



Interim Report 3rd 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-Sep 2022 | Jan-Sep 2021 | Year 2021 |
|--|---------------|----------------|----------------|
| Net interest income | 67,684 | 146,649 | 178,334 |
| Net commission income and other operating income | -69 | 2,372 | -1,353 |
| Total income | 67,615 | 149,021 | 176,981 |
| Staff costs | 1,598 | 1,611 | 2,029 |
| Other expenses | 13,835 | 14,187 | 17,536 |
| Total operating expenses | 15,433 | 15,798 | 19,565 |
| Loan losses (negative figures are reversals) | 3,358 | 60 | 235 |
| Operating profit | 48,824 | 133,163 | 157,181 |
| Income tax expense | 12,206 | 33,291 | 39,295 |
| Net profit for the period | 36,618 | 99,872 | 117,886 |

Summary of balance sheet

| NOKt | 30 Sep 2022 | 30 Sep 2021 | 31 Dec 2021 |
|-----------------------------|-------------|-------------|-------------|
| Loans to the public (gross) | 28,831,310 | 21,710,866 | 19,664,505 |
| Allowance for loan losses | 4,933 | -1,400 | -1,575 |
| Total assets | 29,533,917 | 22,405,622 | 20,238,216 |
| Equity | 2,179,277 | 2,124,672 | 2,142,686 |

Ratios and key figures

| | | Jan-Sep 2022 | Jan-Sep 2021 | Year 2021 |
|---|--------|--------------|--------------|------------|
| Net interest margin, annualised | % | 0,38 | 0,77 | 0,73 |
| Loss rate | % | 0,02 | 0,00 | 0,00 |
| Non-performing loans in % of gross lending ¹ | % | 0,02 | 0,03 | 0,05 |
| Return on equity, annualised | % | 2,3 | 6,4 | 5,6 |
| Capital adequacy ² | % | 20,3 | 25,2 | 29,4 |
| Tier 1 capital ratio ² | % | 20,3 | 25,2 | 29,4 |
| Common equity Tier 1 capital ratio ² | % | 20,3 | 25,2 | 29,4 |
| Cost/income ratio | % | 22,8 | 10,6 | 11,1 |
| Liquidity Coverage Ratio | % | 546 | 501 | 511 |
| Net Stable Funding Ratio total assets | % | 138 | 50 | 105 |
| Average total assets | NOKt | 23,879,815 | 25,486,637 | 24,444,725 |
| Cover pool | NOKt | 29,190,003 | 22,095,998 | 19,924,957 |
| Number of loans | Number | 14,538 | 12,027 | 11,108 |
| Weighted indexed loan-to-value ratio ³ | % | 46,1 | 43,9 | 43,5 |
| Weighted average remaining life | Year | 22,4 | 21,0 | 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.

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. 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.

The merger between Nordea Direct Boligkreditt AS and Nordea Eiendoms kreditt AS is ongoing and the merge date is set for November 1, 2022.

Income statement

Operating profit was NOK 48.8m (NOK 133.2m). The decrease was mainly driven by reduced net interest margins due to higher funding cost.

Total income amounted to NOK 67.6m (NOK 149.0m).

Net interest income amounted to NOK 67.7m (NOK 146.6m).

Net commission income and other income amounted to minus NOK 0.1m (plus NOK 2.4m). The reduction was mainly due to repurchasing of own covered bonds March 2022.

The net interest margin¹ was 0.38% (0.77%).

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

Operating expenses were NOK 15.4m (NOK 15.8m).

Total write-downs and losses amounted to NOK 3.4m (NOK 0.1m). The balance of group write-downs amounted to NOK 4.9m (NOK 1.5m).

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 eighth loans with an outstanding amount of NOK 9.5 m in default over 90 days.

Lending

As of September 30, 2022, the Company had 14,538 loans with a total outstanding balance of NOK 28,831m (NOK 21,711 m). 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 2.0m per loan as of September 2022. The largest single exposure was NOK 9.9m and 10.6% of the lending portfolio consisted of loans with credit lines (fleksilån). Including the unutilised credit facilities, 16.2% of the lending portfolio consisted of loans with credit lines (fleksilån).

Nordea Direct Boligkreditt AS has a weighted loan-to-value ratio, indexed, of 46.1% (43.9%).

Segments

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

Capital position

As of September 30, 2022, the Company had a common equity Tier 1 capital ratio of 20.3% (25.2%). 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 current rating for Nordea Direct Boligkreditt AS's covered bond program.

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

Debt securities issued

The Company had issued covered bonds with a total face value of NOK 5,100.0m as of September 2022. The portfolio includes two loans, the first of which matures on 23 May 2023 (extended due date to 22 May 2024).

Liquidity

As of September 30, 2022, the Company had net liquid assets of NOK 674.3m, of which NOK 489.0m in bank deposits, NOK 56.0m in covered bonds and NOK 129.3m 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 546% (501%) at end of the third quarter.

The Company has a long-term credit facility with the parent company of NOK 21,000.0m. Unutilised credit facilities amounted to NOK 19,425.8m as of September 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.

Macroeconomy

So far, economic development has been strong this year with the seasonally adjusted unemployment rate dropping from 2.3% at the start of the year to a record low of 1.6% in September. Housing prices declined during the third quarter, but were still 4% higher in September than in the same month last year. Year-on-year consumer price inflation stood at 7% in September, driven by increased energy prices, but also by broad price increases of both imported goods and domestic goods and services. Norges Bank continues to hike interest rates due to a highly pressured economy and high inflation. The key rate was increased by 50bp in June, August and September, bringing it up to 2.25% in September, and Norges Bank signalled that it would be raised further going forward.

Events after the balance sheet date

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

Nordea Direct Boligkreditt AS

Oslo, 28 October 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 | Q3 2022 | Q3 2021 | Jan-Sep 2022 | Jan-Sep 2021 | Year 2021 |
|---|------|--------------|---------------|---------------|----------------|----------------|
| Interest income etc, amortised cost | | 154,679 | 83,449 | 375,398 | 274,684 | 355,748 |
| Interest income etc, fair value | | 636 | 110 | 1,751 | -1,524 | -1,330 |
| Interest costs etc. | | 148,522 | 37,918 | 309,466 | 126,512 | 176,084 |
| Net interest income | | 6,793 | 45,641 | 67,684 | 146,649 | 178,334 |
| Fee and commission income | | 496 | 512 | 1,491 | 1,595 | 2,083 |
| Net gains on financial instruments at fair value | | 314 | 237 | -2,354 | 56 | -4,397 |
| Other operating income | | 265 | 240 | 795 | 721 | 961 |
| Net commission income and other operating income | | 1,075 | 988 | -69 | 2,372 | -1,353 |
| Total income | | 7,868 | 46,629 | 67,615 | 149,021 | 176,981 |
| Staff costs | | 252 | 525 | 1,598 | 1,611 | 2,029 |
| Other operating expenses | | 4,932 | 3,720 | 13,835 | 14,187 | 17,536 |
| Total operating expenses | | 5,184 | 4,244 | 15,433 | 15,798 | 19,565 |
| Profit / (loss) before loan losses | | 2,684 | 42,385 | 52,182 | 133,223 | 157,416 |
| Loan losses | 4 | 3,555 | -259 | 3,358 | 60 | 235 |
| Operating profit | | -871 | 42,643 | 48,824 | 133,163 | 157,181 |
| Income tax expense | | -218 | 10,661 | 12,206 | 33,291 | 39,295 |
| Net profit for the period | | -653 | 31,982 | 36,618 | 99,872 | 117,886 |
| Basic/diluted earnings per share, NOK | | -5,0 | 246,0 | 281,7 | 768,2 | 906,8 |

Statement of comprehensive income

| NOKt | Q3 2022 | Q3 2021 | Jan-Sep 2022 | Jan-Sep 2021 | Year 2021 |
|---|-------------|---------------|---------------|---------------|----------------|
| Net profit for the period | -653 | 31,982 | 36,618 | 99,872 | 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 | -653 | 31,982 | 36,618 | 99,872 | 117,886 |

Balance sheet

| NOKt | Note | 30 Sep 2022 | 30 Sep 2021 | 31 Dec 2021 |
|-------------------------------------|------|-------------------|-------------------|-------------------|
| Assets | | | | |
| Loans to credit institutions | 6 | 488,975 | 455,378 | 336,114 |
| Loans to the public | 2,4 | 28,826,377 | 21,709,466 | 19,662,930 |
| Interest-bearing securities | 9 | 185,311 | 190,254 | 189,367 |
| Derivatives | 9 | | 31,093 | 25,382 |
| Deferred tax assets | | | 944 | |
| Advance payments and accrued income | | 33,254 | 18,487 | 24,423 |
| Total assets | | 29,533,917 | 22,405,622 | 20,238,216 |
| Liabilities and equity | | | | |
| Liabilities to credit institutions | 6 | 22,119,152 | 10,076,308 | 9,186,381 |
| Debt securities in issue | 3,6 | 5,094,503 | 10,141,074 | 8,830,539 |
| Derivatives | 9 | 8,085 | 2,618 | 2,448 |
| Current tax liabilities | | 9,822 | 33,291 | 29,978 |
| Other liabilities | | 123,077 | 27,659 | 37,810 |
| Deferred tax liabilities | | | | 8,374 |
| Total liabilities | | 27,354,639 | 20,280,950 | 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 | | 36,618 | 99,872 | |
| Total equity | | 2,179,277 | 2,124,672 | 2,142,686 |
| Total liabilities and equity | | 29,533,917 | 22,405,622 | 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 | | | 36,618 | 36,618 |
| Other comprehensive income, net of tax | | | -27 | -27 |
| Total comprehensive income | | | 36,591 | 36,591 |
| Capital expansion | | | | |
| Share-based payment transactions settled in equity | | | | |
| Balance at 30 Sep 2022 | 221,000 | 999,020 | 959,257 | 2,179,277 |

| 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 | | | 99,872 | 99,872 |
| Other comprehensive income, net of tax | | | | |
| Total comprehensive income | | | 99,872 | 99,872 |
| Capital expansion | | | | |
| Share-based payment transactions settled in equity | | | -74 | -74 |
| Balance at 30 Sep 2021 | 221,000 | 999,020 | 904,652 | 2,124,672 |

Number of shares at end of period 130.000

Cash flow statement

| NOKt | Jan-Sep 2022 | Jan-Sep 2021 | Year 2021 |
|---|----------------|----------------|-----------------|
| Operating activities | | | |
| Operating profit | 52,182 | 133,223 | 157,181 |
| Adjustment for non cash items | 28,194 | 2,585 | 9,991 |
| Income taxes paid | -32,362 | -32,362 | -32,362 |
| Cash flow from operating activities before changes in operating assets and liabilities | 48,014 | 103,446 | 134,810 |
| Changes in operating assets | | | |
| Change in loans to credit institutions | 5,364 | 5,456 | -42 |
| Change in loans to the public | -9,180,557 | 113,110 | 2,158,666 |
| Change in interest-bearing securities | 4,400 | -228 | -3,737 |
| Change in derivatives, net | 26,419 | 24,491 | 30,032 |
| Changes in operating liabilities | | | |
| Change in deposits by credit institutions | 12,954,416 | 4,801,218 | 3,911,714 |
| Change in debt securities in issue | -3,739,413 | -5,041,725 | -6,344,954 |
| Change in other liabilities | 34,245 | -10 | 5 |
| Cash flow from operating activities | 152,888 | 5,758 | -113,506 |
| Investing activities | | | |
| Cash flow from investing activities | | | |
| Financing activities | | | |
| Other changes in equity excluding minority | -26 | -74 | -74 |
| Cash flow from financing activities | -26 | -74 | -74 |
| Cash flow for the year | 152,861 | 5,685 | -113,580 |
| Cash and cash equivalents at the beginning of year | 336,114 | 449,693 | 449,693 |
| Cash and cash equivalents at the end of year | 488,975 | 455,378 | 336,114 |
| Change | 152,861 | 5,685 | -113,580 |

Comments on the cash flow statement

The cash flow statement shows inflows and outflows of cash and cash equivalents during the year for total operations. Nordea's cash flow has been prepared in accordance with the indirect method, whereby operating profit is adjusted for effects of non-cash transactions such as depreciation and loan losses. The cash flows are classified by operating, investing and financing activities.

Operating activities

Operating activities are the principal revenue-producing activities and cash flows are mainly derived from the operating profit for the year with adjustment for non cash items and income taxes paid. Adjustment for items not included in cash flow includes:

| NOKt | Jan-Sep 2022 | Jan-Sep 2021 | Year 2021 |
|-----------------------------------|---------------|--------------|--------------|
| Loan losses | 3,358 | 60 | 235 |
| Unrealised gains/losses | 2,354 | -56 | 4,397 |
| Change in accruals and provisions | 23,966 | 2,611 | 5,355 |
| Other | -1,484 | -30 | 4 |
| Total | 28,194 | 2,585 | 9,991 |

Changes in operating assets and liabilities consist of assets and liabilities that are part of normal business activities, such as loans, deposits and debt securities in issue. Changes in derivatives are reported net.

Cash flow from operating activities includes interest payments received and interest expenses paid with the following amounts:

| NOKt | Jan-Sep 2022 | Jan-Sep 2021 | Year 2021 |
|----------------------------|--------------|--------------|-----------|
| Interest payments received | 401,842 | 279,352 | 354,370 |
| Interest expenses paid | -287,133 | -126,567 | -176,237 |

Investing activities

Investing activities include acquisitions and disposals of non-current assets, like property and equipment, intangible and financial assets.

Financing activities

Financing activities are activities that result in changes in equity and subordinated liabilities, such as new issues of shares, dividends and issued/amortised subordinated liabilities.

Cash and cash equivalents

The following items are included in Cash and cash equivalents :

| NOKt | Jan-Sep 2022 | Jan-Sep 2021 | Year 2021 |
|---|----------------|----------------|----------------|
| Loans to credit institutions, payable on demand | 488,975 | 455,378 | 336,114 |
| Total | 488,975 | 455,378 | 336,114 |

Cash comprises legal tender and bank notes in foreign currencies. Balances with central banks consist of deposits in accounts with central banks and postal giro systems under government authority, where the following conditions are fulfilled;

- the central bank or the postal giro system is domiciled in the country where the institution is established
- the balance on the account is readily available at any time.

Loans to credit institutions, payable on demand include liquid assets not represented by bonds or other interest-bearing securities. Loans to central banks, payable on demand includes instruments where Nordea has the right to resell immediately.

Notes to the financial statements

Note 1 Accounting policies

The financial statements as of the third quarter of 2022, concluded on 30 September 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.

Changed accounting policies and presentation

The following changes in accounting policies and presentation were implemented by Nordea Direct Boligkreditt AS on 1 January 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.

Macro scenarios - impact and development

Nordea Direct uses Macro scenarios covering unemployment and house prices in the Collective Provision models. The macro variables are assumed to correlate to Collective Provisions 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 Norges Bank.

The chosen macro variables (unemployment and house prices) are also used by Nordea Collective Provision model and have been updated in the Nordea Direct model using the same scenarios as used by Nordea. Scenarios are developed by Nordea Enterprise Wide Risk Management, but it also leverages government and other sources including a reference point to the ECB scenarios.

Table below summarizes the Macro scenarios used in Nordea Direct Collective Provision model for q2-22 and q3-22. The change applies to all Nordea Direct Collective Provision models (Consumer Loans, Mortgage Loans and Credit Cards). Unemployment rate forecasts decreased for 2022 and increased for 2023 – 2024 (decrease of UL leads to lower LLP). Housing prices forecasts increased for 2022 and 2024 and decreased for 2023 (increase of HP leads to lower LLP).

| Nordea q2 updated assumptions | Base case | | | Best case | | | Worst case | | |
|-------------------------------|-----------|-------|------|-----------|------|------|------------|-------|-------|
| | 2022 | 2023 | 2024 | 2022 | 2023 | 2024 | 2022 | 2023 | 2024 |
| Unemployment Rate % | 3.3% | 3.1% | 3.3% | 3.2% | 2.8% | 2.8% | 3.7% | 4.0% | 4.1% |
| Housing Prices % | 4.4% | -0.8% | 0.9% | 4.7% | 1.7% | 1.6% | 0.6% | -6.2% | -1.2% |

| Nordea q3 updated assumptions | Base case | | | Best case | | | Worst case | | |
|-------------------------------|-----------|-------|------|-----------|-------|------|------------|-------|-------|
| | 2022 | 2023 | 2024 | 2022 | 2023 | 2024 | 2022 | 2023 | 2024 |
| Unemployment Rate % | 3.1% | 3.1% | 3.3% | 3.1% | 2.9% | 3.0% | 3.3% | 4.4% | 4.4% |
| Housing Prices % | 5.5% | -1.0% | 2.0% | 5.6% | -0.4% | 2.6% | 4.7% | -5.7% | -2.5% |

The impact of the macroeconomic scenarios is then aggregated using a weighted average. The scenario weightings estimated by Nordea Bank did not change between q2-22 and q3-22.

| Macroeconomic Scenario Weight | q2 2022 | q3 2022 |
|-------------------------------|---------|---------|
| Best case | 10.00% | 10.00% |
| Base case | 50.00% | 50.00% |
| Worst case | 40.00% | 40.00% |

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 Sep 2022 | 30 Sep 2021 | 31 Dec 2021 |
|---|------------------|-------------------|------------------|
| Liabilities opened for the issue of securities | | | |
| Bond debt | 4,500,000 | 9,500,000 | 8,799,000 |
| Total liabilities at amortised cost | 4,500,000 | 9,500,000 | 8,799,000 |
| 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 | 5,100,000 | 10,100,000 | 9,399,000 |

Maturity

| Remaining maturity (nominal value) | 30 Sep 2022 | 30 Sep 2021 | 31 Dec 2021 |
|------------------------------------|------------------|-------------------|------------------|
| 2022 | | 5,000,000 | 3,699,000 |
| 2023 | 4,500,000 | 4,500,000 | 4,500,000 |
| 2025 | 600,000 | 600,000 | 600,000 |
| Total | 5,100,000 | 10,100,000 | 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 3,699,000

| NOKt | | | | | |
|---|----------|----------|------------|------------|------------------|
| ISIN Number | Currency | Rate | Due | Ext.Due | Nominal value |
| NO0010789266 | NOK | Floating | 23.05.2023 | 24.05.2024 | 4,500,000 |
| NO0010678766 | NOK | Fixed | 08.05.2025 | 08.05.2026 | 600,000 |
| Total liabilities through the issuance of excluding own securities | | | | | 5,100,000 |

Note 4 Write-downs and losses on loans

Write-downs and losses on loans

| NOKt | 30 Sep 2022 | 30 Sep 2021 | 31 Dec 2021 |
|--|--------------|--------------|--------------|
| Write-downs and losses for the period | | | |
| +/- Change in group write-downs for the period (ECL) | 3,358 | 318 | 235 |
| + Write-off during the period | | | |
| - Payments on previously written-off accounts | | | |
| Write-downs and losses for the period | 3,358 | 318 | 235 |
| Loss allowance | | | |
| Loss allowance at the start of the period | 1,575 | 1,340 | 1,340 |
| +/- Change in loss allowance for the period | 3,358 | 318 | 235 |
| Loss allowance at the end of the period | 4,933 | 1,658 | 1,575 |
| Defaulted loans | | | |
| Gross default over 90 days | 5,947 | 7,002 | 8,924 |

Credit quality by risk group

| 30 Sep 2022 NOKt | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | Total |
|---|-------------------------|-------------------------|-------------------------|-------------------|
| Loans to and claims on customers | | | | |
| Low | 25,318,280 | 42,908 | | 25,361,188 |
| Medium | 79,337 | 1,778 | | 81,115 |
| High | 161,451 | 22,810 | | 184,261 |
| Not classified | 4,529 | | | 4,529 |
| Impaired and written down | | | 5,947 | 5,947 |
| Adjustment | 3,194,270 | | | 3,194,270 |
| Total | 28,757,867 | 67,496 | 5,947 | 28,831,310 |
| Loss allowance | 2,528 | 1,353 | 1,052 | 4,933 |
| Total net | 28,755,338 | 66,143 | 4,895 | 28,826,377 |

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

| 30 Sep 2021 NOKt | Stage 1 12-month ECL | Stage 2 lifetime ECL | Stage 3 lifetime ECL | Total |
|---|-------------------------|-------------------------|-------------------------|-------------------|
| Loans to and claims on customers | | | | |
| Low | 22,268,980 | 29,692 | 2,765 | 22,301,437 |
| Medium | | 59,426 | | 59,426 |
| High | 1,740 | 83,394 | 12,394 | 97,528 |
| Not classified | 2,888 | | | 2,888 |
| Impaired and written down | | | 7,002 | 7,002 |
| Adjustment | -757,415 | | | -757,415 |
| Total | 21,516,193 | 172,512 | 22,161 | 21,710,866 |
| Loss allowance | 402 | 531 | 467 | 1,400 |
| Total net | 21,515,791 | 171,981 | 21,694 | 21,709,466 |

| 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 | 30 Sep 2022 | | 30 Sep 2021 | | 31 Dec 2021 | |
|--------------|-----------------------|----------------|-----------------------|----------------|-----------------------|----------------|
| | Gross carrying amount | Loss allowance | Gross carrying amount | Loss allowance | Gross carrying amount | Loss allowance |
| 0-29 days | 28,809,319 | 4,585 | 21,697,770 | 1,209 | 19,641,587 | 1,221 |
| 30-59 days | 13,293 | 161 | 6,095 | 40 | 12,908 | 208 |
| 60-89 days | 1,001 | 7 | | | 1,086 | 8 |
| 90+ days | 7,696 | 180 | 7,002 | 150 | 8,924 | 138 |
| Total | 28,831,310 | 4,933 | 21,710,866 | 1,400 | 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 | 1,575 |
| Transfer to stage 1 | 12 | -11 | -1 | |
| Transfer to stage 2 | -436 | 473 | -38 | |
| Transfer to stage 3 | -872 | -0 | 873 | |
| New Financial assets originated during the period | 970 | 366 | | 1,336 |
| Financial assets that have been derecognised | -83 | -202 | -204 | -489 |
| Changes in balance with no transfer between stages | 2,609 | -3 | -76 | 2,529 |
| Adjustment | -19 | | | -19 |
| Loss allowance as at 30 Sep 2022 | 2,528 | 1,353 | 1,052 | 4,933 |

| 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 | 8 | -8 | | |
| Transfer to stage 2 | -276 | 282 | -6 | |
| Transfer to stage 3 | -24 | -6 | 30 | |
| New Financial assets originated during the period | 129 | 238 | 153 | 520 |
| Financial assets that have been derecognised | -149 | -74 | -66 | -290 |
| Changes in balance with no transfer between stages | 114 | -231 | -53 | -170 |
| Loss allowance as at 30 Sep 2021 | 402 | 531 | 467 | 1,400 |

| 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 | | |
| 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 | 30 Sep 2022 | 30 Sep 2021 | 31 Dec 2021 |
|--------------|---------------|---------------|---------------|
| Stage 1 | 2,528 | 402 | 347 |
| Stage 2 | 1,353 | 531 | 730 |
| Stage 3 | 1,052 | 467 | 498 |
| Total | 4,933 | 1,400 | 1,575 |
| Stage 1 | 51,3% | 28.7% | 22.0% |
| Stage 2 | 27,4% | 37.9% | 46.4% |
| Stage 3 | 21,3% | 33.3% | 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 | 121,575 | -110,648 | -10,927 | |
| Transfer to stage 2 | -20,651 | 22,606 | -1,955 | 0 |
| Transfer to stage 3 | -4,324 | -142 | 4,466 | |
| New financial assets originated | 10,302,948 | 17,820 | | 10,320,769 |
| Financial assets that have been derecognised | -4,084,025 | -69,559 | -11,735 | -4,165,319 |
| Change in balances due to payments | -862,832 | -5,253 | -348 | -868,432 |
| Other Changes | 3,879,789 | | | 3,879,789 |
| Gross carrying amount as at 30 Sep 2022 | 28,757,867 | 67,496 | 5,947 | 28,831,310 |
| Loss allowance as at 30 Sep 2022 | 2,528 | 1,353 | 1,052 | 4,933 |

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 | 54,750 | -53,268 | -1,482 | |
| Transfer to stage 2 | -97,861 | 99,850 | -1,988 | |
| Transfer to stage 3 | -2,370 | -627 | 2,998 | |
| New financial assets originated | 5,947,017 | 35,850 | 6,202 | 5,989,068 |
| Financial assets that have been derecognised | -5,161,203 | -38,132 | -2,530 | -5,201,865 |
| Change in balances due to payments | -850,018 | -2,733 | -425 | -853,176 |
| Other Changes | -46,667 | | | -46,667 |
| Gross carrying amount as at 30 Sep 2021 | 21,516,193 | 172,512 | 22,161 | 21,710,866 |
| Loss allowance as at 30 Sep 2021 | 402 | 531 | 467 | 1,400 |

| 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 | 30 Sep 2022 | 30 Sep 2021 | 31 Dec 2021 |
|--------------|-------------------|-------------------|-------------------|
| Stage 1 | 28,757,867 | 21,516,193 | 19,425,388 |
| Stage 2 | 67,496 | 172,512 | 212,673 |
| Stage 3 | 5,947 | 22,161 | 26,444 |
| Total | 28,831,310 | 21,710,866 | 19,664,505 |
| Stage 1 | 99,7% | 99.1% | 98.8% |
| Stage 2 | 0,2% | 0.8% | 1.1% |
| Stage 3 | 0,0% | 0.1% | 0.1% |
| Total | 100,0% | 100.0% | 100.0% |

Note 5 Capital adequacy

| NOKt | 30 Sep 2022 | 30 Sep 2021 | 31 Dec 2021 |
|--|-------------------|------------------|------------------|
| Primary capital | | | |
| Share capital and share premium | 1,220,020 | 1,220,020 | 1,220,020 |
| Other equity | 959,257 | 904,652 | 922,666 |
| Total equity | 2,179,277 | 2,124,672 | 2,142,686 |
| Deduction | | | |
| Profit not included in the calculation of net primary capital | -36,618 | -99,872 | |
| Value adjustments due to the requirement for prudent valuation | -193 | -224 | -217 |
| Common equity Tier 1 capital | 2,142,466 | 2,024,576 | 2,142,469 |
| Net primary capital | 2,142,466 | 2,024,576 | 2,142,469 |
| Credit risk: | | | |
| Of which: | | | |
| Central government or central banks | | 189 | |
| Institutions | 8,136 | 8,053 | 6,221 |
| Mass market positions | 5,344 | 1,214 | 777 |
| Positions secured by mortgage | 804,575 | 607,321 | 550,251 |
| Overdue positions | 2,104 | 759 | 784 |
| Covered bonds | 449 | 627 | 626 |
| Other positions | 34 | 28 | |
| Total minimum requirement credit risk | 820,641 | 618,190 | 558,659 |
| Operational risk | 22,088 | 21,411 | 22,088 |
| CVA-risk | 48 | 2,116 | 1,947 |
| Minimum requirement for net primary capital | 842,777 | 641,716 | 582,694 |
| Basis of calculation of balance sheet items not included in trading portfolio | 8,326,783 | 7,719,072 | 6,975,068 |
| Basis of calculation of off-balance sheet items not included in trading portfolio | 2,400 | 8,302 | 8,184 |
| Risk-weighted assets (calculation basis for capital adequacy ratio) | 10,534,717 | 8,021,456 | 7,283,688 |
| Buffer requirements | | | |
| Systemic risk buffer | 316,041 | 240,644 | 218,511 |
| Conservation buffer | 263,368 | 200,536 | 182,092 |
| Countercyclical buffer | 158,021 | 80,215 | 72,837 |
| Total buffer requirement for common equity Tier 1 capital | 737,430 | 521,395 | 473,440 |
| Pillar 2 requirement 1.7% for common equity Tier 1 capital set by the Financial Supervisory Authority of Norway | 179,090 | 136,365 | 123,823 |
| Available surplus common equity Tier 1 capital net min. requirement | 751,883 | 1,005,851 | 1,217,440 |
| Capital adequacy | | | |
| Capital adequacy ratio | 20,3% | 25,2% | 29,4% |
| Tier 1 capital ratio | 20,3% | 25,2% | 29,4% |
| Common equity Tier 1 capital ratio | 20,3% | 25,2% | 29,4% |
| Leverage ratio | 7,2 % | 9,0 % | 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 13,2% end Q3 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) 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 30 September 2022, the credit limit of the agreement was NOK 4,500.0m.

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-Sep 2022 | | Jan-Sep 2021 | | Jan-Dec 2021 | |
|--------------------------|------------------------|-----------------|------------------------|-----------------|------------------------|-----------------|
| | Nordea Direct Bank ASA | Nordea Bank Abp | Nordea Direct Bank ASA | Nordea Bank Abp | Nordea Direct Bank ASA | Nordea Bank Abp |
| Net interest income | 193,891,07 | 65,979,00 | 47,778 | 15,451 | 70,467 | 35,291 |
| Other operating income | -795 | | 721 | | 961 | |
| Other operating expenses | -8,990,45 | | -9,283 | -6 | -12,041 | -12 |

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

| NOKt | 30 Sep 2022 | | 30 Sep 2021 | | 31 Dec 2021 | |
|---------------------------------|------------------------|-----------------|------------------------|-----------------|------------------------|-----------------|
| | Nordea Direct Bank ASA | Nordea Bank Abp | Nordea Direct Bank ASA | Nordea Bank Abp | Nordea Direct Bank ASA | Nordea Bank Abp |
| Deposit | 488,352 | 625 | 454,847 | 531 | 335,961 | 155 |
| Loans to credit institutions | 1,540,317 | | 10,083,272 | | 9,195,923 | |
| Interest-bearing securities | | 80,514 | | 155,984 | | 104,480 |
| Deposits by credit institutions | | 20,567,214 | | | | |
| Other liabilities | 34,006 | | | | | |

Note 7 Cover pool

| NOKt | 30 Sep 2022 | | 30 Sep 2021 | | 31 Dec 2021 | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Nominal value | Market value | Nominal value | Market value | Nominal value | Market value |
| Assets | | | | | | |
| Loans to the public | 28,831,310 | 28,831,310 | 21,710,866 | 21,710,866 | 19,664,505 | 19,664,505 |
| - whereof pool of eligible loans | 28,821,826 | 28,821,826 | 21,701,071 | 21,701,071 | 19,655,111 | 19,655,111 |
| Supplementary assets and derivatives: | 374,335 | 368,177 | 363,834 | 394,927 | 244,464 | 269,847 |
| - whereof CIRS | | | | | | |
| - whereof IRS | | -6,158 | | 31,093 | | 25,382 |
| Total cover pool | 29,196,161 | 29,190,003 | 22,064,905 | 22,095,998 | 19,899,575 | 19,924,957 |
| Debt securities in issue (net outstanding amount) | 5,100,000 | 5,106,260 | 10,100,000 | 10,202,025 | 8,799,000 | 8,873,907 |
| Over-collateralization calculated on net outstanding covered bonds | 472,5 % | 471,7 % | 118,5 % | 116,6 % | 126,2 % | 124,5 % |
| Debt securities in issue (issued amount) | 5,100,000 | 5,106,260 | 10,100,000 | 10,202,025 | 8,799,000 | 8,873,907 |
| Over-collateralization calculated on issued covered bonds ¹ | 472,5 % | 471,7 % | 118,5 % | 116,6 % | 126,2 % | 124,5 % |

¹ without deduction for holdings of own bonds

Note 8 Contingent liabilities and security

| NOKt | 30 Sep 2022 | 30 Sep 2021 | 31 Dec 2021 |
|-------------------------------------|------------------|------------------|------------------|
| Unutilised credit facility | 1,930,466 | 2,499,129 | 1,823,813 |
| Total contingent liabilities | 1,930,466 | 2,499,129 | 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).

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 ten per cent 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 Sep 2022 | | 30 Sep 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 | 488,975 | 488,975 | 455,378 | 455,378 | 336,114 | 336,114 |
| Loans to and receivables from credit institutions | 488,975 | 488,975 | 455,378 | 455,378 | 336,114 | 336,114 |
| Loans to and receivables from customers, amortised cost | 28,831,310 | 28,831,310 | 21,710,866 | 21,710,866 | 19,664,505 | 19,664,505 |
| Total loans before individual and group write-downs | 28,831,310 | 28,831,310 | 21,710,866 | 21,710,866 | 19,664,505 | 19,664,505 |
| - Group write-downs | 4,933 | 4,933 | 1,400 | 1,400 | 1,575 | 1,575 |
| Total net loans to customers | 28,826,377 | 28,826,377 | 21,709,466 | 21,709,466 | 19,662,930 | 19,662,930 |
| Certificates and bonds, fair value | 185,311 | 185,311 | 190,254 | 190,254 | 189,367 | 189,367 |
| Total bonds and other fixed-income securities | 185,311 | 185,311 | 190,254 | 190,254 | 189,367 | 189,367 |
| Derivatives, fair value | | | 31,093 | 31,093 | 25,382 | 25,382 |
| Derivatives | | | 31,093 | 31,093 | 25,382 | 25,382 |
| Other financial assets, amortised cost | 32,829 | 32,829 | 18,139 | 18,139 | 24,413 | 24,413 |
| Total other financial assets | 32,829 | 32,829 | 18,139 | 18,139 | 24,413 | 24,413 |
| Total financial assets | 29,533,492 | 29,533,492 | 22,404,331 | 22,404,331 | 20,238,206 | 20,238,206 |
| Liabilities | | | | | | |
| Loans and deposits from credit institutions, amortised cost | 22,119,152 | 22,119,152 | 10,076,308 | 10,076,308 | 9,187,671 | 9,187,671 |
| Total liabilities to credit institutions | 22,119,152 | 22,119,152 | 10,076,308 | 10,076,308 | 9,187,671 | 9,187,671 |
| Commercial paper and bonds, amortised cost | 4,503,157 | 4,511,555 | 9,512,768 | 9,562,446 | 8,234,050 | 8,241,352 |
| Liability incurred through the issue of securities, fair value hedge | 591,347 | 594,705 | 628,307 | 639,579 | 622,839 | 632,554 |
| Total debt securities | 5,094,503 | 5,106,260 | 10,141,074 | 10,202,025 | 8,856,890 | 8,873,907 |
| Derivatives, fair value | 8,085 | 8,085 | 2,618 | 2,618 | 2,448 | 2,448 |
| Derivatives | 8,085 | 8,085 | 2,618 | 2,618 | 2,448 | 2,448 |
| Other financial liabilities, amortised cost | 25,491 | 25,491 | 19,911 | 19,911 | 27,640 | 27,640 |
| Total other financial liabilities | 25,491 | 25,491 | 19,911 | 19,911 | 27,640 | 27,640 |
| Total financial liabilities | 27,247,232 | 27,258,988 | 20,239,911 | 20,300,861 | 18,074,649 | 18,091,666 |

Note 9 Fair value of financial instruments (cont.)

| NOKt | 30 Sep 2022 | | | |
|--|----------------|------------------|---------|------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Interest-bearing securities, designated at fair value | 129,344 | 55,966 | | 185,311 |
| Derivatives, fair value | | | | |
| Total financial assets measured at fair value | 129,344 | 55,966 | | 185,311 |
| Liabilities opened for the issue of securities, measured at fair value | | | | |
| Derivatives, fair value | | 8,085 | | 8,085 |
| Total financial liabilities measured at fair value | | 8,085 | | 8,085 |
| Liability incurred through the issue of securities, amortised cost | | 4,511,555 | | 4,511,555 |
| Total financial liabilities measured at amortised cost | | 4,511,555 | | 4,511,555 |
| Liability incurred through the issue of securities, fair value hedge | | 594,705 | | 594,705 |
| Total financial liabilities included in fair value hedge | | 594,705 | | 594,705 |

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

| NOKt | 30 Sep 2021 | | | |
|--|----------------|------------------|---------|------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Interest-bearing securities, designated at fair value | 111,897 | 78,333 | | 190,230 |
| Derivatives, fair value | | 31,093 | | 31,093 |
| Total financial assets measured at fair value | 111,897 | 109,426 | | 221,323 |
| Liabilities opened for the issue of securities, measured at fair value | | | | |
| Derivatives, fair value | | 2,618 | | 2,618 |
| Total financial liabilities measured at fair value | | 2,618 | | 2,618 |
| Liability incurred through the issue of securities, amortised cost | | 9,562,446 | | 9,562,446 |
| Total financial liabilities measured at amortised cost | | 9,562,446 | | 9,562,446 |
| Liability incurred through the issue of securities, fair value hedge | | 639,579 | | 639,579 |
| Total financial liabilities included in fair value hedge | | 639,579 | | 639,579 |

| NOKt | 31 Dec 2021 | | | |
|--|--------------------|------------------|---------|--------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Interest-bearing securities, designated at fair value | 111,185,984 | 78,181 | | 111,264,165 |
| Derivatives, fair value | | 25,382 | | 25,382 |
| Total financial assets measured at fair value | 111,185,984 | 103,563 | | 111,289,547 |
| 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 | Q3 2022 | Q2 2022 | Q1 2022 | Q4 2021 | Q3 2021 | Q2 2021 | Q1 2021 | Q4 2020 |
|--|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Interest income etc, amortised cost | 154,679 | 117,082 | 103,637 | 81,064 | 83,449 | 95,892 | 95,343 | 83,792 |
| Interest income etc, fair value | 636 | 762 | 353 | 194 | 110 | -1,782 | 149 | 251 |
| Interest costs etc. | 148,522 | 87,355 | 73,589 | 49,573 | 37,918 | 40,908 | 47,685 | 39,050 |
| Net interest income | 6,793 | 30,489 | 30,401 | 31,685 | 45,641 | 53,201 | 47,806 | 44,994 |
| Fee and commission income | 496 | 498 | 497 | 488 | 512 | 536 | 548 | 540 |
| Net gains on financial instruments at fair value | 314 | -128 | -2,540 | -4,453 | 237 | -179 | -1 | -149 |
| Other operating income | 265 | 265 | 265 | 240 | 240 | 240 | 240 | 240 |
| Total income | 7,868 | 31,124 | 28,622 | 27,961 | 46,629 | 53,798 | 48,593 | 45,625 |
| Staff costs | 252 | 687 | 659 | 418 | 525 | 502 | 584 | 554 |
| Other operating costs | 4,932 | 2,530 | 6,373 | 3,349 | 3,720 | 3,406 | 7,061 | 3,424 |
| Total operating expenses | 5,184 | 3,217 | 7,032 | 3,767 | 4,244 | 3,908 | 7,645 | 3,978 |
| Profit / (loss) before loan losses | 2,684 | 27,907 | 21,590 | 24,193 | 42,385 | 49,890 | 40,948 | 41,646 |
| Loan losses | 3,555 | -194 | -3 | 175 | -259 | -408 | 726 | -183 |
| Operating profit | -871 | 28,101 | 21,593 | 24,018 | 42,643 | 50,298 | 40,222 | 41,830 |

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