



Interim Report 2nd quarter 2021

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-Jun 2021	Jan-Jun 2020	Year 2020
Net interest income	101,008	57,727	144,127
Net commission income and other operating income	1,384	328	815
Total income	102,392	58,055	144,943
Staff costs	1,086	598	1,714
Other expenses	10,467	10,247	16,833
Total operating expenses	11,553	10,845	18,547
Loan losses (negative figures are reversals)	318	861	-249
Operating profit	90,520	46,348	126,645
Income tax expense	22,630	11,587	31,661
Net profit for the period	67,890	34,761	94,984

Summary of balance sheet

NOKt	30 Jun 2021	30 Jun 2020	31 Dec 2020
Loans to the public (gross)	24,153,680	18,886,827	21,823,506
Allowance for loan losses	-1,659	-2,451	-1,340
Total assets	24,933,810	19,845,932	20,518,080
Equity	2,092,690	1,964,752	2,024,873

Ratios and key figures

		Jan-Jun 2021	Jan-Jun 2020	Year 2020
Net interest margin, annualised	%	0.77	0.55	0.68
Loss rate	%	0.00	0.01	0.00
Non-performing loans in % of gross lending ¹	%	0.03	0.05	0.03
Return on equity, annualised	%	6.7	3.6	4.8
Capital adequacy ²	%	22.8	26.9	24.9
Tier 1 capital ratio ²	%	22.8	26.9	24.9
Common equity Tier 1 capital ratio ²	%	22.8	26.9	24.9
Cost/income ratio	%	11.3	18.7	12.8
Liquidity Coverage Ratio	%	480	487	486
Average total assets	NOKt	26,374,567	21,249,767	21,239,815
Cover pool	NOKt	24,617,587	19,502,406	22,220,048
Number of loans	Number	13,105	11,214	12,352
Weighted indexed loan-to-value ratio ³	%	44.4	46.1	45.2
Weighted average remaining life	Year	21.4	20.8	20.9

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 Quarterly updated house prices

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 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 yet to be determined, and the process is subject to regulatory approval.

Income statement

Operating profit was NOK 90.5m (NOK 46.3m). The increase was mainly driven by improved margins.

Total income amounted to NOK 102.4m (NOK 58.1m).

Net interest income amounted to NOK 101.0m (NOK 57.7m).

Net commission income and other income amounted to NOK 1.4m (NOK 0.3m).

The net interest margin¹ was 0.77% (0.55%).

Operating expenses were NOK 11.6m (NOK 10.8m).

Total write-downs and losses amounted to NOK 0.3m (NOK 0.9m). The balance of group write-downs amounted to NOK 1.7m (NOK 2.5m).

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 12 loans in default over 90 days.

Lending

As of 30 June 2021, the Company had 13,105 loans with a total outstanding balance of NOK 24,153.7m (NOK 18,886.8m). 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 30 June 2021. The largest single exposure was NOK 9.5m and 12.9% of the lending portfolio consisted of loans with credit lines (fleksilån). Including the unutilised credit facilities, 19.4% of the lending portfolio consisted of loans with credit lines (fleksilån).

Nordea Direct Boligkreditt AS has a weighted loan-to-value ratio, indexed, of 44.4% (46.1%).

Segments

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

Capital position

As of 30 June 2021, the Company had a common equity Tier 1 capital ratio of 22.8% (26.9%). The total capital held by the Company was NOK 2,024.6m (NOK 1,929.7m).

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

Debt securities issued

The Company had issued covered bonds with a total face value of NOK 10,100.0m as of 30 June 2021. The portfolio includes three loans, the first of which matures on 20 May 2022 (extended due date to 23 May 2023).

Liquidity

As of 30 June 2021, the Company had net liquid assets of NOK 727.6m, of which NOK 537.3m in bank deposits, NOK 78.5m in covered bonds and NOK 111.8m in treasury bills.

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

The Company has a long-term credit facility with the parent company of NOK 1,000.0m and a short-term credit facility of up to NOK 20,000.0m. Unutilised credit facilities amounted to NOK 8,358.2m as of 30 June 2021. 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.

Key risk and uncertainty factors

Nordea Direct Boligkreditt AS's financial risk mainly comprises credit, liquidity and interest rate risk. Risk is reported monthly and is assessed in accordance with the principles, strategies and limits on risk adopted by the Board.

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

Liquidity risk is the risk that the company will be unable to meet all of its financial obligations when they fall due, or be unable to fund its lending activities. Limits have been determined for necessary access to liquid funds. In order to reduce the risk, liquidity forecasts are continuously updated. The company also holds an adequate liquidity buffer, designed to give it sufficient time to implement the necessary measures in the event of an acute liquidity freeze.

Interest rate risk refers to the risk of losses as a result of changes in the interest rate level. Risk limits, given certain changes in interest rate level, are set to control and manage the interest rate risk. In the management of this risk both assets and liabilities (borrowing) are incorporated. Derivatives are used for hedging purposes.

Covid-19 Measures

After the outbreak of Covid-19 during the first quarter of 2020, the Company has taken steps to ensure continuity of its operations. There were no major disruptions in the services towards customers. The staff was able to work remotely to a great extent and the vendors were able to provide services according to agreements in place. In order to meet the needs of the customers in these unusual times, Nordea Direct Bank ASA granted up to 6-month interest only payments to a limited number of customers and decreased lending rates on its portfolio. It also tightened criteria for granting loans to customer groups assumed to be particularly exposed in case of an economic downturn. These measures were in line with the Norwegian banking market.


In the coming period, Nordea Direct Bank ASA will monitor the overall economic situation created by the outbreak of Covid-19 and will take the necessary steps to continue its strong current operations.

Events after the balance sheet date

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

Nordea Direct Boligkreditt AS

Oslo, 22 July 2021


Børre Sten Gundersen
Chairman


Anders Frank-Læssøe
Board member


Elen Margrethe Stiksrud
Board member


Alex Madsen
Board member


Jan Kåre Raæ
Chief Executive Officer

Income statement

NOKt	Note	Q2 2021	Q2 2020	Jan-Jun 2021	Jan-Jun 2020	Year 2020
Interest income etc, amortised cost		95,892	90,195	191,235	235,775	393,287
Interest income etc, fair value		-1,782	544	-1,633	-1,375	-540
Interest costs etc.		40,908	66,867	88,594	176,673	248,619
Net interest income		53,201	23,872	101,008	57,727	144,127
Fee and commission income		536	549	1,084	1,114	2,187
Net gains on financial instruments at fair value		-179	1,311	-181	-1,256	-2,322
Other operating income		240	240	481	470	950
Net commission income and other operating income		597	2,100	1,384	328	815
Total income		53,798	25,972	102,392	58,055	144,943
Staff costs		502	2	1,086	598	1,714
Other operating expenses		3,406	3,512	10,467	10,247	16,833
Total operating expenses		3,908	3,514	11,553	10,845	18,547
Profit / (loss) before loan losses		49,890	22,458	90,838	47,210	126,396
Loan losses	4	-408	1,314	318	861	-249
Operating profit		50,298	21,143	90,520	46,348	126,645
Income tax expense		12,575	5,286	22,630	11,587	31,661
Net profit for the period		37,724	15,857	67,890	34,761	94,984
Basic/diluted earnings per share, NOK		290.2	122.0	522.2	267.4	730.6

Statement of comprehensive income

NOKt	Q2 2021	Q2 2020	Jan-Jun 2021	Jan-Jun 2020	Year 2020
Net profit for the period	37,724	15,857	67,890	34,761	94,984
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	37,724	15,857	67,890	34,761	94,984

Balance sheet

NOKt	Note	30 Jun 2021	30 Jun 2020	31 Dec 2020
Assets				
Loans to credit institutions	6	537,259	659,686	449,693
Loans to the public	2,4	24,152,021	18,884,376	21,822,166
Interest-bearing securities	9	190,295	190,094	190,027
Derivatives	9	38,930	74,588	56,085
Deferred tax assets		944	243	944
Advance payments and accrued income		14,361	36,946	24,039
Total assets		24,933,810	19,845,932	22,542,953
Liabilities and equity				
Liabilities to credit institutions	6	12,641,778	1,778,219	5,274,986
Debt securities in issue	3,6	10,152,046	16,042,615	15,172,167
Derivatives	9	2,788	3,537	3,119
Current tax liabilities		22,630	11,587	32,362
Other liabilities		21,878	45,223	35,445
Total liabilities		22,841,120	17,881,181	20,518,080
Equity				
Share capital		221,000	221,000	221,000
Share premium reserve		999,020	999,020	999,020
Retained earnings		804,780	709,970	804,853
Net profit for the period		67,890	34,761	
Total equity		2,092,690	1,964,752	2,024,873
Total liabilities and equity		24,933,810	19,845,932	22,542,953

Statement of changes in equity

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			67,890	67,890
Other comprehensive income, net of tax				
Total comprehensive income			67,890	67,890
Capital expansion				
Share-based payment transactions settled in equity			-74	-74
Balance at 30 Jun 2021	221,000	999,020	872,670	2,092,690

NOKt	Share capital	Share premium reserve	Other equity	Total equity
Balance at 1 Jan 2020	221,000	999,020	709,970	1,929,990
Net profit for the period			94,984	94,984
Other comprehensive income, net of tax				
Total comprehensive income			94,984	94,984
Capital expansion				
Share-based payment transactions settled in equity			-101	-101
Balance at 31 Dec 2020	221,000	999,020	804,853	2,024,873

NOKt	Share capital	Share premium reserve	Other equity	Total equity
Balance at 1 Jan 2020	221,000	999,020	709,970	1,929,990
Net profit for the period			34,761	34,761
Other comprehensive income, net of tax				
Total comprehensive income			34,761	34,761
Capital expansion				
Share-based payment transactions settled in equity				
Balance at 30 Jun 2020	221,000	999,020	744,732	1,964,752

Number of shares at end of period 130.000

Cash flow statement

NOKt	Jan-Jun 2021	Jan-Jun 2020	Year 2020
Operating activities			
Net payment of loans to customers	-2,329,860	2,977,513	41,478
Payment of interest from customers	188,208	239,841	393,818
Net payment of interest from credit institutions etc.	13,051	-1,594	13,887
Taxes paid	-32,362	-23,523	-23,523
Net other commission income	1,564	1,584	3,137
Payment to operations	-8,870	-10,671	-18,829
Net received/paid (-) upon purchase and sale of financial instruments and interest-bearing securities	-268	-25,718	6,685
Net cash flow from operating activities	-2,168,536	3,157,431	416,652
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	7,366,792	49,902	3,546,669
Receipts of interest-bearing securities			
Payment of interest-bearing securities	5,000,000	-2,850,000	-3,700,000
Interest payments on interest-bearing securities	-10,110,691	-211,494	-327,475
Capital increases			
Cash flow from financing activities	2,256,101	-3,011,592	-480,806
Cash flow for the period	87,565	145,839	-64,154
Cash and cash equivalents			
Cash and cash equivalents at 1 January	449,693	513,847	513,847
Cash and cash equivalents at end of the period	537,259	659,686	449,693
Change	87,565	145,839	-64,154
The following items are included in cash and cash equivalents:			
Loans to credit institutions	537,259	659,686	449,693
Total cash and cash equivalents	537,259	659,686	449,693

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 second quarter of 2021, concluded on 30 June 2021, 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 2020.

The financial statements as of the second quarter of 2021 have been prepared in accordance with IFRS and IAS 34 Interim Financial Reporting. The interim report does not include all the information required in a complete annual report and should be read in conjunction with the annual report for 2020.

Changes in accounting policies

As a main rule, all income and expenses shall be shown in the income statement. The exception to this rule is the effect of changes to accounting principles. In the event of fundamental accounting reforms/ changes in accounting policies, figures for previous years must be recalculated to enable comparison. If items in the financial statement are reclassified, comparative figures must be calculated for the previous periods and reported in the financial statements.

Changes in significant accounting policies in the current period

A number of new standards, changes to standards and interpretations have been issued for financial years beginning after 1 January 2021. They have not been applied when preparing these consolidated financial statements. Nordea Direct Bank Boligkreditt AS does not plan early implementation of these standards.

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

Other amendments to IFRS

Other amendments to IFRS are not assessed to have any significant impact on Nordea Direct Boligkreditt ASs financial statements, capital adequacy or large exposures in the period of initial application.

Preparation of the interim accounts involves using assessments, estimates and assumptions that affect the use of accounting policies and recognised amounts for assets and liabilities, revenues and expenses. The actual results may deviate from these estimates. The most material assessments relating to the use of the company's accounting policies and the key sources of uncertainty in the estimates are the same when preparing the interim accounts as in the annual accounts for 2020.

All amounts are shown in NOK thousands (NOKt) unless otherwise indicated. Due to rounding off differences, figures and percentages may not add up exactly to the totals indicated.

A complete audit of the interim report has not been carried out.

Covid 19 Macro scenarios

Nordea Direct Boligkreditt AS 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/Faktorerbakbankenenes-problemlan/>.

The macro variables are also used by Nordea for their collective loan loss allowance model and

Nordea Direct Boligkreditt AS aligned the values in its model with Nordea's. The updated scenarios reflect the economic impact from Covid 19. Scenarios are developed by Nordea Enterprise Wide Risk Management, but leverages government and other sources including a reference point to the ECB scenarios.

The table below summarises the Macro scenarios used in Nordea Direct Boligkreditt AS collective loan loss allowance model for Q2 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.

	2021	2022	2023
Unemployment rate			
Alternative A (best case)	4.1%	2.8%	2.6%
Base case	4.2%	3.2%	3.2%
Alternative B (worst case)	5.4%	4.8%	4.6%
Housing prices			
Alternative A (best case)	11.8%	7.4%	2.3%
Base case	10.1%	3.0%	1.2%
Alternative B (worst case)	3.0%	-6.3%	-0.9%

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	30 Jun 2021	30 Jun 2020	31 Dec 2020
Liabilities opened for the issue of securities			
Bond debt	9,500,000	14,500,000	14,500,000
Total liabilities at amortised cost	9,500,000	14,500,000	14,500,000
Liabilities opened for the issue of securities			
Bond debt	600,000	1,450,000	600,000
Total liabilities included in fair value hedge	600,000	1,450,000	600,000
Total liabilities	10,100,000	15,950,000	15,100,000

Maturity

Remaining maturity (nominal value)	30 Jun 2021	30 Jun 2020	31 Dec 2020
2020		850,000	
2021		5,000,000	5,000,000
2022	5,000,000	5,000,000	5,000,000
2023	4,500,000	4,500,000	4,500,000
2025	600,000	600,000	600,000
Total	10,100,000	15,950,000	15,100,000

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

New issues in 2021

Repayments in 2021 5,000,000

NOKt

ISIN Number	Currency	Rate	Due	Ext.Due	Nominal value
N00010770852	NOK	Floating	20.5.2022	20.5.2023	5,000,000
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					10,100,000

Note 4 Write-downs and losses on loans

Write-downs and losses on loans

NOKt	30 Jun 2021	30 Jun 2020	31 Dec 2020
Write-downs and losses for the period			
+/- Change in group write-downs for the period (ECL)	318	861	-249
+ Write-off during the period			
- Payments on previously written-off accounts			
Write-downs and losses for the period	318	861	-249
Loss allowance			
Loss allowance at the start of the period	1,340	1,589	1,589
+/- Change in loss allowance for the period	318	861	-249
Loss allowance at the end of the period	1,659	2,451	1,340
Defaulted loans			
Gross default over 90 days	8,339	8,750	6,266

Credit quality by risk group

30 Jun 2021 NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Loans to and claims on customers				
Low	24,920,047	29,218	7,826	24,957,092
Medium	1,320	61,565		62,885
High		88,010	13,881	101,891
Not classified	1,701			1,701
Impaired and written down			8,339	8,339
Adjustment	-978,228			-978,228
Total	23,944,840	178,793	30,047	24,153,680
Loss allowance	463	539	656	1,659
Total net	23,944,377	178,254	29,390	24,152,021

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

30 Jun 2020 NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Loans to and claims on customers				
Low	19,557,939	344	3,218	19,561,501
Medium	6,373	65,240		71,613
High	8,338	83,899	14,363	106,600
Not classified	312			312
Impaired and written down			8,750	8,750
Adjustment	-861,949			-861,949
Total	18,711,012	149,483	26,331	18,886,827
Loss allowance	827	990	635	2,451
Total net	18,710,186	148,494	25,697	18,884,376

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	22,377,357		2,491	22,379,849
Medium	2,902	43,942	1,979	48,823
High	2,133	87,631	8,651	98,415
Not classified	920			920
Impaired and written down			6,266	6,266
Adjustment	-710,767			-710,767
Total	21,672,546	131,573	19,387	21,823,506
Loss allowance	600	331	410	1,340
Total net	21,671,945	131,243	18,978	21,822,166

Loans to and claims on customers by past due status

NOKt	30 Jun 2021		30 Jun 2020		31 Dec 2020	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
0-29 days	24,135,049	1,354	18,856,522	1,338	21,808,609	954
30-59 days	6,291	43	12,817	685	3,017	61
60-89 days	4,001	50	8,737	255	5,614	211
90+ days	8,339	211	8,750	172	6,266	114
Total	24,153,680	1,659	18,886,827	2,451	21,823,506	1,340

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 2021	601	330	410	1,340
Transfer to stage 1	6	-6		
Transfer to stage 2	-315	315		
Transfer to stage 3	-112	-92	204	
New Financial assets originated during the period	156	203	184	543
Financial assets that have been derecognised	-98	-71	-66	-236
Changes in balance with no transfer between stages	226	-140	-75	11
Loss allowance as at 30 Jun 2021	463	539	656	1,659

NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total allowance
Loss allowance as at 1 Jan 2020	480	114	995	1,589
Transfer to stage 1	50	-34	-16	
Transfer to stage 2	-616	616		
Transfer to stage 3	-96	-79	175	
New Financial assets originated during the period	21	0		21
Financial assets that have been derecognised	-64	-5	-19	-88
Changes in balance with no transfer between stages	1,052	376	-500	927
Loss allowance as at 30 Jun 2020	827	990	635	2,451

NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total allowance
Loss allowance as at 1 Jan 2020	480	114	995	1,589
Transfer to stage 1	28	-24	-4	
Transfer to stage 2	-59	204	-146	
Transfer to stage 3	-203	-44	247	
New Financial assets originated during the period	182	25		207
Financial assets that have been derecognised	-148	-59	-44	-251
Changes in balance with no transfer between stages	321	113	-639	-205
Loss allowance as at 31 Dec 2020	601	330	410	1,340

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

NOKt	30 Jun 2021	30 Jun 2020	31 Dec 2020
Stage 1	463	827	601
Stage 2	539	990	330
Stage 3	656	635	410
Total	1,659	2,451	1,340
Stage 1	27.9%	33.7%	44.8%
Stage 2	32.5%	40.4%	24.6%
Stage 3	39.6%	25.9%	30.6%
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 2021	21,672,546	131,573	19,387	21,823,506
Transfer to stage 1	52,788	-50,676	-2,112	
Transfer to stage 2	-97,130	99,791	-2,660	
Transfer to stage 3	-7,573	-4,419	11,992	
New financial assets originated	6,744,254	36,960	6,268	6,787,482
Financial assets that have been derecognised	-3,514,414	-32,634	-2,530	-3,549,578
Change in balances due to payments	-638,149	-1,802	-299	-640,251
Other Changes	-267,480			-267,480
Gross carrying amount as at 30 Jun 2021	23,944,840	178,793	30,047	24,153,680
Loss allowance as at 30 Jun 2021	463	539	656	1,659

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 2020	21,610,538	229,756	24,411	21,864,705
Transfer to stage 1	134,098	-130,485	-3,613	
Transfer to stage 2	-82,737	82,838	-101	
Transfer to stage 3	-2,146	-5,618	7,764	
New financial assets originated	1,027,906	1,520		1,029,426
Financial assets that have been derecognised	-2,673,149	-26,334	-1,947	-2,701,430
Change in balances due to payments	-441,553	-2,193	-183	-443,928
Other Changes	-861,945			-861,945
Gross carrying amount as at 30 Jun 2020	18,711,012	149,483	26,331	18,886,827
Loss allowance as at 30 Jun 2020	827	990	635	2,451

NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Gross carrying amount as at 1 Jan 2020	21,610,538	229,756	24,411	21,864,705
Transfer to stage 1	135,335	-127,228	-8,107	
Transfer to stage 2	-68,504	71,618	-3,114	
Transfer to stage 3	-8,782	-2,288	11,070	
New financial assets originated	7,614,220	20,311		7,634,531
Financial assets that have been derecognised	-6,044,862	-55,946	-4,445	-6,105,253
Change in balances due to payments	-854,637	-4,650	-427	-859,714
Other Changes	-710,763			-710,763
Gross carrying amount as at 31 Dec 2020	21,672,546	131,573	19,387	21,823,506
Loss allowance as at 31 Dec 2020	601	330	410	1,340

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

NOKt	30 Jun 2021	30 Jun 2020	31 Dec 2020
Stage 1	23,944,840	18,711,012	21,672,546
Stage 2	178,793	149,483	131,573
Stage 3	30,047	26,331	19,387
Total	24,153,680	18,886,827	21,823,506
Stage 1	99.1%	99.1%	99.3%
Stage 2	0.7%	0.8%	0.6%
Stage 3	0.1%	0.1%	0.1%
Total	100.0%	100.0%	100.0%

Note 5 Capital adequacy

NOKt	30 Jun 2021	30 Jun 2020	31 Dec 2020
Primary capital			
Share capital and share premium	1,220,020	1,220,020	1,220,020
Other equity	872,670	744,732	804,853
Total equity	2,092,690	1,964,752	2,024,873
Deduction			
Profit not included in the calculation of net primary capital	-67,890	-34,761	
Value adjustments due to the requirement for prudent valuation	-232	-268	-249
Common equity Tier 1 capital	2,024,568	1,929,722	2,024,624
Net primary capital	2,024,568	1,929,722	2,024,624
Credit risk:			
Of which:			
Central government or central banks	189	49	189
Institutions	9,313	15,068	10,207
Mass market positions	948	1,235	1,380
Positions secured by mortgage	675,797	527,946	610,298
Overdue positions	926	1,433	1,085
Covered bonds	628	626	625
Other positions	61	21	
Total minimum requirement credit risk	687,862	546,377	623,783
Operational risk	21,411	22,755	21,411
CVA-risk	2,383	3,822	5,081
Minimum requirement for net primary capital	711,656	572,953	650,275
Basis of calculation of balance sheet items not included in trading portfolio	8,589,762	6,778,691	7,762,200
Basis of calculation of off-balance sheet items not included in trading portfolio	8,511	51,023	35,083
Risk-weighted assets (calculation basis for capital adequacy ratio)	8,895,695	7,161,917	8,145,232
Buffer requirements			
Systemic risk buffer	266,871	214,858	244,357
Conservation buffer	222,392	179,048	203,631
Countercyclical buffer	88,957	71,619	81,452
Total buffer requirement for common equity Tier 1 capital	578,220	465,525	529,440
Pillar 2 requirement 1.7% for common equity Tier 1 capital set by the Financial Supervisory Authority of Norway	151,227	121,753	138,469
Available surplus common equity Tier 1 capital net min. requirement	894,815	1,020,159	990,180
Capital adequacy			
Capital adequacy ratio	22.8%	26.9%	24.9%
Tier 1 capital ratio	22.8%	26.9%	24.9%
Common equity Tier 1 capital ratio	22.8%	26.9%	24.9%
Leverage ratio	8.1%	9.6%	8.9%

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 Q2 2021.

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) long-term credit facility of up to NOK 1,000.0m. Expiry date 31 December 2022.

b) short-term credit facility of up to NOK 20,000.0m. Expiry date 30 November 2021.

c) Credit facility agreement that enables Nordea Direct Boligkreditt AS to borrow money in order to repay its outstanding bond debt. The credit facility shall be sufficient to cover the total repayment of the outstanding bonds over the next 12 months. As of 30 June 2021, the credit limit of the agreement was NOK 5,000.0m.

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

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

NOKt	Jan-Jun 2021		Jan-Jun 2020		Jan-Dec 2020	
	Nordea Direct Bank ASA	Nordea Bank Abp	Nordea Direct Bank ASA	Nordea Bank Abp	Nordea Direct Bank ASA	Nordea Bank Abp
Net interest income	31,472	7,245	31,652	9,360	47,274	12,085
Other operating income	-481		470		950	
Other operating expenses	6,300	6	-5,309		-10,648	

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

NOKt	30 Jun 2021		30 Jun 2020		31 Dec 2020	
	Nordea Direct Bank ASA	Nordea Bank Abp	Nordea Direct Bank ASA	Nordea Bank Abp	Nordea Direct Bank ASA	Nordea Bank Abp
Deposit	536,373	885	658,948	740	449,027	666
Loans to credit institutions	12,648,878		1,789,285		5,280,351	
Interest-bearing securities		90	1,677,901	341,270	1,393,903	395,381

Note 7 Cover pool

NOKt	30 Jun 2021		30 Jun 2020		31 Dec 2020	
	Nominal value	Market value	Nominal value	Market value	Nominal value	Market value
Assets						
Loans to the public	24,153,680	24,153,680	18,886,827	18,886,827	21,823,506	21,823,506
- whereof pool of eligible loans	24,132,917	24,132,917	18,859,850	18,859,850	21,805,199	21,805,199
Supplementary assets and derivatives:	445,740	484,670	569,175	642,555	358,764	414,849
- whereof CIRS						
- whereof IRS		38,930		73,381		56,085
Total cover pool	24,578,657	24,617,587	19,429,025	19,502,406	22,163,963	22,220,048
Debt securities in issue (net outstanding amount)	10,100,000	10,222,345	15,950,000	16,134,995	15,100,000	15,258,079
Over-collateralization calculated on net outstanding covered bonds	143.5 %	141.0 %	21.8%	20.9%	46.8%	45.6%
Debt securities in issue (issued amount)	10,100,000	10,222,345	15,950,000	16,134,995	15,100,000	15,258,079
Over-collateralization calculated on issued covered bonds ¹	143.5 %	141.0 %	21.8%	20.9%	46.8%	45.6%

¹ without deduction for holdings of own bonds

Note 8 Contingent liabilities and security

NOKt	30 Jun 2021	30 Jun 2020	31 Dec 2020
Unutilised credit facility	1,956,363	1,926,103	1,929,971
Total contingent liabilities	1,956,363	1,926,103	1,929,971

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	30 Jun 2021		30 Jun 2020		31 Dec 2020	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Loans to and receivables from credit institutions, amortised cost	537,259	537,259	659,686	659,686	449,693	449,693
Loans to and receivables from credit institutions	537,259	537,259	659,686	659,686	449,693	449,693
Loans to and receivables from customers, amortised cost	24,153,680	24,153,680	18,886,827	18,886,827	21,823,506	21,823,506
Total loans before individual and group write-downs	24,153,680	24,153,680	18,886,827	18,886,827	21,823,506	21,823,506
- Group write-downs	1,659	1,659	2,451	2,451	1,340	1,340
Total net loans to customers	24,152,021	24,152,021	18,884,376	18,884,376	21,822,166	21,822,166
Certificates and bonds, fair value	190,295	190,295	190,094	190,094	190,027	190,027
Total bonds and other fixed-income securities	190,295	190,295	190,094	190,094	190,027	190,027
Derivatives, fair value	38,930	38,930	74,588	74,588	56,085	56,085
Derivatives	38,930	38,930	74,588	74,588	56,085	56,085
Other financial assets, amortised cost	13,594	13,594	36,689	36,689	24,041	24,041
Total other financial assets	13,594	13,594	36,689	36,689	24,041	24,041
Total financial assets	24,932,099	24,932,099	19,845,432	19,845,432	22,542,012	22,542,012
Liabilities						
Loans and deposits from credit institutions, amortised cost	12,641,778	12,641,778	1,778,219	1,778,219	5,274,986	5,274,986
Total liabilities to credit institutions	12,641,778	12,641,778	1,778,219	1,778,219	5,274,986	5,274,986
Commercial paper and bonds, amortised cost	9,515,857	9,574,873	14,521,609	14,604,257	14,519,220	14,593,728
Liability incurred through the issue of securities, fair value hedge	636,189	647,473	1,521,006	1,530,738	652,948	664,351
Total debt securities	10,152,046	10,222,345	16,042,615	16,134,995	15,172,167	15,258,079
Derivatives, fair value	2,788	2,788	3,537	3,537	3,119	3,119
Derivatives	2,788	2,788	3,537	3,537	3,119	3,119
Other financial liabilities, amortised cost	12,682	12,682	42,074	42,074	30,647	30,647
Total other financial liabilities	12,682	12,682	42,074	42,074	30,647	30,647
Total financial liabilities	22,809,294	22,879,593	17,866,444	17,958,825	20,480,920	20,566,832

Note 9 Fair value of financial instruments (cont.)

NOKt	30 Jun 2021			
	Level 1	Level 2	Level 3	Total
Interest-bearing securities, designated at fair value	111,844	78,451		190,295
Derivatives, fair value		38,930		38,930
Total financial assets measured at fair value	111,844	117,381		229,225
Liabilities opened for the issue of securities, measured at fair value				
Derivatives, fair value		2,788		2,788
Total financial liabilities measured at fair value		2,788		2,788
Liability incurred through the issue of securities, amortised cost		9,574,873		9,574,873
Total financial liabilities measured at amortised cost		9,574,873		9,574,873
Liability incurred through the issue of securities, fair value hedge		647,473		647,473
Total financial liabilities included in fair value hedge		647,473		647,473

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

NOKt	30 Jun 2020			
	Level 1	Level 2	Level 3	Total
Interest-bearing securities, designated at fair value	111,961	78,132		190,094
Derivatives, fair value		74,588		74,588
Total financial assets measured at fair value	111,961	152,720		264,681
Liabilities opened for the issue of securities, measured at fair value				
Derivatives, fair value		3,537		3,537
Total financial liabilities measured at fair value		3,537		3,537
Liability incurred through the issue of securities, amortised cost		14,604,257		14,604,257
Total financial liabilities measured at amortised cost		14,604,257		14,604,257
Liability incurred through the issue of securities, fair value hedge		1,530,738		1,530,738
Total financial liabilities included in fair value hedge		1,530,738		1,530,738

NOKt	31 Dec 2020			
	Level 1	Level 2	Level 3	Total
Interest-bearing securities, designated at fair value	111,964	78,062		190,027
Derivatives, fair value		56,085		56,085
Total financial assets measured at fair value	111,964	134,147		246,111
Liabilities opened for the issue of securities, measured at fair value				
Derivatives, fair value		3,119		3,119
Total financial liabilities measured at fair value		3,119		3,119
Liability incurred through the issue of securities, amortised cost		14,593,728		14,593,728
Total financial liabilities measured at amortised cost		14,593,728		14,593,728
Liability incurred through the issue of securities, fair value hedge		664,351		664,351
Total financial liabilities included in fair value hedge		664,351		664,351

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

Declaration

Declaration from the Board and CEO

The Board and the CEO have today discussed and approved the interim report and financial statements for Nordea Direct Boligkreditt AS for the period 1 January to 30 June 2021.

We declare that, to the best of our knowledge, the interim financial statements for the period 1 January to 30 June 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. The accounting data provide a true and fair picture of the company's assets, liabilities, financial position and results as a whole, and the report gives a true picture of important events in the accounting period and their impact on the financial statements, related material transactions and the most important risks and uncertainties faced by the bank in the next accounting period.

Nordea Direct Boligkreditt AS

Oslo, 22 July 2021



Børre Sten Gundersen
Chairman



Anders Frank-Læssøe
Board member



Elen Margrethe Stiksrud
Board member



Alex Madsen
Board member



Jan Kåre Raae
Chief Executive Officer

Quarterly earnings performance

NOKt	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Interest income etc, amortised cost	95,892	95,343	83,792	73,719	90,195	145,580	142,344	130,781
Interest income etc, fair value	-1,782	149	251	583	544	-1,920	572	546
Interest costs etc.	40,908	47,685	39,050	32,896	66,867	109,805	113,630	106,049
Net interest income	53,201	47,806	44,994	41,406	23,872	33,855	29,286	25,277
Fee and commission income	536	548	540	533	549	565	573	568
Net gains on financial instruments at fair value	-179	-1	-149	-916	1,311	-2,567	-242	67
Other operating income	240	240	240	240	240	229	229	229
Total income	53,798	48,593	45,625	41,263	25,972	32,083	29,845	26,142
Staff costs	502	584	554	561	2	597	558	580
Other operating costs	3,406	7,061	3,424	3,162	3,512	6,734	4,681	3,491
Total operating expenses	3,908	7,645	3,978	3,723	3,514	7,331	5,239	4,072
Profit / (loss) before loan losses	49,890	40,948	41,646	37,540	22,458	24,752	24,606	22,070
Loan losses	-408	726	-183	-927	1,314	-453	237	509
Operating profit	50,298	40,222	41,830	38,468	21,143	25,205	24,369	21,561

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