



Interim Report 3rd quarter 2021

Nordea Direct Bank



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

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

Key financial figures

Summary of income statement

NOKt	Jan-Sep 2021	Jan-Sep 2020	Year 2020
Net interest income	533,688	532,263	724,630
Net commission income and other operating income	28,681	-38,831	-43,938
Total income	562,369	493,432	680,693
Staff costs	70,277	77,184	101,396
Other expenses	154,910	140,333	196,121
Total operating expenses	225,187	217,517	297,517
Loan losses (negative figures are reversals)	14,539	127,175	86,810
Operating profit	322,643	148,740	296,365
Income tax expense	80,661	37,185	75,328
Net profit for the period	241,982	111,554	221,037

Summary of balance sheet

NOKt	30 Sep 2021	30 Sep 2020	31 Dec 2020
Loans to the public (gross)	52,654,516	50,447,984	50,708,573
Allowance for loan losses	-176,026	-476,156	-169,591
Deposits and borrowings from the public	13,855,881	15,180,007	14,391,542
Total assets	57,375,507	56,085,402	56,003,342
Equity	4,417,129	4,075,003	4,179,280
Assets under management		119,503	

Ratios and key figures

		Jan-Sep 2021	Jan-Sep 2020	Year 2020
Net interest margin, annualised	%	1.26	1.36	1.36
Loss rate	%	0.04	0.37	0.18
Non-performing loans in % of gross lending ¹	%	0.37	1.41	0.19
Return on equity, annualised	%	7.48	3.69	5.53
Deposit-to-loan ratio at the end of the period	%	26.3	30.1	28.4
Capital adequacy ratio ²	%	19.1	18.5	20.2
Tier 1 capital ratio ²	%	18.7	17.6	19.2
Common equity Tier 1 capital ratio ²	%	18.0	16.9	18.6
Cost/income ratio	%	40.0	44.1	43.7
Liquidity Coverage Ratio	%	319	292	409
Average total assets	NOKt	56,721,211	52,106,607	53,235,728
Number of employees	Number	93	105	108
Total deposit above NOK 2 million	NOK billion	1.90	2.54	2.04

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

For more detailed information regarding ratios and key figures defined as Alternative performance measures, see www.nordea.com/en/investor-relations/.

Nordea Direct Bank ASA

Introduction

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

Nordea Direct Bank ASA is a wholly owned subsidiary of Nordea Bank Abp. The bank was established in 2007 and has administrative offices in Oslo and Førde.

The merger between Nordea Direct Bank ASA and Nordea Bank Abp is ongoing and the target completion date is 1 November 2022. Completion is subject to regulatory approval.

Income statement

Operating profit was NOK 322.6m (NOK 148.7m). The increase was a result of improved gains from financial instruments, one time bookings on the total Income, as well as improved write-down and losses.

Total income amounted to NOK 562.4m (NOK 493.4m).

Net interest income amounted to NOK 533.7m (NOK 532.3m). The positive effect of the portfolio growth was offset by the decreased net interest margin.

Net commission income and other income amounted to NOK 28.7m (NOK 38.8m). The increase was primarily driven by gains on financial instruments and a one-time booking related to a portfolio of pre-paid cards. The one-time booking relates to the closing of pre-paid cards issued by Gjensidige Bank ASA (now Nordea Direct Bank ASA) for a third party. The pre-paid cards have expired already before the acquisition of Gjensidige Bank ASA by Nordea Bank Abp and the board decided to write-off the balance of these cards, in close dialogue with the third party and after taking all necessary steps to pay out customer dues.

Net interest margin¹ was 1.26% (1.36%). The change in the portfolio composition led to a decrease in the rate.

Operating expenses were NOK 225.2m (NOK 217.5m).

The cost/income ratio was 40.0% (44.1%), a result of improved total Income.

Total write-downs and losses amounted to NOK 14.5m (NOK 127.2m). Three main factors contributed to the decrease: the sale of an unsecured lending portfolio at the end of 2020, tightening of credit rules during 2020 as well as improved economic outlook.

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

In the third quarter of 2021, the collective loan loss allowance increased due to the portfolio performance. The bank kept the level of the management judgement unchanged and will evaluate the next steps before year-end closing.

Write-downs and losses were 0.04% (0.37%) of average gross lending. The decrease was driven by lower write-downs and losses following the delinquent portfolio sale, tightened credit rules and the economic outlook, as well as the change in the portfolio composition.

Gross lending in default over 90 days decreased to NOK 197.2m (NOK 712.5m). As a result, gross loans in default over 90 days were 0.37% (1.41%) of total gross lending.

The weighted average loan-to-value ratio² was estimated to be 61.6% (61.4%) for the mortgage portfolio.

Lending and deposits growth

Gross lending increased by 4.4% and amounted to NOK 52,654.5m (NOK 50,448.0m) as of 30 September 2021. The growth was due to the bank entering an agreement with The Confederation of Unions for Professionals (UNIO), the second biggest labour union in Norway, during 2020. The favourable situation on the property market also contributed to the development. During the second quarter of 2021, the bank sold all the lending contracts with its agriculture customers and also transferred most of their outstanding relationships. Deposits decreased by 8.7%, reaching NOK 13,855.9m (NOK 15,180.0m).

Capital position

As of 30 September 2021, the Nordea Direct Bank Group had a capital adequacy ratio of 19.1% (18.5%). The total capital held by the bank was NOK 4,270.7m (NOK 4,149.3m), of which NOK 4,025.8m (NOK 3,804.5m) was common equity Tier 1 capital. The common equity Tier 1 capital ratio was 18.0% (16.9%).

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.

Debt securities issued

Net issues of debt securities, including subordinated loan capital, amounted to NOK 16,317.0m (NOK 22,365.7) as of 30 September 2021. The total face value of the securities issued by the bank was NOK 16,246.5m.

Repayments through ordinary maturity and buy back of bonds from investors were NOK 4,711.0m in the period.

Liquidity

As of 30 September 2021, Nordea Direct Bank Group had net liquid assets of NOK 4,656.9m, divided between NOK 183.8m in bank deposits and NOK 4,473.1m in debt securities. Nordea Direct Bank Group had no longer any investments in the covered bonds issued by Nordea Direct Boligkreditt AS. The net liquid assets were at an adequate level that covers the bond debt that is due in the next 7 months.

Norwegian financial institutions are required to maintain a Liquidity Coverage Ratio (LCR) on 100 %, in order to be able to cover net liquidity outflow during periods with limited access to market funding. The LCR for Nordea Direct Bank Group was 319% (292%) at end of third quarter.

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

² The loan-to-value ratio estimate is calculated on the basis of the exposure on the reporting date and the property valuation, including any higher priority pledge(s), at the time the loan was approved.

Covid-19 Measures

During September 2021 Norway saw the society opening up due to the good progress of the vaccination programme run by the Norwegian authorities. Considering the development, Nordea Direct Bank ASA no longer sees the need for special measures and follow-ups due to Covid-19. The bank will continue to monitor the overall economic situation for any unexpected developments that could have negative impact on its operations.

Organisation changes

During November 2021, a large share of the Nordea Direct Bank ASA organisation will be moved into Nordea Bank Abp. In order to secure stable operations for the bank, Nordea Bank Abp will provide the services performed by the departments moved and the relationship will be governed through intragroup agreements between the two legal entities.

Events after the balance sheet date

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

Nordea Direct Bank ASA

Oslo, 21 October 2021



Randi Marjamaa

Chairman



Sjur Loen

Board member



Ulf Andre Bjørnhaug

Board member



Mona Eek-Jensen

Board member



Per Kumle

Board member



Hans-Jacob Starheim

Employee representative



Krister G. Aanesen

Chief Executive Officer

Income statement

Nordea Direct Bank Group

NOKt	Note	Q3 2021	Q3 2020	Jan-Sep 2021	Jan-Sep 2020	Year 2020
Interest income etc, amortised cost		173,101	287,234	807,668	971,628	1,256,686
Interest income etc, fair value		3,652	7,235	15,748	46,126	53,016
Interest costs etc.		59,420	95,366	289,728	485,490	585,072
Net interest income		117,333	199,102	533,688	532,263	724,630
Dividends from investments in shares and funds				133		5,379
Fee and commission income		5,955	8,927	20,329	26,733	34,027
Fee and commission expense		7,642	11,772	36,179	34,991	60,198
Net gains on financial instruments at fair value		1,761	3,047	15,172	-30,895	-24,211
Other operating income		-1,206	10	29,227	321	1,065
Net commission income and other operating income		-1,133	212	28,681	-38,831	-43,938
Total income		116,201	199,315	562,369	493,432	680,693
Staff costs		13,411	24,660	70,277	77,184	101,396
Depreciation		1,499	3,866	7,954	12,063	15,690
Other operating expenses		32,394	44,214	146,956	128,270	180,431
Total operating expenses		47,304	72,740	225,187	217,517	297,517
Profit / (loss) before loan losses		68,896	126,574	337,182	275,915	383,175
Loan losses	4	(288)	-22,532	14,539	127,175	86,810
Operating profit		69,184	149,107	322,643	148,740	296,365
Income tax expense		17,296	37,277	80,661	37,185	75,328
Net profit for the period		51,888	111,830	241,982	111,554	221,037
Basic/diluted earnings per share, NOK		59.2	127.7	276.2	127.3	252.3

Statement of comprehensive income

Nordea Direct Bank Group

NOKt	Q3 2021	Q3 2020	Jan-Sep 2021	Jan-Sep 2020	Year 2020
Net profit for the period	51,888	111,830	241,982	111,554	221,037
Components of other comprehensive income					
Items that are not reclassified subsequently to profit or loss					
Actuarial gains/ (loss) on pensions					-3,253
Tax on items that are not reclassified to profit or loss					813
Items that may be reclassified subsequently to profit or loss					
Tax on items that may be reclassified to profit or loss					
Total components of other comprehensive income					-2,440
Total comprehensive income for the period	51,888	111,830	241,982	111,554	218,598

Balance sheet

Nordea Direct Bank Group

NOKt	Note	30 Sep 2021	30 Sep 2020	31 Dec 2020
Assets				
Cash and balances with central banks		62,276	59,620	58,553
Loans to credit institutions	6	121,560	613,917	350,899
Loans to the public	2,4	52,478,490	49,971,827	50,538,982
Interest-bearing securities	8	4,473,061	4,971,570	4,679,830
Derivatives	8	67,659	257,447	199,324
Shares (and other securities with variable yield)		9,800	11,779	10,620
Intangible assets		5,039	16,081	12,629
Deferred tax assets		21,121	15,217	20,090
Fixed assets		1,028	1,594	1,393
Other assets		267	-1,718	1,586
Advance payments and accrued income		135,206	168,068	129,436
Total assets		57,375,507	56,085,402	56,003,342
Liabilities and equity				
Liabilities to credit institutions	6	22,337,000	13,831,000	15,831,000
Deposits and borrowings from the public	2	13,855,881	15,180,007	14,391,542
Debt securities in issue	3,6,8	16,216,985	22,165,800	20,959,345
Derivatives	8	13,435	39,980	32,029
Current tax liabilities		80,661	37,185	79,050
Other liabilities		124,026	282,531	156,149
Accrued expenses and prepaid income		199,486	246,140	144,066
Retirement benefit obligations		30,925	27,815	30,925
Subordinated loan capital	3	99,980	199,942	199,956
Total liabilities		52,958,378	52,010,400	51,824,063
Equity				
Share capital		667,512	667,512	667,512
Share premium reserve		1,814,374	1,814,374	1,814,374
Perpetual Tier 1 capital	9	144,951	144,847	144,884
Other paid-in equity		2,647	2,647	2,647
Retained earnings		1,545,663	1,334,069	1,549,862
Net profit for the period		241,982	111,554	
Total equity		4,417,129	4,075,003	4,179,280
Total liabilities and equity		57,375,507	56,085,402	56,003,342

Statement of changes in equity

Nordea Direct Bank Group

NOKt	Share capital	Share premium reserve	Perpetual Tier 1 capital	Other paid-in equity	Other equity	Total equity
Balance at 1 Jan 2021	667,512	1,814,374	144,884	2,647	1,549,862	4,179,280
Net profit for the period			3,159		238,823	241,982
Other comprehensive income, net of tax						
Total comprehensive income			3,159		238,823	241,982
Capital expansion						
Share-based payment transactions settled in equity					-1,040	-1,040
AT1 capital						
Paid interest on AT 1 capital			-3,093			-3,093
Balance at 30 Sep 2021	667,512	1,814,374	144,951	2,647	1,787,645	4,417,129

NOKt	Share capital	Share premium reserve	Perpetual Tier 1 capital	Other paid-in equity	Other equity	Total equity
Balance at 1 Jan 2020	666,020	1,115,866	445,441	2,647	1,342,153	3,572,127
Net profit for the period			9,372		211,666	221,037
Other comprehensive income, net of tax					-2,440	-2,440
Total comprehensive income			9,372		209,226	218,598
Capital expansion	1,492	698,508				700,000
Share-based payment transactions settled in equity					-1,517	-1,517
AT1 capital			-298,200			
Paid interest on AT 1 capital			-11,728			-11,728
Balance at 31 Dec 2020	667,512	1,814,374	144,884	2,647	1,549,862	4,179,280

NOKt	Share capital	Share premium reserve	Perpetual Tier 1 capital	Other paid-in equity	Other equity	Total equity
Balance at 1 Jan 2020	666,020	1,115,866	445,441	2,647	1,342,153	3,572,127
Net profit for the period			8,323		103,231	111,554
Other comprehensive income, net of tax						
Total comprehensive income			8,323		103,231	111,554
Capital expansion	1,492	698,508				700,000
Share-based payment transactions settled in equity					239	239
AT1 capital			-298,200			
Paid interest on AT 1 capital			-10,717			-10,717
Balance at 30 Sep 2020	667,512	1,814,374	144,847	2,647	1,445,623	4,075,003

Number of shares at end of period 876,000

Cash flow statement

Nordea Direct Bank Group

NOKt	Jan-Sep 2021	Jan-Sep 2020	Year 2020
Operating activities			
Net payment of loans to customers	-2,089,006	-7,263,408	-7,696,541
Net payment of deposits by customers	-535,661	-2,126,517	-2,914,981
Payment of interest from customers	956,945	953,264	1,257,788
Payment of interest to customers	-11,884	-36,620	-146,116
Net payment of interest from credit institutions etc.	-132,756	-102,234	-101,585
Taxes paid	-79,050	-71,030	-71,030
Net other commission income	13,395	-7,699	-24,869
Payment to operations	-217,162	-342,663	-398,897
Net received/paid (-) upon purchase and sale of financial instruments and interest-bearing securities	264,316	184,190	542,297
Net cash flow from operating activities	-1,830,864	-8,812,715	-9,553,933
Investment activities			
Net purchase of intangible assets and fixed assets		-1,735	-1,709
Net receipts/payments from sale/acquisition of loans to the public	2,608		359,472
Net cash flow from investment activities	2,608	-1,735	357,762
Financing activities			
Net receipts/payments on deposits from credit institutions	6,506,000	10,875,000	12,875,000
Receipts of interest-bearing securities			
Payment of interest-bearing securities	-4,711,000	-2,756,000	-3,903,000
Interest payments on interest-bearing securities	-86,830	175,213	-260,805
Receipts of subordinated debt	-99,976	-99,944	-99,931
Interest payments on subordinated debt	-2,462	-6,097	-7,256
Repayment additional Tier 1 capital			-298,200
Paid interest on Additional Tier 1 capital	-3,093	-10,717	-10,717
Capital increases		700,000	700,000
Cash flow from financing activities	1,602,639	8,877,455	8,995,090
Cash flow for the period	-225,617	63,004	-201,080
Cash and cash equivalents			
Cash and cash equivalents at 1 January	409,452	610,533	610,533
Cash and cash equivalents at end of the period	183,835	673,537	409,452
Change	-225,617	63,004	-201,080
The following items are included in cash and cash equivalents:			
Cash and balances with central banks	62,276	59,620	58,553
Loans to credit institutions	121,560	613,917	350,899
Total cash and cash equivalents	183,835	673,537	409,452

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

Nordea Direct Bank Group

Note 1 Accounting policies

The consolidated financial statements as of the third quarter of 2021, concluded on 30 September 2021, comprise Nordea Direct Bank ASA and its subsidiary 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 consolidated financial statements as of the third 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 ASA does not plan early implementation of these standards.

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

Other amendments to IFRS

Other amendments to IFRS are not assessed to have any significant impact on Nordea Direct Bank ASAs 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.

Note 1 Accounting policies (cont.)

Covid 19 Macro scenarios

Nordea Direct uses Macro scenarios covering unemployment and house prices in the collective loan loss allowance models. The macro variables are assumed to correlate to loan losses and changes to the macro forecast will impact Probability of Default (PD) and Loss Given Default (LGD) in the model through correlation factors. These correlation factors are based on studies by published by Norges Bank: <http://www.norges-bank.no/Publisert/Signerte-publikasjoner/Penger-og-Kreditt/Penger-og-Kreditt-12007/Faktor-er-bak-banken-es-problemlan/>.

The macro variables are also used by Nordea for their loan loss allowance model and Nordea Direct aligned the values in its model with Nordea's. The updated scenarios reflect the economic impact from

Covid 19. Scenarios are developed by Nordea Enterprise Wide Risk Management, but leverages government and other sources including a reference point to the ECB scenarios.

The table below summarises the Macro scenarios used in Nordea Direct loan loss allowance model for Q3 2021. The change applies to all Nordea Direct loan loss allowance models (Unsecured Loans, Mortgage Loans and Credit Cards).

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)	4.0%	2.7%	2.6%
Base case	4.1%	3.1%	3.0%
Alternative B (worst case)	4.3%	4.1%	3.9%
Housing prices			
Alternative A (best case)	9.7%	3.5%	2.8%
Base case	9.2%	1.0%	1.3%
Alternative B (worst case)	7.1%	-5.4%	-0.9%

Scenario weighting Q1 2021

Alternative A (best case)	20%
Base case	60%
Alternative B (worst case)	20%

Note 2 Segment information

NOKt	30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Deposit by sector and industry								
Retail market	12,492,429	12,816,104	12,267,106	12,665,871	12,954,894	13,508,089	12,809,973	13,306,516
Other	1,363,452	1,500,081	1,606,930	1,725,671	2,225,113	2,392,324	3,013,411	4,000,008
Total deposits	13,855,881	14,316,185	13,874,036	14,391,542	15,180,007	15,900,413	15,823,384	17,306,523
Loans to customers divided by sector and industry								
Private individuals	52,654,516	51,388,466	50,141,716	50,708,573	50,447,984	47,696,120	43,168,208	43,203,811
Commercial business								
Gross loans	52,654,516	51,388,466	50,141,716	50,708,573	50,447,984	47,696,120	43,168,208	43,203,811

Note 3 Liabilities on the issue of securities

NOKt	Nominal value			Carrying amount		
	30 Sep 2021	30 Sep 2020	31 Dec 2020	30 Sep 2021	30 Sep 2020	31 Dec 2020
Liabilities opened for the issue of securities						
Bond debt ¹	10,846,500	16,257,500	15,457,500	10,861,869	16,287,038	15,484,240
Subordinated loan capital	100,000	200,000	200,000	99,980	199,942	199,956
- Own non-amortised certificates/bonds		-303,000			-303,036	
Total liabilities at amortised cost	10,946,500	16,154,500	15,657,500	10,961,849	16,183,945	15,684,196
Liabilities opened for the issue of securities						
Bond debt	5,300,000	5,950,000	5,300,000	5,355,116	6,181,797	5,475,105
Total liabilities included in fair value hedge	5,300,000	5,950,000	5,300,000	5,355,116	6,181,797	5,475,105
Total liabilities	16,246,500	22,104,500	20,957,500	16,316,965	22,365,742	21,159,301

¹ Minus covered bonds held by Nordea Direct Bank ASA issued by Nordea Direct Bank Boligkreditt AS with a nominal at NOK 0m (11,389.0m) as of 30 September 2021. The cover pool market value was NOK 0m (1,681.0m).

Maturity

Remaining maturity (nominal value)	30 Sep 2021	30 Sep 2020	31 Dec 2020
2020		1,147,000	
2021	1,000,000	5,711,000	5,711,000
2022	7,446,500	7,446,500	7,446,500
2023	5,950,000	5,950,000	5,950,000
2025	1,350,000	1,350,000	1,350,000
2027	500,000	500,000	500,000
Total	16,246,500	22,104,500	20,957,500

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

New issues in 2021

Repayments in 2021 4,711,000

Note 4 Write-downs and losses on loans

Write-downs and losses on loans

NOKt	30 Sep 2021	30 Sep 2020	31 Dec 2020
Write-downs and losses for the period			
+/- Change in group write-downs for the period (ECL)	6,435	90,349	-216,217
+ Write-off during the period	8,063	35,626	301,719
- Payments on previously written-off accounts	41	1,200	1,308
Write-downs and losses for the period	14,539	127,175	86,810
Loss allowance			
Loss allowance at the start of the period	169,591	385,807	385,807
+/- Change in loss allowance for the period	6,435	90,349	-216,217
Loss allowance at the end of the period	176,026	476,156	169,591
Defaulted loans			
Gross default over 90 days	197,167	712,539	94,866

Credit quality by risk group

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	49,243,368	76,102	14,810	49,334,280
Medium	978,792	597,391	8,403	1,584,586
High	347,616	755,430	59,303	1,162,348
Not classified	5,092	32		5,124
Impaired and written down			201,202	201,202
Adjustment ¹	366,976			366,976
Total	50,941,843	1,428,955	283,718	52,654,516
Loss allowance	49,954	44,449	81,623	176,026
Total net	50,891,890	1,384,506	202,095	52,478,490

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

30 Sep 2020 NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Loans to and claims on customers				
Low	46,204,966	9,150	20,330	46,234,446
Medium	1,289,305	325,645	9,252	1,624,202
High	425,042	684,077	58,732	1,167,850
Not classified	1,555	98		1,653
Impaired and written down			720,360	720,360
Adjustment ¹	699,471			699,471
Total	48,620,340	1,018,970	808,674	50,447,983
Loss allowance	71,147	43,109	361,901	476,156
Total net	48,549,193	975,861	446,773	49,971,827

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

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

Loans to and claims on customers by past due status

NOKt	30 Sep 2021		30 Sep 2020		31 Dec 2020	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
0-29 days	52,369,371	94,188	49,589,572	103,093	50,447,842	100,323
30-59 days	77,190	13,299	121,516	24,143	122,768	28,125
60-89 days	10,788	3,773	24,356	7,381	43,098	10,408
90+ days	197,167	64,766	712,539	341,540	94,866	30,736
Total	52,654,516	176,026	50,447,983	476,156	50,708,573	169,591

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	68,382	51,175	50,034	169,591
Transfer to stage 1	1,462	-5,122	-1,591	-5,252
Transfer to stage 2	-15,635	24,217	-1,077	7,505
Transfer to stage 3	-2,966	-15,347	36,105	17,792
New Financial assets originated during the period	25,334	6,814	4,093	36,241
Financial assets that have been derecognised	-15,683	-13,403	-7,050	-36,136
Changes in balance with no transfer between stages	-10,940	-3,884	1,109	-13,714
Loss allowance as at 30 Sep 2021	49,954	44,449	81,623	176,026

NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total allowance
Loss allowance as at 1 Jan 2020	31,998	47,456	306,354	385,807
Transfer to stage 1	3,560	-9,468	-1,942	-7,850
Transfer to stage 2	-2,028	19,604	-181	17,395
Transfer to stage 3	-2,549	-20,354	70,472	47,570
New Financial assets originated during the period	22,611	7,325	3,092	33,029
Financial assets that have been derecognised	-4,006	-5,892	-31,826	-41,724
Changes in balance with no transfer between stages	21,562	4,438	15,930	41,930
Loss allowance as at 30 Sep 2020	71,147	43,109	361,901	476,156

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

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

NOKt	30 Sep 2021	30 Sep 2020	31 Dec 2020
Stage 1	49,954	71,147	68,382
Stage 2	44,449	43,109	51,175
Stage 3	81,623	361,901	50,034
Total	176,026	476,156	169,591
Stage 1	28.4%	14.9%	40.3%
Stage 2	25.3%	9.1%	30.2%
Stage 3	46.4%	76.0%	29.5%
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	49,452,848	1,075,302	180,423	50,708,573
Transfer to stage 1	300,943	-291,923	-9,020	
Transfer to stage 2	-800,676	812,154	-11,478	
Transfer to stage 3	-70,343	-70,251	140,594	
New financial assets originated	16,193,313	269,023	13,974	16,476,310
Financial assets that have been derecognised	-12,821,791	-322,530	-721,131	-13,865,452
Change in balances due to payments	-1,702,212	-42,820	-8,573	-1,753,605
Other Changes ¹	389,761	1	698,928	1,088,690
Gross carrying amount as at 30 Sep 2021	50,941,843	1,428,955	283,718	52,654,516
Loss allowance as at 30 Sep 2021	49,954	44,449	81,623	176,026

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

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	41,121,650	1,407,959	674,202	43,203,811
Transfer to stage 1	535,107	-519,857	-15,250	
Transfer to stage 2	-405,107	409,208	-4,101	
Transfer to stage 3	-107,827	-115,410	223,237	
New financial assets originated	16,780,956	182,797	9,812	16,973,566
Financial assets that have been derecognised	-8,726,895	-290,396	-76,446	-9,093,736
Change in balances due to payments	-1,256,000	-55,332	-35,929	-1,347,261
Other Changes ¹	678,455		33,148	711,604
Gross carrying amount as at 30 Sep 2020	48,620,340	1,018,970	808,674	50,447,983
Loss allowance as at 30 Sep 2020	71,147	43,109	361,901	476,156

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

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

NOKt	30 Sep 2021	30 Sep 2020	31 Dec 2020
Stage 1	50,941,843	48,620,340	49,452,848
Stage 2	1,428,955	1,018,970	1,075,302
Stage 3	283,718	808,674	180,423
Total	52,654,516	50,447,983	50,708,573
Stage 1	96.7%	96.4%	97.5%
Stage 2	2.7%	2.0%	2.1%
Stage 3	0.5%	1.6%	0.4%
Total	100.0%	100.0%	100.0%

Note 5 Capital adequacy

NOKt	30 Sep 2021	30 Sep 2020	31 Dec 2020
Primary capital			
Share capital and share premium	2,481,886	2,481,886	2,481,886
Other equity	1,790,293	1,448,270	1,552,509
Total equity (exclusive perpetual Tier 1 capital)	4,272,178	3,930,156	4,034,395
Deduction			
Profit not included in the calculation of net primary capital	-241,982	-111,554	
Goodwill and other intangible assets	-5,039	-16,081	-12,629
Value adjustments due to the requirement for prudent valuation	-4,564	-5,281	-4,922
Increase			
IFRS 9 transitional arrangements for credit loss provisioning	5,195	7,273	7,273
Common equity Tier 1 capital	4,025,789	3,804,513	4,024,117
Perpetual Tier 1 capital	144,951	144,847	144,884
Tier 1 capital	4,170,739	3,949,359	4,169,002
Supplementary capital			
Subordinated loan capital	99,980	199,942	199,956
Net primary capital	4,270,719	4,149,302	4,368,958
Credit risk:			
Of which:			
Central governments or central banks	4,224	3,043	4,018
Institutions	5,538	21,285	13,816
Enterprises			
Mass market positions	186,973	203,189	195,144
Positions secured by mortgage	1,425,129	1,352,746	1,346,268
Overdue positions	25,636	53,474	25,378
Covered bonds	23,269	27,217	24,907
Shares in securities fund			
Equity positions	784	942	850
Other positions	3,974	5,623	4,895
Total minimum requirement credit risk	1,675,529	1,667,519	1,615,276
Operational risk	108,871	118,677	108,871
CVA-risk	1,465	12,057	9,372
Minimum requirement for net primary capital	1,785,864	1,798,253	1,733,518
Basis of calculation of balance sheet items not included in trading portfolio	20,287,690	19,948,160	19,735,335
Basis of calculation of off-balance sheet items not included in trading portfolio	656,418	895,823	455,615
Risk-weighted assets (calculation basis for capital adequacy ratio)	22,323,303	22,478,159	21,668,977

Note 5 Capital adequacy (cont.)

NOKt	30 Sep 2021	30 Sep 2020	31 Dec 2020
Buffer requirements			
Systemic risk buffer	669,699	674,345	650,069
Conservation buffer	558,083	561,954	541,724
Countercyclical buffer	223,233	224,782	216,690
Total buffer requirement for common equity Tier 1 capital	1,451,015	1,461,080	1,408,484
Pillar 2 requirement 1.7% for common equity Tier 1 capital set by the Financial Supervisory Authority of Norway	379,496	382,129	368,373
Available common equity Tier 1 capital net min.requirement	1,190,730	949,787	1,272,157
Capital adequacy			
Capital adequacy ratio	19.1%	18.5%	20.2%
Tier 1 capital ratio	18.7%	17.6%	19.2%
Common equity Tier 1 capital ratio	18.0%	16.9%	18.6%
Leverage ratio	7.0%	6.7%	7.3%

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 Q3 2021.

New standard IFRS 9 guidelines for credit loss provisioning were implemented 1.1.2018. The bank used transitional arrangements for IFRS 9. The new rules for loss provisions increased the bank's loss and provision with NOK 13.9m. Equity was reduced by NOK 10.4m adjusted for tax. In accordance with transitional arrangements, the effect of increased of loss and provision will be phased in over five years.

NOKt	30 Sep 2021	30 Sep 2020	31 Dec 2020
Numbers without use of transitional arrangements:			
Common equity Tier 1 capital	4,020,594	3,797,240	4,016,845
Tier 1 capital	4,165,545	3,942,087	4,161,729
Net primary capital	4,265,524	4,142,029	4,361,685
Common equity Tier 1 capital ratio	18.0%	16.9 %	18.5%
Tier 1 capital ratio	18.7%	17.5 %	19.2%
Capital adequacy ratio	19.1%	18.4 %	20.1%

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 ensures 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 September 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

Jan-Sep 2021

NOKt	Nordea Direct Boligkreditt AS	Nordea Bank Abp	Other Nordea companies
Net interest income	47,778	153,173	
Other operating income	9,283		4,066
Other operating expenses	-721	-16,089	

Jan-Sep 2020

NOKt	Nordea Direct Boligkreditt AS	Nordea Bank Abp	Other Nordea companies
Net interest income	37,881	31,637	
Other operating income	7,839		5,718
Other operating expenses	-710	-4,901	

Jan-Dec 2020

NOKt	Nordea Direct Boligkreditt AS	Nordea Bank Abp	Other Nordea companies
Net interest income	47,274	74,197	
Other operating income	10,648		6,773
Other operating expenses	-950	-10,971	

Note 6 Transactions with related parties (cont.)

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

30 Sep 2021

NOKt	Nordea Direct Boligkreditt AS	Nordea Bank Abp	Other Nordea companies
Deposit	454,847	92,076	
Loans to credit institutions	10,083,272	1,483	
Interest-bearing securities		248,331	
Deposits by credit institutions		22,356,217	
Other liabilities		23,829	

30 Sep 2020

NOKt	Nordea Direct Boligkreditt AS	Nordea Bank Abp	Other Nordea companies
Deposit	485,574	599,062	
Loans to credit institutions	1,414,852	638	
Interest-bearing securities	1,393,903	833,015	
Deposits by credit institutions		13,341,284	
Other liabilities			

31 Dec 2020

NOKt	Nordea Direct Boligkreditt AS	Nordea Bank Abp	Other Nordea companies
Deposit	449,027	282,683	
Loans to credit institutions	5,280,351	2,904	
Interest-bearing securities	1,393,903	664,882	
Deposits by credit institutions		15,345,487	
Other liabilities		5,900	

Note 7 Contingent liabilities and security

NOKt	30 Sep 2021	30 Sep 2020	31 Dec 2020
Guarantees			
Loan commitment	6,544,960	8,181,394	4,100,304
Unutilised credit facility	14,932	3,684,818	3,547,703
Total contingent liabilities	6,559,892	11,866,212	7,648,007
Securities provided as collateral for loans from/credit facility with Norges Bank	849,119	2,091,841	2,090,485
Total securities provided	849,119	2,091,841	2,090,485

Note 8 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 8 Fair value of financial instruments (cont.)

NOKt	30 Sep 2021		30 Sep 2020		31 Dec 2020	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets						
Cash to and receivables from central banks	62,276	62,276	59,620	59,620	58,553	58,553
Cash to and receivables from central banks	62,276	62,276	59,620	59,620	58,553	58,553
Loans to and receivables from credit institutions, amortised cost	121,560	121,560	613,917	613,917	350,899	350,899
Loans to and receivables from credit institutions	121,560	121,560	613,917	613,917	350,899	350,899
Loans to and receivables from customers, amortised cost	52,478,490	52,489,500	49,971,827	50,006,032	50,538,982	50,564,229
Loans to and receivables from customers	52,478,490	52,489,500	49,971,827	50,006,032	50,538,982	50,564,229
Interest-bearing securities, fair value	4,473,061	4,473,061	4,971,570	4,971,570	4,679,830	4,679,830
Interest-bearing securities	4,473,061	4,473,061	4,971,570	4,971,570	4,679,830	4,679,830
Derivatives, fair value	67,659	67,659	257,447	257,447	199,324	199,324
Derivatives	67,659	67,659	257,447	257,447	199,324	199,324
Shares available for sale	9,800	9,800	11,779	11,779	10,620	10,620
Shares	9,800	9,800	11,779	11,779	10,620	10,620
Other financial assets, amortised cost	87,007	87,007	101,167	101,167	71,900	71,900
Total other financial assets	87,007	87,007	101,167	101,167	71,900	71,900
Total financial assets	57,299,852	57,310,862	55,987,328	56,021,533	55,910,109	55,935,355
Liabilities						
Liability to credit institutions, amortised cost	22,337,000	22,337,000	13,831,000	13,831,000	15,831,000	15,831,000
Liability to credit institutions	22,337,000	22,337,000	13,831,000	13,831,000	15,831,000	15,831,000
Deposits and liabilities to customers, amortised cost	13,855,881	13,855,930	15,180,007	15,183,091	14,391,542	14,393,732
Deposits and liabilities to customers	13,855,881	13,855,930	15,180,007	15,183,091	14,391,542	14,393,732
Liability incurred through the issue of securities, amortised cost	10,861,869	10,919,820	15,984,002	16,080,602	15,484,240	15,571,313
Liability incurred through the issue of securities, fair value hedge	5,355,116	5,408,659	6,181,797	6,225,359	5,475,105	5,523,411
Liability incurred through the issue of securities	16,216,985	16,328,479	22,165,800	22,305,961	20,959,345	21,094,724
Derivatives, fair value	13,435	13,435	39,980	39,980	32,029	32,029
Derivatives	13,435	13,435	39,980	39,980	32,029	32,029
Subordinated loan capital, amortised cost	99,980	101,386	199,942	202,274	199,956	202,038
Subordinated loan capital	99,980	101,386	199,942	202,274	199,956	202,038
Other financial liabilities, amortised cost	135,265	135,265	208,469	208,469	90,111	90,111
Other financial liabilities	135,265	135,265	208,469	208,469	90,111	90,111
Total financial liabilities	52,658,546	52,771,495	51,625,198	51,770,775	51,503,983	51,643,634
Off-balance sheet obligations and guarantees						
Guarantees						
Mortgage assets ¹	849,119	849,119	2,091,841	2,091,841	2,090,485	2,090,485

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

Note 8 Fair value of financial instruments (cont.)

NOKt	30 Sep 2021			
	Level 1	Level 2	Level 3	Total
Interest-bearing securities, fair value	4,473,061			4,473,061
Shares			9,800	9,800
Derivatives, fair value		67,659		67,659
Total financial assets, fair value	4,473,061	67,659	9,800	4,550,520
Loans to and receivables from customers, amortised cost			52,478,490	52,478,490
Total financial assets, amortised cost			52,478,490	52,478,490
Derivatives, fair value		13,435		13,435
Total financial liabilities, fair value		13,435		13,435
Deposits and liabilities to customers, amortised cost			13,855,881	13,855,881
Liability incurred through the issue of securities, amortised cost		10,861,869		10,861,869
Subordinated loan capital, amortised cost		99,980		99,980
Total financial liabilities, amortised cost		10,961,849	13,855,881	24,817,729
Liability incurred through the issue of securities, fair value hedge		5,355,116		5,355,116
Total financial liabilities, fair value hedge		5,355,116		5,355,116

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

NOKt	30 Sep 2020			
	Level 1	Level 2	Level 3	Total
Interest-bearing securities, fair value	4,971,570			4,971,570
Shares			11,779	11,779
Derivatives, fair value		257,447		257,447
Total financial assets, fair value	4,971,570	257,447	11,779	5,240,797
Loans to and receivables from customers, amortised cost			50,006,032	50,006,032
Total financial assets, amortised cost			50,006,032	50,006,032
Derivatives, fair value		39,980		39,980
Total financial liabilities, fair value		39,980		39,980
Deposits and liabilities to customers, amortised cost			15,183,091	15,183,091
Liability incurred through the issue of securities, amortised cost		16,080,602		16,080,602
Subordinated loan capital, amortised cost		202,274		202,274
Total financial liabilities, amortised cost		16,282,876	15,183,091	31,465,966
Liability incurred through the issue of securities, fair value hedge		6,225,359		6,225,359
Total financial liabilities, fair value hedge		6,225,359		6,225,359

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

Note 8 Fair value of financial instruments (cont.)

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

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

Reconciliation of financial assets valued based on non-observable market data (level 3)	Net realised/ unrealised gains				As at 30 Sep 2021
	As at 1 Jan 2021	recognised in profit or loss	Purchases	Sales	
NOKt					
Shares	10,620		55	-875	9,800
Total financial assets measured at fair value	10,620		55	-875	9,800

Level 3 shares represent a total of NOK 9.8m in unquoted shares in Visa Norge, Norsk Gjeldsinformasjon and Gjensidige Forsikring ASA. As these investments represent an immaterial value for the bank the purchase price is used as best estimate for fair value. A 10% change in valuations assumptions are assets to have limited effects on the banks' profits, and the sensitivity is presented as NOK 0.

Note 8 Fair value of financial instruments (cont.)

Reconciliation of financial assets valued based on non-observable market data (level 3)		Net realised/ unrealised gains				As at
NOKt	As at 1 Jan 2020	recognised in profit or loss	Purchases	Sales	Transfer into/ out of level 3	30 Sep 2020
Shares	11,934	5,015		-5,170		11,779
Total financial assets measured at fair value	11,934	5,015		-5,170		11,779

Level 3 shares represent a total of NOK 11.8m in unquoted shares in Visa Norge and Gjensidige Forsikring ASA. As these investments represent an immaterial value for the bank the purchase price is used as best estimate for fair value. A 10% change in valuations assumptions are assets to have limited effects on the banks' profits, and the sensitivity is presented as NOK 0.

Reconciliation of financial assets valued based on non-observable market data (level 3) 31 Dec 2018		Net realised/ unrealised gains				As at
NOKt	As at 1 Jan 2020	recognised in profit or loss	Purchases	Sales	Transfer into/ out of level 3	31 Dec 2020
Shares	11,934	10,599	152	-12,066		10,620
Total financial assets measured at fair value	11,934	10,599	152	-12,066		10,620

Level 3 shares represent a total of NOK 10.6m in unquoted shares in Visa Norge, Norsk Gjeldsinformasjon and Gjensidige Forsikring ASA. As these investments represent an immaterial value for the bank the purchase price is used as best estimate for fair value. A 10% change in valuations assumptions are assets to have limited effects on the banks' profits, and the sensitivity is presented as NOK 0.

Note 9 Perpetual Tier 1 capital

The bank has issued perpetual Tier 1 capital instruments with a total nominal value of NOK 145 million. The instruments are perpetual but the bank can repay the capital on specific dates, for the first time five years after it was issued. The interest rate to be paid is floating 3-month NIBOR plus a fixed credit spread.

The agreed terms for the instruments meet the requirements in the EU's CRR regulations and it is included in the bank's Tier 1 capital for capital ade-

quacy purposes. This means that the bank has a unilateral right not to pay interest or repay the principal to the investors. As a consequence of these terms, the instruments does not meet the requirement for a liability in IAS 32 and are therefore presented on the line perpetual Tier 1 capital under equity. Further, it implies that the interest is not presented under Total interest expenses but as a reduction in Other equity. The tax consequences are recognized in the income statement.

Quarterly earnings performance

Nordea Direct Bank Group

NOKt	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Interest income etc, amortised cost	173,101	264,711	282,078	285,058	287,234	301,909	382,484	428,967
Interest income etc, fair value	3,652	4,523	5,679	6,890	7,235	16,741	22,150	22,125
Interest costs etc.	59,420	97,116	101,970	99,581	95,366	168,853	221,271	231,060
Net interest income	117,333	172,118	185,787	192,367	199,102	149,797	183,364	220,032
Dividends from investments in shares and funds		101	33	5,379				
Fee and commission income	5,955	7,979	7,125	7,293	8,927	8,272	9,534	15,112
Fee and commission expense	7,642	11,177	11,466	25,207	11,772	11,535	11,683	27,372
Net gains on financial instruments at fair value	1,761	2,777	7,454	6,684	3,047	21,268	-55,210	-1,847
Other operating income	-1,206	2,931	28,615	744	10	322	-11	74
Total income	116,201	174,729	217,547	187,260	199,315	168,124	125,993	206,000
Staff costs	13,411	21,992	26,253	24,212	24,660	19,384	33,141	38,616
Depreciation	1,499	2,670	3,138	3,627	3,866	3,992	4,205	5,170
Other operating costs	32,394	47,090	50,338	52,161	44,214	43,057	40,999	62,184
Total operating expenses	47,304	71,752	79,729	80,000	72,740	66,432	78,345	105,971
Profit / (loss) before loan losses	68,896	102,977	137,818	107,260	126,574	101,692	47,649	100,030
Loan losses	-288	-6,557	13,075	-40,365	-22,532	107,243	42,464	60,698
Operating profit	69,184	109,533	124,743	147,625	149,107	-5,552	5,185	39,332

Income statement

Nordea Direct Bank ASA

NOKt	Q3 2021	Q3 2020	Jan-Sep 2021	Jan-Sep 2020	Year 2020
Interest income etc, amortised cost	195,462	217,468	582,878	690,294	900,471
Interest income etc, fair value	5,436	10,679	21,549	68,329	77,409
Interest costs etc.	70,756	70,451	217,387	325,493	397,378
Net interest income	130,143	157,696	387,039	433,130	580,503
Dividends from investments in shares and funds	0		133		5,379
Fee and commission income	4,713	8,394	18,733	25,086	31,840
Fee and commission expense	13,536	11,772	36,179	34,991	60,198
Net gains on financial instruments at fair value	4,703	3,964	15,116	-28,722	-21,889
Other operating income	663	2,540	38,510	8,160	11,714
Net commission income and other operating income	-3,456	3,125	36,313	-30,467	-33,154
Total income	126,687	160,821	423,352	402,663	547,348
Staff costs	21,507	24,099	68,666	76,024	99,682
Depreciation	2,146	3,866	7,954	12,063	15,690
Other operating expenses	49,031	43,823	142,773	123,410	175,197
Total operating expenses	72,684	71,787	219,392	211,498	290,569
Profit / (loss) before loan losses	54,003	89,034	203,959	191,165	256,779
Loan losses	8,279	-21,605	14,480	127,241	87,060
Operating profit	45,724	110,639	189,480	63,924	169,719
Income tax expense	11,431	27,660	47,370	15,981	43,666
Net profit for the period	34,293	82,979	142,110	47,942	126,053
Basic/diluted earnings per share, NOK	39.1	94.7	162.2	54.7	143.9

Statement of comprehensive income

Nordea Direct Bank ASA

NOKt	Q3 2021	Q3 2020	Jan-Sep 2021	Jan-Sep 2020	Year 2020
Profit/ (loss) for the period	34,293	82,979	142,110	47,942	126,053
Components of other comprehensive income					
Items that are not reclassified subsequently to profit or loss					
Actuarial gains/ (loss) on pensions					-3,253
Tax on items that are not reclassified to profit or loss					813
Unrealised gain/(loss) on loans to customers, fair value over other comprehensive income					4,944
Items that may be reclassified subsequently to profit or loss					
Tax on items that may be reclassified to profit or loss					-1,236
Total components of other comprehensive income					1,268
Total comprehensive income for the period	34,293	82,979	142,110	47,942	127,321

Balance sheet

Nordea Direct Bank ASA

NOKt	30 Sep 2021	30 Sep 2020	31 Dec 2020
Assets			
Cash and balances with central banks	62,276	59,620	58,553
Loans to credit institutions	10,197,336	2,025,039	5,625,219
Loans to the public	30,769,024	32,094,244	28,716,816
Interest-bearing securities	4,282,807	6,175,325	5,883,707
Derivatives	36,565	189,921	143,239
Shares (and other securities with variable yield)	9,800	11,779	10,620
Ownership interest in group companies	1,220,030	1,220,030	1,220,030
Intangible assets	5,039	16,081	12,629
Deferred tax assets	20,177	14,974	19,146
Fixed assets	1,028	1,594	1,393
Other assets	267	-1,718	1,586
Advance payments and accrued income	123,683	153,515	110,762
Total assets	46,728,033	41,960,403	41,803,701
Liabilities and equity			
Liabilities to credit institutions	22,791,847	14,316,574	16,280,027
Deposits and borrowings from the public	13,855,881	15,180,007	14,391,542
Debt securities in issue	6,075,911	8,375,045	7,181,081
Derivatives	10,817	36,698	28,910
Current tax liabilities	47,370	15,981	46,688
Other liabilities	123,963	282,439	156,076
Accrued expenses and prepaid income	178,853	224,472	114,059
Retirement benefit obligations	30,925	27,815	30,925
Subordinated loan capital	99,980	199,942	199,956
Total liabilities	43,215,546	38,658,973	38,429,265
Equity			
Share capital	667,512	667,512	667,512
Share premium reserve	1,814,374	1,814,374	1,814,374
Perpetual Tier 1 capital	144,951	144,847	144,884
Other paid-in equity	2,657	2,657	2,657
Retained earnings	740,884	624,099	745,009
Net profit for the period	142,110	47,942	
Total equity	3,512,487	3,301,431	3,374,436
Total liabilities and equity	46,728,033	41,960,403	41,803,701

Statement of changes in equity

Nordea Direct Bank ASA

NOKt	Share capital	Share premium reserve	Perpetual Tier 1 capital	Other paid-in equity	Other equity	Total equity
Balance at 1 Jan 2021	667,512	1,814,374	144,884	2,657	745,009	3,374,436
Net profit for the period			3,159		138,950	142,110
Other comprehensive income, net of tax						
Total comprehensive income			3,159		138,950	142,110
Capital expansion						
Share-based payment transactions settled in equity					-966	-966
AT1 capital						
Paid interest on AT 1 capital			-3,093			-3,093
Balance at 30 Sep 2021	667,512	1,814,374	144,951	2,657	882,993	3,512,487

NOKt	Share capital	Share premium reserve	Perpetual Tier 1 capital	Other paid-in equity	Other equity	Total equity
Balance at 1 Jan 2020	666,020	1,115,866	445,441	2,657	632,183	2,862,167
Net profit for the period			9,372		116,681	126,053
Other comprehensive income, net of tax					-2,440	-2,440
Total comprehensive income			9,372		114,242	123,614
Capital expansion	1,492	698,508				700,000
Share-based payment transactions settled in equity					-1,416	-1,416
AT1 capital			-298,200			-298,200
Paid interest on AT 1 capital			-11,728			-11,728
Balance at 31 Dec 2020	667,512	1,814,374	144,884	2,657	745,009	3,374,436

NOKt	Share capital	Share premium reserve	Perpetual Tier 1 capital	Other paid-in equity	Other equity	Total equity
Balance at 1 Jan 2020	666,020	1,115,866	445,441	2,657	632,183	2,862,167
Net profit for the period			8,323		39,619	47,942
Other comprehensive income, net of tax						
Total comprehensive income			8,323		39,619	47,942
Capital expansion	1,492	698,508				700,000
Share-based payment transactions settled in equity					239	239
AT1 capital			-298,200			-298,200
Paid interest on AT 1 capital			-10,717			-10,717
Balance at 30 Sep 2020	667,512	1,814,374	144,847	2,657	672,041	3,301,431

Number of shares at end of period 876,000

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