Annual Report 2021.

	2021	2022	2023
Unemployment rate			
Alternative A (best case)	4.4%	3.3%	3.0%
Base case	4.4%	3.7%	3.4%
Alternative B (worst case)	4.4%	4.4%	4.3%
Housing prices			
Alternative A (best case)	10.3%	3.3%	2.5%
Base case	10.3%	2.8%	0.7%
Alternative B (worst case)	10.3%	-2.6%	-4.4%
Scenario weighting Q1 2021			
Alternative A (best case)	20%		
Base case	60%		
Alternative B (worst case)	20%		

Note 2 Segment information

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

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

Note 3 Liabilities on the issue of securities

NOKt	31 Mar 2022	31 Mar 2021	31 Dec 2021
Liabilities opened for the issue of securities			
Bond debt	6,644,000	14,500,000	8,799,000
Total liabilities at amortised cost	6,644,000	14,500,000	8,199,000
Liabilities opened for the issue of securities			
Bond debt	600,000	600,000	600,000
Total liabilities included in fair value hedge	600,000	600,000	600,000
Total liabilities	7,244,000	15,100,000	8,799,000

Maturity

Remaining maturity (nominal value)	31 Mar 2022	31 Mar 2021	31 Dec 2021
2021		5,000,000	
2022	2,144,000	5,000,000	3,699,000
2023	4,500,000	4,500,000	4,500,000
2025	600,000	600,000	600,000
Total	7,244,000	15,100,000	8,799,000

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

New issues in 2022

Repayments in 2022 1,555,000

NOKt					
ISIN Number	Currency	Rate	Due	Ext.Due	Nominal value
N00010770852	NOK	Floating	20.5.2022	20.5.2023	2,144,000
N00010789266	NOK	Floating	23.5.2023	23.5.2024	4,500,000
N00010678766	NOK	Fixed	8.5.2025	8.5.2026	600,000
Total liabilities through the issuance of excluding own securities					7,244,000

Note 4 Write-downs and losses on loans

Write-downs and losses on loans

NOKt	31 Mar 2022	31 Mar 2021	31 Dec 2021
Write-downs and losses for the period			
+/- Change in group write-downs for the period (ECL)	-3	726	235
+ Write-off during the period			
- Payments on previously written-off accounts			
Write-downs and losses for the period	-3	726	235
Loss allowance			
Loss allowance at the start of the period	1,575	1,340	1,340
+/- Change in loss allowance for the period	-3	726	235
Loss allowance at the end of the period	1,572	2,067	1,575
Defaulted loans			
Gross default over 90 days	8,912	10,801	8,924

Credit quality by risk group

31 Mar 2022 NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Loans to and claims on customers				
Low	23,317,181	32,123	7,773	23,357,076
Medium		65,273		65,273
High	3,242	111,826	15,920	130,989
Not classified	5,071			5,071
Impaired and written down			8,912	8,912
Adjustment	-878,638			-878,638
Total	22,446,856	209,223	32,605	22,688,683
Loss allowance	375	562	636	1,572
Total net	22,446,481	208,661	31,969	22,687,111

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

31 Mar 2021 NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Loans to and claims on customers				
Low	24,185,776	21,707	6,406	24,213,889
Medium		55,234		55,234
High		84,389	8,160	92,549
Not classified	1,685			1,685
Impaired and written down			10,801	10,801
Adjustment	2,598,417			2,598,417
Total	26,785,878	161,331	25,367	26,972,575
Loss allowance	696	775	596	2,067
Total net	26,785,182	160,556	24,771	26,970,509

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	20,108,940	25,232	6,718	20,140,890
Medium		58,837		58,837
High		128,604	10,802	139,406
Not classified	1,985			1,985
Impaired and written down			8,924	8,924
Adjustment	-685,537			-685,537
Total	19,425,388	212,673	26,444	19,664,505
Loss allowance	347	730	498	1,575
Total net	19,425,042	211,943	25,946	19,662,930

Loans to and claims on customers by past due status

NOKt	31 Mar 2022		31 Mar 2021		31 Dec 2021	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
0-29 days	22,676,344	1,341	26,951,925	1,679	19,641,587	1,221
30-59 days	3,026	65	9,222	192	12,908	208
60-89 days	402	3	627	7	1,086	8
90+ days	8,912	164	10,801	188	8,924	138
Total	22,688,683	1,572	26,972,575	2,067	19,664,505	1,575

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

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

Reconciling items includes the following:

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

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

Loss allowance

NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total allowance
Loss allowance as at 1 Jan 2022	347	730	498	
Transfer to stage 1	11	-11		1,575
Transfer to stage 2	-105	105		
Transfer to stage 3	-223	-31	254	
New Financial assets originated during the period	53	18		71
Financial assets that have been derecognised	-31	-78	-42	-151
Changes in balance with no transfer between stages	342	-173	-74	96
Loss allowance as at 31 Mar 2022	394	562	636	1,591

NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total allowance
Loss allowance as at 1 Jan 2021	600	331	410	1,340
Transfer to stage 1	19	-19		
Transfer to stage 2	-446	446		
Transfer to stage 3	-61	-82	142	
New Financial assets originated during the period	135	297	134	565
Financial assets that have been derecognised	-51	-46	-66	-163
Changes in balance with no transfer between stages	499	-152	-23	324
Loss allowance as at 31 Mar 2021	696	775	596	2,067

NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total allowance
Loss allowance as at 1 Jan 2021	600	331	410	1,340
Transfer to stage 1	6	-6	0	
Transfer to stage 2	-397	403	-6	
Transfer to stage 3	-227	-6	233	
New Financial assets originated during the period	122	309	19	450
Financial assets that have been derecognised	-191	-78	-72	-341
Changes in balance with no transfer between stages	435	-223	-86	126
Loss allowance as at 31 Dec 2021	347	730	498	1,575

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

NOKt	31 Mar 2022	31 Mar 2021	31 Dec 2021
Stage 1	394	696	347
Stage 2	562	775	730
Stage 3	636	596	498
Total	1,591	2,067	1,575
Stage 1	24,7%	33,7%	22,0%
Stage 2	35,3%	37,5%	46,4%
Stage 3	40,0%	28,8%	31,6%
Total	100,0%	100,0%	100,0%

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

Reconciling items includes the following:

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

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

Loans to and claims on customers

NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Gross carrying amount as at 1 Jan 2022	19,425,388	212,673	26,444	19,664,505
Transfer to stage 1	84,222	-83,812	-410	
Transfer to stage 2	-102,541	104,521	-1,980	
Transfer to stage 3	-9,866	-3,105	12,971	
New financial assets originated	5,096,617	18,202		5,115,819
Financial assets that have been derecognised	-1,510,004	-37,465	-4,256	-1,551,725
Change in balances due to payments	-343,841	-1,790	-165	-345,796
Other Changes	-193,119			-193,119
Gross carrying amount as at 31 Mar 2022	22,446,856	209,223	32,605	22,688,683
Loss allowance as at 31 Mar 2022	394	562	636	1,591

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

Loans to and claims on customers

NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Gross carrying amount as at 1 Jan 2021	21,672,546	131,573	19,387	21,823,506
Transfer to stage 1	63,988	-61,183	-2,805	
Transfer to stage 2	-89,616	90,774	-1,158	
Transfer to stage 3	-2,101	-6,023	8,124	
New financial assets originated	3,909,279	22,186	4,473	3,935,938
Financial assets that have been derecognised	-1,730,745	-14,937	-2,530	-1,748,212
Change in balances due to payments	-346,638	-1,060	-124	-347,822
Other Changes	3,309,165			3,309,165
Gross carrying amount as at 31 Mar 2021	26,785,878	161,331	25,367	26,972,575
Loss allowance as at 31 Mar 2021	697	774	596	2,067

NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Gross carrying amount as at 1 Jan 2021	21,672,546	131,573	19,387	21,823,506
Transfer to stage 1	44,250	-42,820	-1,430	
Transfer to stage 2	-119,938	121,909	-1,971	
Transfer to stage 3	-11,525	-627	12,152	
New financial assets originated	5,353,284	55,101	1,889	5,410,274
Financial assets that have been derecognised	-6,494,948	-49,472	-3,059	-6,547,479
Change in balances due to payments	-1,043,491	-2,991	-525	-1,047,008
Other Changes	25,212			25,212
Gross carrying amount as at 31 Dec 2021	19,425,388	212,673	26,444	19,664,505
Loss allowance as at 31 Dec 2021	347	730	498	1,575

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

NOKt	31 Mar 2022	31 Mar 2021	31 Dec 2021
Stage 1	22,446,856	26,785,878	19,425,388
Stage 2	209,223	161,331	212,673
Stage 3	32,605	25,367	26,444
Total	22,688,683	26,972,575	19,664,505
Stage 1	98,9%	99,3%	98,8%
Stage 2	0,9%	0,6%	1,1%
Stage 3	0,1%	0,1%	0,1%
Total	100,0%	100,0%	100,0%

Note 5 Capital adequacy

NOKt	31 Mar 2022	31 Mar 2021	31 Dec 2021
Primary capital			
Share capital and share premium	1,220,020	1,220,020	1,220,020
Other equity	938,834	834,946	922,666
Total equity	2,158,854	2,054,966	2,142,686
Deduction			
Profit not included in the calculation of net primary capital	-16,195	-30,166	
Value adjustments due to the requirement for prudent valuation	-199	-197	-217
Common equity Tier 1 capital	2,142,460	2,024,603	2,142,469
Net primary capital	2,142,460	2,024,603	2,142,469
Credit risk:			
Of which:			
Central government or central banks		189	
Institutions	9,234	11,259	6,221
Mass market positions	951	1,489	777
Positions secured by mortgage	634,940	754,444	550,251
Overdue positions	822	1,136	784
Covered bonds	425	625	626
Other positions	4	88	
Total minimum requirement credit risk	646,377	769,230	558,659
Operational risk	22,088	21,411	22,088
CVA-risk	1,201	3,690	1,947
Minimum requirement for net primary capital	669,667	794,330	582,694
Basis of calculation of balance sheet items not included in trading portfolio	8,074,106	9,602,963	6,975,068
Basis of calculation of off-balance sheet items not included in trading portfolio	5,610	12,406	8,184
Risk-weighted assets (calculation basis for capital adequacy ratio)	8,370,836	9,929,126	7,283,688
Buffer requirements			
Systemic risk buffer	251,125	297,874	218,511
Conservation buffer	209,271	248,228	182,092
Countercyclical buffer	83,708	99,291	72,837
Total buffer requirement for common equity Tier 1 capital	554,104	645,393	473,440
Pillar 2 requirement 1.7% for common equity Tier 1 capital set by the Financial Supervisory Authority of Norway	142,304	168,795	123,823
Available surplus common equity Tier 1 capital net min. requirement	1,079,364	763,604	1,217,440
Capital adequacy			
Capital adequacy ratio	25,6%	20,4%	29,4 %
Tier 1 capital ratio	25,6%	20,4%	29,4 %
Common equity Tier 1 capital ratio	25,6%	20,4%	29,4 %
Leverage ratio	9,1%	7,2%	10,5 %

For credit risk the standard method is used, while basis method is used for operational risk. The Financial Supervisory Authority of Norway has set a Pillar 2 requirement on additional 1.7% of risk-weighted assets for Nordea Direct Bank Group, covered by Common equity Tier 1 capital. Total regulatory requirement for common equity Tier 1 capital was 12,7% end of Q1 2022.

Note 6 Transactions with related parties

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

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

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

Further information about the credit agreements:

a) 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 March 2022, the credit limit of the agreement was NOK 2,144.0m.

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

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

	Jan-Mar 2022		Jan-Mar 2021		Jan-Dec 2021	
NOKt	Nordea Direct Bank ASA	Nordea Bank Abp	Nordea Direct Bank ASA	Nordea Bank Abp	Nordea Direct Bank ASA	Nordea Bank Abp
Net interest income	45,703	55,917	16,113	5,916	70,467	35,291
Other operating income	265		240		961	
Other operating expenses	-2,876		-3,074	-6	-12,041	-12

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

	31 Mar 2022		31 Mar 2021		31 Dec 2021	
NOKt	Nordea Direct Bank ASA	Nordea Bank Abp	Nordea Direct Bank ASA	Nordea Bank Abp	Nordea Direct Bank ASA	Nordea Bank Abp
Deposit	531,353	852	622,669	745	335,961	155
Loans to credit institutions	13,985,150		10,577,451		9,195,924	
Interest-bearing securities		100,321	3,165,532	49,465		104,480

Note 7 Cover pool

NOKt	31 Mar 2022		31 Mar 2021		31 Dec 2021	
	Nominal value	Market value	Nominal value	Market value	Nominal value	Market value
Assets						
Loans to the public	22,687,111	22,687,111	26,972,575	26,972,575	19,664,505	19,664,505
- whereof pool of eligible loans	22,683,191	22,683,191	26,954,942	26,954,942	19,655,111	19,655,111
Supplementary assets and derivatives:	439,264	446,895	532,108	574,594	244,464	269,847
- whereof CIRS						
- whereof IRS		7,631		42,486		25,382
Total cover pool	23,122,455	23,130,086	27,487,050	27,529,536	19,899,575	19,924,957
Debt securities in issue (net outstanding amount)	7,244,000	7,285,908	15,100,000	15,239,692	8,799,000	8,873,907
Over-collateralization calculated on net outstanding covered bonds	219,2%	217,5%	82,0%	80,6%	126,2 %	124,5 %
Debt securities in issue (issued amount)	7,244,000	7,285,908	15,100,000	15,239,692	8,799,000	8,873,907
Over-collateralization calculated on issued covered bonds ¹	219,2%	217,5%	82,0%	80,6%	126,2 %	124,5 %

¹ without deduction for holdings of own bonds

Note 8 Contingent liabilities and security

NOKt	31 Mar 2022	31 Mar 2021	31 Dec 2021
Unutilised credit facility	1,881,228	1,979,844	1,823,813
Total contingent liabilities	1,881,228	1,979,844	1,823,813

Note 9 Fair value of financial instruments

Fair value

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

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

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

Quoted prices in active markets

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

Valuation based on observable market data

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

Valuation based on non-observable market data

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

Sensitivity financial assets level three

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

Note 9 Fair value of financial instruments (cont.)

NOKt	31 Mar 2022		31 Mar 2021		31 Dec 2021	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Loans to and receivables from credit institutions, amortised cost	532,205	532,205	623,414	623,414	336,114	336,114
Loans to and receivables from credit institutions	532,205	532,205	623,414	623,414	336,114	336,114
Loans to and receivables from customers, amortised cost	22,688,683	22,688,683	26,972,575	26,972,575	19,664,505	19,664,505
Total loans before individual and group write-downs	22,688,683	22,688,683	26,972,575	26,972,575	19,664,505	19,664,505
- Group write-downs	1,572	1,572	2,067	2,067	1,575	1,575
Total net loans to customers	22,687,111	22,687,111	26,970,509	26,970,509	19,662,930	19,662,930
Certificates and bonds, fair value	189,301	189,301	189,945	189,945	189,367	189,367
Total bonds and other fixed-income securities	189,301	189,301	189,945	189,945	189,367	189,367
Derivatives, fair value	7,631	7,631	42,486	42,486	25,382	25,382
Derivatives	7,631	7,631	42,486	42,486	25,382	25,382
Other financial assets, amortised cost	32,478	32,478	31,772	31,772	24,413	24,413
Total other financial assets	32,478	32,478	31,772	31,772	24,413	24,413
Total financial assets	23,448,725	23,448,725	27,858,126	27,858,126	20,238,206	20,238,206
Liabilities						
Loans and deposits from credit institutions, amortised cost	13,965,805	13,965,805	10,568,411	10,568,411	9,186,381	9,186,381
Total liabilities to credit institutions	13,965,805	13,965,805	10,568,411	10,568,411	9,186,381	9,186,381
Commercial paper and bonds, amortised cost	6,649,624	6,673,360	14,518,048	14,588,831	8,207,700	8,241,352
Liability incurred through the issue of securities, fair value hedge	605,224	612,518	639,432	650,861	622,839	632,554
Total debt securities	7,254,848	7,285,908	15,157,480	15,239,692	8,830,539	8,873,907
Derivatives, fair value	2,278	2,278	2,955	2,955	2,448	2,448
Derivatives	2,278	2,278	2,955	2,955	2,448	2,448
Other financial liabilities, amortised cost	32,320	32,320	35,251	35,251	27,640	27,640
Total other financial liabilities	32,320	32,320	35,251	35,251	27,640	27,640
Total financial liabilities	21,255,251	21,286,311	25,764,098	25,846,309	18,074,009	18,090,376

Note 9 Fair value of financial instruments (cont.)

NOKt	31 Mar 2022			
	Level 1	Level 2	Level 3	Total
Interest-bearing securities, designated at fair value	136,194	53,107		189,301
Derivatives, fair value		7,631		7,631
Total financial assets measured at fair value	136,194	60,738		196,932
Liabilities opened for the issue of securities, measured at fair value				
Derivatives, fair value		2,278		2,278
Total financial liabilities measured at fair value		2,278		2,278
Liability incurred through the issue of securities, amortised cost		6,673,360		6,673,360
Total financial liabilities measured at amortised cost		6,673,360		6,673,360
Liability incurred through the issue of securities, fair value hedge		612,548		612,548
Total financial liabilities included in fair value hedge		612,548		612,548

There were no major moves between levels 1 and 2 in 2022.

NOKt	31 Mar 2021			
	Level 1	Level 2	Level 3	Total
Interest-bearing securities, designated at fair value	111,897	78,049		189,945
Derivatives, fair value		42,486		42,486
Total financial assets measured at fair value	111,897	120,535		232,431
Liabilities opened for the issue of securities, measured at fair value				
Derivatives, fair value		2,955		2,955
Total financial liabilities measured at fair value		2,955		2,955
Liability incurred through the issue of securities, amortised cost		14,588,831		14,588,831
Total financial liabilities measured at amortised cost		14,588,831		14,588,831
Liability incurred through the issue of securities, fair value hedge		650,861		650,861
Total financial liabilities included in fair value hedge		650,861		650,861

NOKt	31 Dec 2021			
	Level 1	Level 2	Level 3	Total
Interest-bearing securities, designated at fair value	111,186	78,181		189,367
Derivatives, fair value		25,382		25,382
Total financial assets measured at fair value	111,186	103,563		214,749
Liabilities opened for the issue of securities, measured at fair value				
Derivatives, fair value		2,448		2,448
Total financial liabilities measured at fair value		2,448		2,448
Liability incurred through the issue of securities, amortised cost		8,241,352		8,241,352
Total financial liabilities measured at amortised cost		8,241,352		8,241,352
Liability incurred through the issue of securities, fair value hedge		632,554		632,554
Total financial liabilities included in fair value hedge		632,554		632,554

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

Quarterly earnings performance

NOKt	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Interest income etc, amortised cost	103,637	81,064	83,449	95,892	95,343	83,792	73,719	90,195
Interest income etc, fair value	353	194	110	-1,782	149	251	583	544
Interest costs etc.	73,589	49,573	37,918	40,908	47,685	39,050	32,896	66,867
Net interest income	30,401	31,685	45,641	53,201	47,806	44,994	41,406	23,872
Fee and commission income	497	488	512	536	548	540	533	549
Net gains on financial instruments at fair value	-2,540	-4,453	237	-179	-1	-149	-916	1,311
Other operating income	265	240	240	240	240	240	240	240
Total income	28,622	27,961	46,629	53,798	48,593	45,625	41,263	25,972
Staff costs	659	418	525	502	584	554	561	2
Other operating costs	6,373	3,349	3,720	3,406	7,061	3,424	3,162	3,512
Total operating expenses	7,032	3,767	4,244	3,908	7,645	3,978	3,723	3,514
Profit / (loss) before loan losses	21,590	24,193	42,385	49,890	40,948	41,646	37,540	22,458
Loan losses	-3	175	-259	-408	726	-183	-927	1,314
Operating profit	21,593	24,018	42,643	50,298	40,222	41,830	38,468	21,143

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