



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

### Enheten

Organisasjonsnummer: 994 000 845  
Organisasjonsform: Aksjeselskap  
Foretaksnavn: NORDEA DIRECT BOLIGKREDITT AS  
Forretningsadresse: Essendrops gate 7  
0368 OSLO

### Regnskapsår

Årsregnskapets periode: 01.01.2021 - 31.12.2021

### Konsern

Morselskap i konsern: Nei

### Regnskapsregler

Regler for små foretak benyttet: Nei  
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: IFRS

### Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Jan Kåre Raae  
Dato for fastsettelse av årsregnskapet: 11.02.2022

### Grunnlag for avgivelse

År 2021: Årsregnskapet er elektronisk innlevert  
År 2020: Tall er hentet fra elektronisk innlevert årsregnskap fra 2021

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Brønnøysundregistrene, 18.08.2022



### Resultatregnskap

Beløp i: NOK	Note	2021	2020
<b>RESULTATREGNSKAP</b>			
<b>Inntekter</b>			
Net interest income	4	178 334 000	144 127 000
Net commission income and other		-1 353 000	815 000
<b>Sum inntekter</b>		<b>176 981 000</b>	<b>144 942 000</b>
<b>Kostnader</b>			
Staff cost	8	2 029 000	1 714 000
Other operating expences	5	17 536 000	16 833 000
Loan losses	6	235 000	-249 000
<b>Sum kostnader</b>		<b>19 800 000</b>	<b>18 298 000</b>
<b>Driftsresultat</b>		<b>157 181 000</b>	<b>126 644 000</b>
<b>Netto finans</b>			
<b>Ordinært resultat før skattekostnad</b>		<b>157 181 000</b>	<b>126 644 000</b>
Income tax expense	7	39 295 000	31 660 000
<b>Ordinært resultat etter skattekostnad</b>		<b>117 886 000</b>	<b>94 984 000</b>
<b>Årsresultat</b>		<b>117 886 000</b>	<b>94 984 000</b>



## Balanse

Beløp i: NOK	Note	2021	2020
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
<b>Sum anleggsmidler</b>		<b>0</b>	<b>0</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
<b>Fordringer</b>			
Other assets	8	24 423 000	24 039 000
Deferred tax assets	7		944 000
<b>Sum fordringer</b>		<b>24 423 000</b>	<b>24 983 000</b>
<b>Investeringer</b>			
Interest-bearing securities	11	189 367 000	190 027 000
Derivatives	12,24	25 382 000	56 085 000
<b>Sum investeringer</b>		<b>214 749 000</b>	<b>246 112 000</b>
<b>Bankinnskudd, kontanter og lignende</b>			
Loans to credit institutions	9	336 114 000	449 692 000
Loans to the public	6,10	19 662 930 000	21 822 166 000
<b>Sum bankinnskudd, kontanter og lignende</b>		<b>19 999 044 000</b>	<b>22 271 858 000</b>
<b>Sum omløpsmidler</b>		<b>20 238 216 000</b>	<b>22 542 953 000</b>
<b>SUM EIENDELER</b>		<b>20 238 216 000</b>	<b>22 542 953 000</b>
<b>BALANSE - EGENKAPITAL OG GJELD</b>			
<b>Egenkapital</b>			
<b>Innskutt egenkapital</b>			
Share capital		221 000 000	221 000 000
Share premium		999 020 000	999 020 000
Other equity		922 666 000	804 853 000



## Balanse

<b>Beløp i: NOK</b>	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b>Sum innskutt egenkapital</b>		<b>2 142 686 000</b>	<b>2 024 873 000</b>
<b>Sum egenkapital</b>		<b>2 142 686 000</b>	<b>2 024 873 000</b>
<b>Gjeld</b>			
<b>Langsiktig gjeld</b>			
Utsatt skatt	7	8 374 000	
<b>Sum avsetninger for forpliktelser</b>		<b>8 374 000</b>	
<b>Annen langsiktig gjeld</b>			
Obligasjonslån	14,16	8 830 539 000	15 172 167 000
Gjeld til kredittinstitusjoner	13,21	9 186 381 000	5 274 986 000
<b>Sum annen langsiktig gjeld</b>		<b>18 016 920 000</b>	<b>20 447 153 000</b>
<b>Sum langsiktig gjeld</b>		<b>18 025 294 000</b>	<b>20 447 153 000</b>
<b>Kortsiktig gjeld</b>			
Current tax	7	29 978 000	32 362 000
Other liabilities	17	37 810 000	35 446 000
Derivatives	12,24	2 448 000	3 119 000
<b>Sum kortsiktig gjeld</b>		<b>70 236 000</b>	<b>70 927 000</b>
<b>Sum gjeld</b>		<b>18 095 530 000</b>	<b>20 518 080 000</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>20 238 216 000</b>	<b>22 542 953 000</b>



Brønnøysundregistrene

ÅRSREGNSKAP FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Journalnummer: 2022 882487

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Benyttet ved utarbeidelsen av  
årsregnskapet til selskapet: IFRS  
Har utarbeidet 'land-for-land' rapport: Ja

**Årsregnskapet fastsatt av kompetent organ**

Bekreftet av representant for selskapet: Jan Kåre Raae  
Dato for fastsettelse av årsregnskapet: 11.02.2022

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Brønnøysundregistrene, 17.08.2022



Organisasjonsnr: 994 000 845  
NORDEA DIRECT BOLIGKREDITT AS

## RESULTATREGNSKAP

<b>Beløp i: NOK</b>	<b>Note</b>	<b>2021</b>	<b>2020</b>
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NORDEA DIRECT BOLIGKREDITT AS

## BALANSE

Beløp i: NOK Note 2021 2020

### BALANSE - EIENDELER

#### Anleggsmidler Immaterielle eiendeler

Sum anleggsmidler 0 0

#### Omløpsmidler Varer

##### Fordringer

Other assets 8 24 423 000 24 039 000  
Deferred tax assets 7  944 000  
Sum fordringer 24 423 000 24 983 000

##### Investeringer

Interest-bearing securities 11 189 367 000 190 027 000  
Derivatives 12,24 25 382 000 56 085 000  
Sum investeringer 214 749 000 246 112 000

#### Bankinnskudd, kontanter og lignende

Loans to credit institutions 9 336 114 000 449 692 000  
Loans to the public 6,10 19 662 930 000 21 822 166 000  
Sum bankinnskudd,  
kontanter og lignende 19 999 044 000 22 271 858 000

Sum omløpsmidler 20 238 216 000 22 542 953 000

SUM EIENDELER 20 238 216 000 22 542 953 000

### BALANSE - EGENKAPITAL OG GJELD

#### Egenkapital

##### Innskutt egenkapital

Share capital 221 000 000 221 000 000  
Share premium 999 020 000 999 020 000  
Other equity 922 666 000 804 853 000  
Sum innskutt egenkapital 2 142 686 000 2 024 873 000

Sum egenkapital 2 142 686 000 2 024 873 000

#### Gjeld

##### Langsiktig gjeld

Utsatt skatt 7 8 374 000  
Sum avsetninger for  
forpliktelse 8 374 000



<b>Annen langsiktig gjeld</b>			
Obligasjonslån	14,16	8 830 539 000	15 172 167 000
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Organisasjonsnr: 994 000 845  
NORDEA DIRECT BOLIGKREDITT AS

NOTEOPPLYSNINGER - SELSKAP - alle poster oppgitt i hele tall

Note  
5

Antall årsverk i regnskapsåret  
1.00

Note  
5

Spesifisering av resultatregnskapet

Lønnskostnader

Lønn	Årets	Fjorårets
	1505000.00	1263000.00
Pensjonskostnader	Årets	Fjorårets
	174000.00	174000.00
Andre ytelser	Årets	Fjorårets
	351000.00	277000.00
Sum lønnskostnader	Årets	Fjorårets
	2029000.00	1714000.00

Note

Ekstraordinære inntekter og kostnader

Sum Beløp

Balanseført verdi 31.12. Varige driftsmidler Immaterielle eiend.

Konsernregnskap

Morselskapet sitt navn

Forretningskontor for morselskapet





# Nordea

## Annual report 2021

### Nordea Direct Boligkreditt



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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).



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### About the reporting

A web-based annual report is published on [www.nordea.com/en/investor-relations/](http://www.nordea.com/en/investor-relations/).  
The annual report will not be printed.



# The Board's Report for Nordea Direct Boligkreditt AS

## The business

Nordea Direct Bank Boligkreditt AS (herein called the Company) is a wholly owned subsidiary of Nordea Direct Bank ASA. The Company's registered business address is in Oslo. Nordea Direct Bank ASA is a wholly owned subsidiary of Nordea Bank Abp.

The Company 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. All residential mortgage loans are purchased from Nordea Direct Bank ASA.

By the end of 2021, the Company had issued covered bonds with a total face value of NOK 8,799.0m, all placed in the market. The covered bonds have an average remaining maturity of approximately 1.1 years, rated AAA by Standard & Poor's.

At the end of 2021, the Company had 11,108 mortgages with an outstanding balance of NOK 19,664.5m (NOK 21,823.5m). The loan portfolio is of high quality. The weighted loan-to-value ratio, indexed, was 43.5% (45.2%).

The Company does not carry out any research and development (R&D) activities.

## Comments on the annual accounts

### Profit and loss account

The financial statements have been prepared in compliance with IFRS (International Financial Reporting Standards).

Pursuant to the requirements of Norwegian accounting legislation, the Board confirms the basis for the going concern assumption and that the annual accounts have been prepared on that basis.

Previous year's figures are shown in brackets.

In 2021, the Company made a profit after tax expense of NOK 117.9m (NOK 95.0m).

Net profit before other comprehensive income<sup>1</sup> was 0.48 % in 2021 compared to 0.45 % in 2020.

Net interest income for 2021 amounted to NOK 178.3m (NOK 144.1m).

Net commission income and other operating income amounted to negative NOK 1.4m (NOK 0.8m). The change is mainly driven by repurchasing own covered bond.

The net interest margin<sup>1</sup> was 0.73% (0.68%), mainly due to lower money marked costs.

In 2021, operating expenses totalled NOK 19.6m (NOK 18.5m).

The cost/income ratio was 11.1% (12.8%).

## Write-downs and losses

The Company uses the banking Group's guidelines for assessing and recognizing loan impairments, which are recognized in accordance with IFRS9 using an expected loss model. The loan losses were NOK 0.2m (positive NOK 0.2m). The balance of loss allowance amounted to NOK 1.6m (NOK 1.3m). At the end of 2021, the Company had eight loans in default over 90 days, totalling NOK 8.1m.

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

## Covid-19 Measures

During September 2021 Norway saw the society opening up due to the good progress of the vaccination programme run by the Norwegian authorities. At that time Nordea Direct Bank ASA considered the development and no longer saw the need or special measures and follow-ups due to Covid-19. With the Omicron va-

<sup>1</sup> Net profit before other comprehensive income in per cent of average total assets

<sup>2</sup> Net interest income as a percentage of average total assets, annualised.



riant in Q4'21, the bank returned to a full home office solution, while making sure that the customers continue to be served at the same standards as before. It also decided to keep the management judgement included in the loss allowance, considering the newly raised uncertainty. The Company will monitor the overall economic situation for any unexpected developments that could have negative impact on its operations, customers and funding from Nordea Direct Bank ASA.

#### Balance sheet

At the end of 2021, the Company had total assets amounting to NOK 20,238.2m (NOK 22,543.0m). The Company is mainly funded by covered bonds issued in the Norwegian market.

#### Lending

At the end of 2021, gross lending totalled NOK 19,664.5m (NOK 21,823.5m).

The entire lending portfolio has been acquired from Nordea Direct Bank ASA. It consists of loans with variable interest rates. The average loan commitment was NOK 1.8m per loan at the end of 2021. The largest single exposure was NOK 9.4m and 14.1% of the lending portfolio consisted of loans with credit lines (fleksilån). Including the unutilised credit facilities, 21.4% of the lending portfolio consisted of loans with credit lines (fleksilån).

The loan portfolio had a weighted loan-to-value ratio, indexed, of 43.5% (45.2%) at the end of 2021. The value of the properties is updated quarterly by Eiendomsverdi AS, last updated December 2021.

#### Rating

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

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

#### Debt securities

Net issues of debt securities amounted to NOK 8,830.5m at the end of 2021, compared to NOK

15,172.2m at the end of 2020, a decrease of NOK 6,315.3m. The debt securities consist solely of covered bonds, with a total face value of NOK 8,799.0m. The Company did not issue covered bond in 2021, and NOK 6,301.0m was repaid.

As of 31 December 2021, the Company's cover pool was over collateralised with 124.5% (45.6%).

#### Liquidity

At the end of 2021, the Company had net liquid assets of NOK 525.5m, divided between NOK 336.1m in bank deposits, NOK 78.2m in covered bonds and NOK 111.2m in treasury bills.

The Company has a credit facility with Nordea Direct Bank ASA that is sufficient at all times to cover the total repayment of the outstanding bonds that fall due within the next 12 months. In addition, The Company has a long-term credit facility of NOK 21,000m. Unutilised credit facilities amounted to NOK 11,813.7m at the end of 2021.

The liquidity situation is considered to be good.

#### Capital adequacy and equity

At the end of 2021, the Company had a common equity Tier 1 capital ratio of 29.4% (24.9%). The total capital held by the Company was NOK 2,142.5m (NOK 2,024.6m). The capital includes net profit for 2021.

The Company's equity at the end of 2021 was NOK 2,142.7m (NOK 2,024.9m), representing 10.6% (9.0%) of total assets.

The Board evaluates the Company's equity and capital adequacy ratio to be satisfactory and sufficient in relation to operations.

#### Key risk and uncertainty factors

##### Financial risk

The Company's financial risk mainly comprises credit, liquidity and interest rate risk. Risks are monitored and reported regularly in accordance with the principles, strategies, limits and risk appetite statement adopted by the Board.

##### Credit risk

The Company's credit risk is the risk of losses arising as a result of customers or other counterparties failing to repay their debts or meet their contractual obligations when they fall due. The Board follows up the credit strategy through regular reports that focus on



the development of the loan portfolio, including defaults, risk classification and LTV. The Company uses risk classification models to calculate the risk associated with its credit exposure.

All loans are purchased from Nordea Direct Bank ASA in accordance with regulatory requirements in order to be included in the cover pool. In addition, there are other requirements to the quality of the loans regulated in the agreement between Nordea Direct Bank ASA and Nordea Direct Bank Boligkreditt AS.

The Company has mortgage loans to retail customers only. The value of the security is updated quarterly on the basis of estimates from Eiendomsverdi AS. At the end of 2021, the weighted, indexed loan-to-value ratio was 43.5%. There were eight loans in default for over 90 days. Sensitivity analyses are performed regularly in which the consequences of a fall in the housing market are analysed. The Board has adopted minimum requirements for the cover pool.

#### **Liquidity risk**

Liquidity risk is the risk of the Company not being able to meet its debt obligations when they fall due and/or not being able to finance growth of its assets without incurring a substantial increase in costs. The Company's financial strategy documents set limits and guidelines for managing the liquidity risk, and the Board seeks to ensure low liquidity risk.

The Company manages its liquidity risk by issuing bonds with different maturities and hold a liquidity reserve in line with regulatory requirement. The Company holds a liquidity reserve portfolio of covered bond, treasury bills and bank deposits. In addition the Company has different credit facilities with Nordea Direct Bank ASA.

The Board has adopted contingency plans for managing a potential liquidity and capital crisis.

#### **Market risk**

Market risk is the risk of losses associated with movements in market prices, which, in this context, relate to positions and activities in the interest rate, currency, credit and stock markets.

The Company's financial strategy documents set limits and guidelines for managing market risk. Risk exposure and development are continuously monitored

and reported to the Board. The Company has no exposure in equities and has no currency risk. The Company's interest rate risk and spread risk related to investments shall be low in relation to the core capital.

Interest rate risk refers to the risk of losses as a result of changes in the interest rate level. Risk limits are set to manage the interest rate risk by adjusting the fixed-interest rate period of investments and borrowing. In addition, derivatives are used for hedging purposes.

At the end of the year, the Company had interest rate swaps with a nominal value of NOK 600.0m. In the time interval over three months, the Company is exposed to a profit or loss effect of NOK 0.67m given a change in interest rates of one percentage point.

Spread risk refers to the risk of losses as a result of changes in credit margins. The Company limits the spread risk relating to assets by investing in high-quality securities with short maturity, whose value is less exposed to changes in the credit margins. The Company does not hedge the spread risk on its own bond issues.

The company has no exposure to equities and no currency risk.

#### **Concentration risk**

Concentration risk is the risk of losses due to the company having large parts of its lending tied to a single borrower or to limited geographic or business areas.

As of 31 December 2021, the portfolio is geographically diverse, with the greatest lending being in the most populous areas of the country. The largest exposure to a single borrower is approximately NOK 9.4m. The exposure related to the ten largest loans (limit) is approximately NOK 86.1m. The Company's liquidity reserves consist of bank deposits in the parent company, securities issued by the Norwegian government and Norwegian covered bonds (OMF).

#### **Operational risk**

Operational risk is the risk of losses resulting from inadequate or failing internal processes or systems, human error or external events.

Company activities that are outsourced to the bank are discussed at monthly risk meetings ('Operational Risk Reviews'). Operational incidents, the develop-



ment of anti-money laundering (AML) activities, internal control self-assessment (RCSA) results, fraud developments, IT security and customer complaints are important focus areas at these meetings. The CEO of Nordea Direct Bank ASA and the CEO of Nordea Direct Bank Boligkreditt AS attend these meetings together with key managers. In addition, quarterly internal control self-assessments (RCSA) are carried out to ensure that procedures and processes are adhered to in outsourced activities.

The outsourced activities are included in the bank's annual risk assessment process. The risk assessment is conducted in all business areas based on the bank's objectives and strategies for the plan period. The main risks and risk reduction measures are regularly reported to the Board.

The annual risk assessment has been conducted and reported to the Board.

The risk management function administrates and develops the banks methodology for operational risk management, including internal controls and incident management and monitors that control measures are implemented.

The Company has appointed an independent investigator that monitors the register of issued bonds. Regular reviews are conducted to assure that the register is booked correctly. Findings are reported to the Board and the Financial Supervisory Authority of Norway.

### **Compliance risk**

Nordea defines compliance risk as the risk of failure to comply with applicable laws, regulations, standards, supervisory requirements and related internal rules governing Nordea's activities in any jurisdiction where Nordea operates.

The primary governance principle in Nordea for internal control is the adherence to the three lines of defence model.

First line of defence (1st LoD) is represented by the Business Areas and Group Functions. All employees in the first line of defence have a role of understanding and adhering to prudent risk management and for compliance with external and Group Internal Rules as

part of performing their tasks. All managers are fully responsible for the risks they assume and for compliance within their respective area of responsibility. Hence, they are responsible for ensuring that the appropriate organization, procedures and support systems are implemented to ensure a sufficient system of internal controls.

Group Risk and Compliance (GRC) represents Nordea's independent second line of defence (2nd LoD) function. GRC oversees the implementation of the financial and the non-financial risk policies and according to a risk-based approach, monitors and controls the Risk Management Framework including the Compliance Risk Framework and oversees that all risks that Nordea is or could be exposed to, are identified, assessed, monitored, managed and reported on. GRC is organized in divisions with individual risk type responsibility. The following divisions are part of GRC; Group Credit Risk Control, Group Market and Counterparty Credit Risk, Group Operational Risk, Balance Sheet Risk Controls, Risk Models, Group Compliance and GRC COO.

Group Compliance (GC) within GRC constitutes the compliance function and is responsible for developing and maintaining the risk management framework for managing compliance risk and for guiding the business in their implementation of the framework to ensure continuous adherence to the framework. GC is responsible for regular reporting to the Board and the CEO at least quarterly. GC reports on the status and development of Nordea Direct Bank Boligkreditt's compliance risks including information on major deficiencies along with consequence analyses of emerging risks and trends; status and key observations from monitoring activities and investigations; general updates on Financial Supervisory Authority interactions and impact; and preparations on regulatory change.

Group Internal Audit (GIA) represents the third line of defence (3rd LoD). GIA conducts risk-based and general audits and reviews that the Internal Governance arrangements, processes and mechanisms are sound and effective, implemented and consistently applied. GIA is also in charge of the independent review of the first two lines of defence including ensuring that the segregation of duties is defined and established bet-



ween risk management (first line) and risk control (second line).

### **Climate risk**

Climate risk can be divided into:

- Physical impact risk - potential adverse impacts from climate change such as extreme weather, floods or droughts, and sea level rise.
- Policy risk - tightening of climate policies and regulations to shift the economy away from fossil fuels.

The physical risk for Nordea Direct Boligkreditt AS is assessed as minor due to that the mortgage is well covered by good insurance arrangements in Norway.

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

### **Internal control and risk management**

The CEO of the Company approves all expenses. Expenses related to the CEO are approved by the chairman of the board.

### **Corporate social responsibility and environmental concerns**

For information about Nordea and Nordea's subsidiaries sustainability work, see the Annual Report of Nordea Bank Abp and Nordea's Sustainability report available on <https://www.nordea.com/en/sustainability/>.

### **Corporate governance**

Corporate governance is a priority for the Board. The board puts particular emphasis on the composition and structure of the company's governing bodies and the responsibilities of the Board, as well as on communication, information, risk management and auditing. The Board of Nordea Direct Bank Boligkreditt AS has approved ethical rules, and its employee has access to the company's policies, guidelines, ethical rules, instructions and other information on the Nordea Group's intranet.

The Articles of Association, instructions and management and reporting systems establish clear roles and responsibilities within the company and vis-à-vis the Nordea Group.

A detailed statement on how Nordea Bank Abp fulfils the recommendation and statutory accounting requirements for corporate governance reporting is provided in the Nordea Group's annual report. It is also available at <https://www.nordea.com/en/about-nordea/corporate-governance/>.

The General Assembly has approved that the Company shall not establish its own audit committee with the following justification. It is not required for financial institutions licensed to issue covered bonds, under condition of public disclosure of the justification in accordance with Financial Institutions Act § 18-8 (2). The Company has sufficient governance including instructions for financial reporting, internal controls and risk management, rendering it unnecessary to establish its own audit committee or for the board to collectively function as audit committee. Nordea Bank Abp has established a Group Board Audit Committee.

### **Governing bodies**

#### **The Board**

The Board is composed of four members elected by the general assembly.

The Board supervises the management of the Company, and it shall ensure that its operations are organised in a satisfactory manner which includes ensuring that business administration and controls are in accordance with the risk level in the business.

There have been some changes in the Board in 2021:

Morten Keil replaced Anders Frank-Læssøe from 4 October 2021.

Cathrine Kaasen Conradi replaced Alex Madsen from 1 November 2021.

#### **Board liability insurance**

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



## External auditor

The external auditor performs the statutory audit and approves the annual financial statements and other financial information provided by the Company.

The general assembly has chosen PricewaterhouseCoopers AS as external auditor.

## Internal auditor

The independent internal audit function monitors that the risk management and internal control systems function as intended. The audit function reports directly to the Board.

## Working environment

Nordea Direct Bank Boligkreditt AS is part of the Nordea Group's processes for leadership and employee development, including training programmes, performance dialogues and employee satisfaction surveys.

Nordea Direct Bank Group has carefully monitored sickness absence in accordance with the rules for an inclusive workplace enterprise, and no negative circumstances have been identified that may be causing sickness absence. The HSE work is monitored through external audits and followed up internally by employees with special responsibility for HSE. All incidents that can represent a risk must be reported in the Groups nonconformity system.

The Company has one employee, who is based in the bank's branch in Førde. The working environment is considered to be good. Nordea Direct Bank ASA purchases the services of the CEO of Nordea Direct Bank Boligkreditt AS, corresponding to 40% of a full-time

position. The Company had no sick leave in 2021. There were no personal injuries, damage to property or accidents in the Company in 2021.

## Gender equality and diversity

There are two men and two women in the Board. The CEO is a man. The Company follows the Group's guidelines and regulations concerning corporate social responsibility, including those relating to discrimination/diversity and ethics.

## The natural environment

The Company's operations result in minimal pollution of the environment. Internal environmental measures focus on energy efficiency, reduced travel through increased use of video conferences, and responsible waste management with extensive use of separation at source.

## Outlook for 2022

During 2022, Nordea Direct Bank Boligkreditt AS will work to ensure a successful integration into Nordea Eiendoms-kreditt AS, and will continue to serve its customers with the same professionalism shown before. In the context of Covid-19, Nordea Direct Bank Boligkreditt AS will continuously monitor the economic outlook and the behaviour of own lending portfolios in order to react timely to adverse developments.

## Events after the balance sheet date


The Board is not aware of any events after the end of the financial year that have a material impact on the financial statements presented.

## Allocation of profit

It is proposed to transfer the Company's profit before other comprehensive income of NOK 117.9m to other equity.

## Nordea Direct Boligkreditt AS

Oslo, 11 February 2022

  
Børre Gundersen  
Chairman

  
Morten Keil  
Board member

  
Elen M. Stiksrud  
Board member

  
Cathrine K. Conradi  
Board member

  
Jan Kåre Raae  
Chief Executive Officer



## Income statement

NOKt	Note	2021	2020
Interest income calculated using effective interest rate method	4	355,748	393,287
Interest income etc, fair value	4	-1,330	-540
Interest costs etc.	4	176,084	248,619
<b>Net interest income</b>		<b>178,334</b>	<b>144,127</b>
Fee and commission income		2,083	2,187
Net gains on financial instruments at fair value		-4,397	-2,322
Other operating income		961	950
<b>Net commission income and other operating income</b>		<b>-1,353</b>	<b>815</b>
<b>Total income</b>		<b>176,981</b>	<b>144,943</b>
Staff costs	5	2,029	1,714
Other operating expenses	5	17,536	16,833
<b>Total operating expenses</b>		<b>19,565</b>	<b>18,547</b>
<b>Profit / (loss) before loan losses</b>		<b>157,416</b>	<b>126,396</b>
Loan losses	6	235	-249
<b>Operating profit</b>		<b>157,181</b>	<b>126,645</b>
Income tax expense	7	39,295	31,661
<b>Net profit for the period</b>		<b>117,886</b>	<b>94,984</b>
Nordea Direct Boligkreditt AS's shareholders		117,886	94,984
Earnings per share, NOK (basic and diluted)		906.82	730.65

## Statement of comprehensive income

NOKt	Note	2021	2020
<b>Net profit for the period</b>		<b>117,886</b>	<b>94,984</b>
<b>Components of other comprehensive income</b>			
Items that are not subsequently reclassified to profit or loss			
Items that may subsequently be reclassified to profit or loss			
<b>Total components of other comprehensive income</b>			
<b>Total comprehensive income for the period</b>		<b>117,886</b>	<b>94,984</b>



## Balance sheet

NOKt	Note	31 Dec 2021	31 Dec 2020
<b>Assets</b>			
Loans to credit institutions	9	336,114	449,693
Loans to the public	6,10	19,662,930	21,822,166
Interest-bearing securities	11	189,367	190,027
Derivatives	12,24	25,382	56,085
Deferred tax assets	7		944
Other assets	8	24,423	24,039
<b>Total assets</b>		<b>20,238,216</b>	<b>22,542,953</b>
<b>Liabilities and equity</b>			
Deposits by credit institutions	13,21	9,186,381	5,274,986
Debt securities in issue	14,16	8,830,539	15,172,167
Derivatives	12,24	2,448	3,119
Current tax	7	29,978	32,362
Other liabilities	17	37,810	35,445
Deferred tax liabilities	7	8,374	
<b>Total liabilities</b>		<b>18,095,530</b>	<b>20,518,080</b>
<b>Equity</b>			
Share capital		221,000	221,000
Share premium		999,020	999,020
Other equity		922,666	804,853
<b>Total equity</b>		<b>2,142,686</b>	<b>2,024,873</b>
<b>Total liabilities and equity</b>		<b>20,238,216</b>	<b>22,542,953</b>
Number of shares at the end of the period		130,000	130,000

### Nordea Direct Boligkreditt AS

Oslo, 11 February 2022

  
Børre Gundersen  
Chairman

  
Morten Keil  
Board member

  
Elen M. Stiksrud  
Board member

  
Cathrine K. Conradi  
Board member

  
Jan Kåre Raae  
Chief Executive Officer



## Statement of changes in equity

NOKt	Share capital	Share premium reserve	Total paid-in equity	Other equity	Total equity
Balance at 1 Jan 2021	221,000	999,020	1,220,020	804,853	2,024,873
Net profit for the period				117,886	117,886
Other comprehensive income, net of tax					
<b>Total comprehensive income</b>				117,886	117,886
Capital expansion					
Share-based payment transactions settled in equity				-74	-74
<b>Balance at 31 Dec 2021</b>	<b>221,000</b>	<b>999,020</b>	<b>1,220,020</b>	<b>922,666</b>	<b>2,142,686</b>

NOKt	Share capital	Share premium reserve	Total paid-in equity	Other equity	Total equity
Balance at 1 Jan 2020	221,000	999,020	1,220,020	709,970	1,929,990
Net profit for the period				94,984	94,984
Other comprehensive income, net of tax					
<b>Total comprehensive income</b>				94,984	94,984
Capital expansion					
Share-based payment transactions settled in equity				-101	-101
<b>Balance at 31 Dec 2020</b>	<b>221,000</b>	<b>999,020</b>	<b>1,220,020</b>	<b>804,853</b>	<b>2,024,873</b>



## Cash flow statement

NOKt	2021	2020
<b>Operating activities</b>		
Net payment of loans to customers	2,159,559	41,478
Payment of interest from customers	350,680	393,818
Net payment of interest from credit institutions etc.	-21,181	13,887
Taxes paid	-32,362	-23,523
Net other commission income	3,045	3,137
Payment to operations	-19,888	-18,829
Net received/paid (-) upon purchase and sale of financial instruments and interest-bearing securities	660	6,685
<b>Net cash flow from operating activities</b>	<b>2,440,512</b>	<b>416,652</b>
<b>Investment activities</b>		
Net purchase of intangible assets and fixed assets		
<b>Net cash flow from investing activities</b>		
<b>Financing activities</b>		
Net receipts/payments on deposits from credit institutions	3,911,395	3,546,669
Receipts of interest-bearing securities		
Payment of interest-bearing securities	-6,301,000	-3,700,000
Interest payments on interest-bearing securities	-164,486	-327,475
<b>Net cash flow from financing activities</b>	<b>-2,554,091</b>	<b>-480,806</b>
<b>Cash flow for the period</b>	<b>-113,580</b>	<b>-64,154</b>
<b>Cash and cash equivalents</b>		
Cash and cash equivalents at beginning of the period	449,693	513,847
Cash and cash equivalents at end of the period	336,114	449,693
<b>Change</b>	<b>-113,580</b>	<b>-64,154</b>
<b>The following items are included in cash and cash equivalents:</b>		
Loans to credit institutions	336,114	449,693
<b>Total cash and cash equivalents</b>	<b>336,114</b>	<b>449,693</b>

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

## Accounting policies

### General

Nordea Direct Bank Boligkreditt AS is wholly owned subsidiary of Nordea Direct Bank ASA. The company's head office is located at Essendrops gate 7, Oslo, Norway. Nordea Direct Bank ASA is a wholly owned subsidiary of Nordea Bank Abp.

The Company is licensed by the Financial Supervisory Authority of Norway and the object is to furnish and/or provide residential mortgage loans, and to primarily finance the lending portfolio by issuing covered bonds.

The financial statements per 31 December 2021 were approved by the Board on 11 February 2022.

All amounts in the accounts and notes are stated in thousands of Norwegian kroner (NOK) unless otherwise stated. The Company's presentation currency is NOK.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU), as well as other Norwegian disclosure requirements laid down in legislation and regulations.

### Changes in accounting policies

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

### Changes in Accounting Policies and disclosures implemented in 2021

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

### Changes in Accounting Policies and disclosures not yet applied

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

### Cash flow statement

Cash flows from operating activities are presented according to the direct method, which gives information about material classes and payments.

Cash and cash equivalents consist of cash, demand deposits and highly liquid financial instruments purchased with an original maturity of three months or less and exclude restricted cash.

### Principles for recognising income and expenses

#### Net interest income

Interest income and expenses from assets and liabilities measured at amortised cost are recognized based on the effective interest rate method. Assets recognized at fair value through comprehensive income are presented in the financial statement based on the effective interest rate method. The calculation takes into account establishment fees and direct marginal transaction costs that are an integral part of the effective interest rate.

Interest is recognized through profit or loss using the internal rate of return method for balance sheet items that are measured at amortised cost statement.

Interest income is calculated by applying the effective interest rate to the gross carrying amount except for financial assets that are credit impaired. For those financial assets, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset.

### Commission income and expenses

The way in which commission income from various customer services is recognised depends on the nature of the commission. Fees are recognised as income when the services are delivered, or a significant part of the service has been completed. Fees received for completed services are recognised as income in the period the services were performed. Commissions received as payment for various tasks are recognised as income once the service has been completed. Commission costs are transaction-based and are recognised in the period the services were received.

### Other operating income

Other operating income that is not related to any of the other lines of income is generally recognised when the transaction has been completed.

### Operating expenses

Operating expenses are accrued and expensed in the relevant accounting period.



## Currency

The Company's presentation currency and functional currency is NOK.

## Segments

Nordea Direct Bank Boligkreditt AS has only one business segment: lending to private customers. This segmentation best reflects the way the business is run by the management.

## Inclusion of non-financial assets in the balance sheet

Assets and liabilities are included in the Company's balance sheet when the Company obtains real control over rights to the assets or assumes real obligations. Assets are derecognised at the time the actual risk related to the assets has been transferred and the control of the rights to the assets has ended or expired.

## Impairment of non-financial assets

The Company reviews the carrying value of assets and identifiable intangible assets annually or more frequently if occurrences or changes in assumptions take place that indicate that the carrying value is irrecoverable. Indicators that are assessed as significant by the company and that can trigger testing for impairment include:

- A significant drop in profitability in relation to past or expected future profitability
- Significant changes in the Company's use of assets or overall strategy for its activities
- A significant downturn in the industry or the economy

Previous impairment losses, except for goodwill, will be reversed if the assumptions relating to the impairments no longer apply. Impairment losses are only reversed to the extent that the new carrying value does not exceed what would have been the carrying value after depreciation at the time of the reversal if there had been no impairment.

## Financial instruments

IFRS 9 introduced new requirements for the classification and measurement of financial instruments, including a new expected loss model for the recognition of impairment losses, and changed requirements for hedge accounting.

## Classification and measurement:

### Financial assets:

- amortised cost
- fair value through profit or loss
- fair value through other comprehensive income

Financial assets will be classified either at amortised cost, at fair value through other comprehensive in-

come, or at fair value through profit or loss, depending on how they are managed and whether contractual cash flow are solely payments of principal and interest (SPPI).

Financial assets with cash flow that are not solely payment of principle and interest (SPPI) are measured at fair value through profit and loss. Other financial assets are classified based on the business model. In order to assess the business model, the bank has divided its financial assets into portfolios based on how they are managed to achieve a particular business goal.

### Financial liabilities:

- amortised cost
- fair value through profit or loss

All financial assets and liabilities are initially measured at fair value. The classification of financial instruments into different categories for the basis form how each instrument is subsequently measured on the balance sheet and how changes in its value are recognised. In the below table "Classification and measurement of financial instruments under IFRS 9" the classification of the financial instrument on the banks' balance sheet into different categories under IFRS 9 is presented.

For further information, see Note 24 Classification of financial instruments.

### Amortised cost:

Financial assets and liabilities measured at amortised cost are initially recognised on the balance sheet at fair value, including transaction costs. Subsequent to initial recognition, the instruments within this category are measured at amortised cost. In an amortised cost measurement, the difference between acquisition cost and redemption value is amortised in the income statement over the remaining term using the effective interest rate method.

Interest on assets and liabilities classified at amortised cost is recognised in the items "Interest income recognised based on the effective interest method" and "Interest costs etc." in the income statement. This category consists of mainly loans, deposits and liabilities opened for the issue of securities.

### Financial assets and liabilities at fair value through profit or loss:

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, excluding transaction costs. Interest income is classified as interest in the income statement, all other changes in fair value are recognized in the income statement in



the item "Net gains on financial instruments at fair value".

The banks liquidity portfolio, managed and reported at fair value, and derivatives are measured at fair value through profit and loss.

## Impairment

Impairment provisions according to IFRS 9 are measured using an expected loss model. The impairment rules in IFRS 9 apply to financial assets measured at amortized cost and at fair value through other comprehensive income. In addition, loan commitments, financial guarantee contracts and lease receivables are within the scope of the standard. The measurement of the provision for expected credit losses on financial assets depends on whether the credit risk has increased significantly since initial recognition. At initial recognition and if the credit risk has not increased significantly, the provision should equal 12-month expected credit losses. If the credit risk has increased significantly from the initial recognition or if the asset is classified as impaired, the provision should equal lifetime expected credit losses.

## 1. Inputs, assumptions and techniques used for estimating impairment

### 1.1. Credit Scores and Risk Classes

The Company uses credit scores extensively in its credit assessment and monitoring process. Different credit scores are used for the different product groups in the Company's depending on the nature of the exposure and the type of borrower. Credit scoring models are validated to be predictive of the risk of default on an annual basis. The scores used for retail exposures are computed using application data declared by the customer, external bureau data, other external customer data and internal performance data (for example payment behavior).

The Company determines a credit risk class to each exposure based on credit scoring models and by applying experienced credit judgement. Credit risk classes are defined using historical data which are indicative of risk of default. Credit risk classes are defined and calibrated such that the risk of default occurring increases by increasing risk class.

Credit risk class is defined at initial recognition based on the score at initial recognition which in turn is based on the available information about the borrower. Thereafter the scores are generated and monitored for the customer on a regular basis. When the scores are generated periodically during the life of the exposure, based on the credit history, the score may change and this may result in an exposure being

moved to a different credit risk class compared to the initial recognition.

The risk-classed are further grouped in Risk Groups: Low Risk, Medium Risk, High Risk, Unclassified and already Defaulted accounts based on defined ranges of Probability of Default.

### 1.2 Low credit risk accounts

A financial exposure is considered to be a low credit risk account, if the financial exposure has a low risk of default and the borrower has a strong capacity to meet its contractual cash flow obligations in the near term. In addition, adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Financial exposure are not considered to have low credit risk simply because of the value of collateral and the financial instrument without that collateral would not be considered low credit risk.

The Company considers accounts to be in low risk, if they have not met the definition of Significant Increase in Credit Risk as defined in section 1.3 below, or Impairment as defined in section 1.4 below. In addition, accounts that are in the Low Risk Group on the reporting date, these are considered to be Low Credit Risk accounts.

For accounts that are determined to be low credit risk at the time of reporting an Expected Credit Loss (ECL) over the next 12 months is estimated by the Company. The computation of 12-month ECLs is described in the section below.

### 1.3 Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience, credit assessment and includes forward-looking information.

For the Company's exposures, the historical analysis shows that default patterns are not concentrated at a specific point during the expected life of the financial instrument. Given this, changes in the risk of a default occurring over the next 12 months have been considered as approximation of the changes in the lifetime risk of a default occurring.



The Company uses a "point in time" process where the internal evaluation reflects an assessment of the borrower's current condition and/or most likely future condition over the next 12 months horizon from the assessment period. As such, the internal evaluation changes as the borrower's condition changes over the course of the credit/business cycle.

Significant increase in credit risk is determined for an exposure by comparing the estimated 12 months probability of default (PD) at the reporting date with the estimated 12 months PD at the time of initial recognition of the exposure. 12 months PDs are a reasonable approximation for the change in risk of a default occurring over the expected remaining lifetime.

Accounts that are classified as low risk at the reporting date are excluded from this determination. If the risk class at reporting date is observed to have increased by more than a predetermined level compared to initial recognition, the exposure is classified as having a significant increase in credit risk.

The criteria for determining whether credit risk has increased significantly includes a "rebuttable presumption" i.e. a backstop based on delinquency. If the exposure is 30days to 89days past due at the reporting date, irrespective of the risk class or migration of risk, the exposure is classified as having significant increase in credit risk.

In addition, the Company may determine that an exposure has undergone a significant increase in credit risk based on qualitative indicators which may be indicative of increase in risk. For example based a individual assessment of a delinquent customer in the collections process the exposure may be classified as impaired. In such cases, an individual measurement of impairment is done based on the Companys best estimate of the present value of the cash flows that is expected to be received, including from the repossession and sale of any assets if available. In estimating these cash flows, bank makes judgements about a debtor's financial situation and the net realizable value of any underlying collateral.

An engagement migrates to a lower stage when the terms of the original migration are no longer present.

### **1.3.1 Modified contractual assets and restructured assets**

In limited cases, the Company may also change the terms of the loan to customers in financial difficulties

(referred to as "restructuring" or "forbearance activities") to assist willing customer to repay and minimize the risk of default. Under the Company's policy, loan restructuring is granted on a selective basis if the debtor is currently unable to pay or if there is a high risk of default. In such cases, the Company assesses if there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, reducing the interest rate or changing the timing of interest or principal payments or other amendments to the terms of loan (but not including increase of the outstanding exposure) to make it possible for the customer to pay.

For financial assets modified as part of the Company's restructuring policy, the estimate of PD reflects whether the modification has improved or restored the Company's ability to collect interest and principal and the Company's previous experience of similar forbearance action. As part of this process, the Company evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators..

### **1.3.2 Incorporation of forward looking information**

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of Expected Credit Loss.

### **Covid-19 Macro scenarios**

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

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

	2021	2022	2023
<b>Unemployment rate</b>			
Alternative A (best case)	4.6%	3.5%	3.3%
Base case	4.6%	3.7%	3.6%
Alternative B (worst case)	4.7%	4.8%	4.6%
<b>Housing prices</b>			
Alternative A (best case)	10.1%	3.9%	2.5%
Base case	9.8%	1.7%	1.2%
Alternative B (worst case)	9.7%	-4.6%	-3.0%
<b>Scenario weighting 2021</b>			
Alternative A (best case)	20%		
Base case	60%		
Alternative B (worst case)	20%		

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

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

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

Based on this analysis, the bank has taken PD to be impacted by increase in unemployment and increase in the interest rate levels. An increase of 1 percentage point in unemployment is assumed to give a 11% in PD. Increase in general interest rate will increase customers payments on both loans with the bank and with other banks. An increase of 1 percentage point in interest level is assumed to give a 7% increase in PD. These increases are applied to the PD at a portfolio level.

#### 1.4 Impairment

##### Definition of impairment

The Company considers a financial asset to be in default when one or more events that have a negative impact on the financial asset's estimated future cash

flows have taken place. Indications that a financial asset is impaired include observable data on the following events:

- The Company becomes aware of significant financial difficulty of the borrower ( bankruptcy/ Legal debt settlement).
- Breach of contract, such as default or overdue payments as described below.
- The Company for economic or contractual reasons relating to the borrower's financial difficulty, grants to the borrower a change in term that would not otherwise have been considered (for example a restructuring of the loan).
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization (initiation of Legal Debt Settlement / Bankruptcy)
- When an active market for the financial asset disappears due to financial difficulties

In addition, the Company has established a "rebuttable presumption" (backstop) that default does not occur later than when a financial asset is 90 days past due.

Credit lines are also considered as being past due once the customer has breached an advised limit.

All exposures meeting the above requirement of default are classified as impaired.

An engagement migrates to a lower stage when the terms of the original migration are no longer present.

#### 1.5 Measurement of Expected Credit Loss (ECL).

The key inputs into the measurement of ECL are the Probability of default (PD), Exposure at default (EAD) and Loss given default (LGD). These parameters are derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a given point in time, calculated based on statistical scoring models, and assessed using rating tools tailored to the various categories of counterparties and exposures.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For lending commitments, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the con-



tract, which are estimated based on historical observations and forward-looking forecasts.

LGD is the size of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral and historical recovery costs of any related collateral. LGDs are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

For accounts that are determined to be low credit risk at the time of reporting an Expected Credit Loss (ECL) over the next 12 months is estimated. 12-month ECLs is defined as a portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date.

For undrawn credit lines, bank estimates the 12-month ECLs based on its expectations of the portion of the loan commitment that will be drawn down within 12 months of the reporting date.

To estimate the 12 months ECL, the Company uses the historical data to see the performance of customers in low credit risk and derives the probability of default that results from all possible events over the 12 months from observation. Using historical data, the Company also estimates the Exposure at Default within 12 months of the observation dates for these accounts. To this the Company applies its historically observed net present value of cash flows using an effective interest rate for that group of accounts. The ECL is computed as the multiple of the PD, EAD and LGD thus derived.

For all exposures that meet the criteria of significant increase in credit risk or are classified as impaired on the reporting date, the Company computes a loss allowance ECL) over the lifetime of the loan. This is equal to the ECLs that result from all possible default events over the expected life of a financial instrument. In order to estimate the lifetime ECL, the Company estimates the risk of a default occurring on the financial instrument during its expected life.

The ECL is estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e. the difference between:

- The contractual cash flows that are due to an entity under the contractual terms and
- The cash flows that the Company expects to receive from the impaired asset

When estimating lifetime ECLs for undrawn credit line, the Company:

- Estimate the expected portion of the loan commit-

ment that will be drawn down over the expected life of the loan commitment

- Calculate the present value of cash shortfalls between the contractual cash flows that are due to the entity if the holder of the loan commitment draws down that expected portion of the loan and the cash flows that the entity expects to receive if that expected portion of the loan is drawn down.

## 1.6 Derecognition and write-off

The Company considers an asset to be derecognised if:

- The contractual rights to the cash flows from the financial assets expire (example the loan reaches its end of term and is fully paid off, or the loan is prepaid by the customer).
- The financial asset is transferred and the transfer qualifies for derecognition (example, sale of an asset or group of assets).
- When the Company has no reasonable expectation of recovering the financial asset in entirety or in part.

The last criteria includes a write-off event when the Company determines that it has no reasonable expectation of cash flows from the customer.

## Financial instruments

### Hedge accounting

The Bank Group enters into hedging transactions to manage interest rate risk on fixed rate borrowings. These transactions are recognised as fair value hedges. Fair value hedges are used when derivatives hedge changes in the fair value of recognised assets or liabilities with a specific risk. Derivatives are recognised in the balance sheet at fair value and changes in fair value of derivatives are recognised in the income statement. Changes in the value of the hedged item, attributable to the hedged risk, adjust the carrying amount of the asset and are recognised in the income statement.

The Company has chosen to continue to apply hedge accounting in accordance with IAS 39. Applying the IFRS9 requirements would not have resulted in any change to the accounts.

The use of hedge accounting requires that the hedge is effective. A hedge is regarded as highly effective if, at inception and throughout the hedge period, it can be expected that changes in the fair value of the hedged item essentially offset changes in the fair value of the hedged instrument. The effectiveness of the hedge is measured at the individual level. At inception, the hedging effectiveness is measured on the basis of an interest rate shock at the individual instrument level. When assessing the hedge effectiveness retrospectively, the fair value of the hedged instrument is



measured and compared with the change in fair value of the hedged item. The result must be within the range of 80-125%.

### Financial derivatives

The trading of financial derivatives is subject to strict limitations. All derivatives are measured at fair value on the contract date. Subsequent measurement is done at fair value with changes in value being recognised as they occur. The fair value of derivatives is measured based on listed prices whenever possible. When listed prices are not available, the Company estimates fair value based on valuation models that use observable market data.

Derivatives that do not meet the criteria for hedge accounting are treated as financial instruments held for trading. The fair value of such derivatives is classified as either an asset or a liability with changes in fair value through profit or loss.

### Accounting provisions

A provision is made when the Company has a legal or implicit liability as a result of a past event, and it is probable that this will lead to a payment or transfer of other assets to cover the liability.

### Pensions

The Company is required to have an occupational pension plan pursuant to the Norwegian Act relating to Mandatory Occupational Pensions. The Company's pension plans meet the requirements of the Act.

The Company has a defined contribution plan.

Deductible grants to defined contribution plans are recognised as employee expenses in the income statement when accrued.

### Variable remuneration programs

Nordea Executive Incentive Program (EIP) reward performance meeting agreed predetermined targets on Group, business unit and individual level. The effect on the long-term result is to be considered when determining the targets. EIP shall be paid in the form of cash over a five-year period. EIP shall not exceed annual fixed salary. The changes, including social expenses, are recognized in the income statement under staff costs.

### Taxation

The tax expense comprises tax payable and deferred tax. The income tax is recognised as an expense or income and, with the exception of income tax on transactions that are recognised directly in equity, is included in the income statement as a tax expense.

Payable tax is based on the Company's taxable income and is calculated in accordance with Norwegian tax regulations and tax rates.

Deferred tax assets and liabilities are recognised by applying the balance method to all temporary differences that arise between the tax and accounting values of assets and liabilities. Deferred tax assets are calculated on unused loss carryforwards and unused tax credits. The tax asset is only recognised to the extent that it is probable that future taxable profits can be used to offset temporary differences, unused tax loss carryforwards and unused tax credits. The carrying values of deferred tax assets and deferred tax are subject to regular review. Deferred tax is calculated on temporary differences and untaxed provisions. Deferred tax assets and deferred tax liabilities are not discounted.

Assets and liabilities are measured at the current tax rate in the period when the asset is realised or the liability is settled, based on the tax rate on the balance sheet date. Payable tax assets and tax liabilities, as well as deferred tax assets and tax liabilities, are offset if legally possible.

## 1. Equity

### Share capital

Nordea Direct Bank Boligkreditt AS is a wholly owned subsidiary of Nordea Direct Bank ASA. Nordea Direct Bank ASA is a wholly owned subsidiary of Nordea Bank Abp. Share capital for Nordea Direct Bank Boligkreditt AS as per 31 December 2021 was NOK 221.0 million divided on 130,000 shares at 1,700 per share. As per 31. December 2020 share capital was NOK 221.0 million divided on 130.000 at 1,700 per share.

### Share premium

Payments in excess of the nominal value per share are allocated to share premium.

### Other equity

Other earned equity consists of this year's and previous year's retained earnings.

## 2. Critical accounting estimates and judgements

### General

The preparation of the financial statements under IFRS and the application of the adopted accounting

policies require the management to make assessments, prepare estimates and apply assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and the associated assumptions are based on historic experience and other factors that are assessed as being justifiable based on the underlying conditions. The actual figures may deviate from these estimates. The estimates and the associated assumptions are reviewed regularly. Changes in accounting estimates are recognised in the period the estimates are revised if the change only affects this period, or both in the period the estimates change and in future periods if the changes affect both existing and future periods.

Nordea Direct Bank Boligkreditt AS's accounting principles, in which assessments, estimates and assumptions may significantly diverge from the actual results, are discussed below.

#### **Write-downs and losses**

The write-down equals the difference between the outstanding balance of the loan and the net present value of estimated future cash flows, discounted by the financial asset's original effective interest rate (i.e. the effective interest rate calculated initially or subsequently agreed with the customer). Objective evidence means evidence of occurrences indicating that the loan is impaired. This can be information about bankruptcy or defaults.

A final write-off (loss) is recognised when it is evident that the loan will not be repaid and there is no collateral left to cover the loan. In such instances, any corresponding provision (write-down) will be reversed.

In certain instances, where there is lack of data or sufficient information, the Company uses judgment based on credit experience in the assessment of expected credit loss. This includes, but is not limited to the following:

- For some portfolios, where there is not enough data or history to develop internal scoring models, the credit score information purchased from external credit reference agencies are used.
- In determining PDs, portfolio which are limited in size or have limited data, the estimate of expectation of default rates are computed as simple ratios based on historical observations at a total portfolio level rather than probabilities of default at a granular level.
- Expected life time of loan is determined by analysing historical performance in months on groups of loans taken from the initially recognition point to the time the cumulative bad rates flatten, i.e. none or limited

loans turn bad incrementally. In cases, where portfolios have not reached sufficient number of months after initial recognition, historical performance of similar loan are taken.

- In determining LGD for portfolios which are limited in size, have limited data or historical performance data, the Company utilizes information of similar portfolio if possible or judgment.
- As the Company has relatively limited history, despite best efforts, the determination of the impact of changes in macro-economic variables on the bank's defaults rates was not possible and hence the Company has utilized analysis published by Norges Bank which establishes the macroeconomic factors that drives the increase of problem loans in banks.
- In the Company's analysis it was seen that using the historical performance data, changes in risk levels between origination and reporting date did not conclusively indicate a significant increase in credit risk. As such the Company judgmentally uses increase by greater than 2 risk classes compared to initial recognition, as the definition of significant increase in credit risk.

Nordea Direct has applied critical judgements in the preparation of the collective loan loss due to the significant uncertainties concerning the potential long-term impact of COVID-19 on the financial statements. Critical judgement has been applied in the assessment of when loans have experienced a significant increase in credit risk.

For further information, see note 25 Risk and risk management on write-downs and losses.

#### **Fair value of financial instruments**

The fair value of financial instruments that are not traded in an active market (such as unlisted shares) is determined using valuation methods. These valuation methods are primarily based on the market conditions on the balance sheet date. These valuation methods are based primarily on the market conditions at the reporting date.

- Bonds are valued based on prices collected from Nordic Bond Pricing.
- Unlisted derivatives, including interest rate and foreign exchange instruments, are valued theoretically based on observable market data. Money market rates, swap rates, exchange rates and volatilities that form the basis for valuations are supplied by



Bloomberg and Oslo Stock Exchange.

For further information, see Note 19 Fair value of financial instruments.

**Amortised cost method**

Market prices are used to price loans and receivables from credit institutions and loans to customers. The value of loans that have been written down is deter-

mined by discounting future cash-flows using the internal rate of return based on market conditions for equivalent loans that have not been written down.

For further information, see Note 17 Fair value of financial instruments.

### 3. Segment information

Nordea Direct Bank Boligkreditt AS only has one business segment: 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 'Retail market' segment.

The Company does not engage in activities outside Norway. Customers with foreign domicile are classified as part of the Norwegian operations. All revenues and the Company's profit are related to the business in Norway.



## 4. Net interest income

NOKt	2021	2020
<b>Interest income calculated using effective interest rate method</b>		
Loans to credit institutions	4,609	6,827
Loans to the public	351,139	386,459
<b>Total interest income calculated using effective interest rate method</b>	<b>355,748</b>	<b>393,287</b>
<b>Interest income etc, fair value</b>		
Interest-bearing securities	-1,330	-540
<b>Total interest income etc, fair value</b>	<b>-1,330</b>	<b>-540</b>
<b>Interest costs etc</b>		
Deposits from/ debt to credit institutions		
Issued securities	105,253	218,186
Other interest expenses	70,831	30,432
<b>Total interest costs etc</b>	<b>176,084</b>	<b>248,619</b>
<b>Net interest income</b>	<b>178,334</b>	<b>144,127</b>

## 5. Operating expenses

NOKt	2021	2020
Wages, salaries etc.	1,505	1,263
Pension costs	174	174
Employer's National Insurance contributions	354	280
Other staff-related costs	-3	-3
<b>Total staff costs</b>	<b>2,029</b>	<b>1,714</b>
IT expenses	486	433
Consultancy fees	12,328	10,914
Other operating expenses	4,721	5,485
<b>Total other expenses</b>	<b>17,536</b>	<b>16,833</b>
Ordinary depreciation		
<b>Total operating expenses</b>	<b>19,565</b>	<b>18,547</b>
<b>Auditor's fee (incl. VAT)</b>		
Statutory audit	94	137
Other assurance services		129
Other non-assurance services		
<b>Total payments to auditor</b>	<b>94</b>	<b>266</b>
Number of employees	1	1
Average numbers of employees	1	1



## 5. Operating expenses (cont.)

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

NOKt Name and position	Fixed salary/ fee	Earned variable salary	Other benefits	Rights earned in the finan- cial year according to pension plan	Loans	Interest rate	The current Re- payment schedule
<b>Senior executives</b>							
Jan Kåre Raae, CEO	1,354	304	20	174			
<b>The Board</b>							
Børre Steen Gundersen, Chairman							
Morten Keil (4.10-31.12)							
Anders Frank-Læssøe (1.1-31.10)							
Elen Margrethe Stiksrud							
Cathrine Kaasen Conradi (1.11-31.12)							
Alex Madsen (1.1-31.10)	100						
<b>Total for senior executives and the Board</b>	<b>1,454</b>	<b>304</b>	<b>20</b>	<b>174</b>			

### Salary and other benefits to management and governing bodies in 2020

NOKt Name and position	Fixed salary/ fee	Earned variable salary	Other benefits	Rights earned in the finan- cial year according to pension plan	Loans	Interest rate	The current Re- payment schedule
<b>Senior executives</b>							
Jan Kåre Raae, CEO	1,284	449	23	187			
<b>The Board</b>							
Børre Steen Gundersen, Chairman							
Anders Frank-Læssøe							
Elen Margrethe Stiksrud							
Alex Madsen	83						
<b>Total for senior executives and the Board</b>	<b>1,368</b>	<b>449</b>	<b>23</b>	<b>187</b>			

## 5. Operating expenses (cont.)

### Remuneration policies

The Company has established a remuneration scheme that applies to all employees. The Company is covered by the Nordea Group's guidelines for remuneration scheme. The remuneration schemes are disclosed in more detail in the Nordea Group's annual report. The Company is also subject to the rules on remuneration schemes in the Financial Undertakings Regulations.

The Groups policy shall support the Company to attract, develop and retain motivated, competent and performance-oriented employees. Ensure that employees are offered a competitive and marked aligned total reward offering. The policy shall support sustainable results and the long-term interest of the shareholders and ensure that remunerations is aligned with efficient risk management, the groups purpose and values and regulations. Remuneration to employees shall not encourage excessive risk-taking or counteract the Groups long-term interest. An upper limit for variable remuneration applies.

The determination of which functions of the company that shall be defined as employees with tasks of crucial importance for the company's risk exposure, both qualitative criteria related to the role and quantitative criteria related to the level of remuneration is to be taken into account.

### Decision-making process

The Board of Nordea Direct Boligkreditt AS serves as the Company's remuneration Committee.

It is primarily responsible for:

- The Board's annual statement on Nordea Direct Boligkreditt's remuneration policy
- The annual evaluation of matters concerning salary and other remuneration to the CEO

- Guidelines for salary and other remuneration to executive personnel
- Statement of salary and other remuneration to executive personnel, including:
  - Guidelines for determining salary and other remuneration for the coming fiscal year
  - Statement of the remuneration policy that has taken place during the previous financial year, including how the guidelines for the remuneration of employees have been implemented
  - Statement of impact on the company and owners of implementation / changes in incentive schemes relating to shares
- Other important personnel matters relating to executive personnel
- Board's handling of completed HR processes, including talent and successor development and strategic staffing control

### Guidelines for the upcoming financial year

#### Remuneration of the CEO

The CEO's salary and other benefits are stipulated by the Board on the basis of an overall assessment that takes into account Nordeas's remuneration scheme and market salary for corresponding positions.

The fixed salary is reviewed annually and determined on the basis of developments in society in general and in the financial sector in particular. The CEO will not take part in a variable remuneration program in 2022.

The retirement age for the CEO is 70 years, and he has pension rights in accordance with the company's current defined contribution pension scheme. The CEO is not entitled to severance pay or termination benefits if he leaves the Company earlier.



## 6. Write-downs and losses on loans

NOKt	31 Dec 2021	31 Dec 2020
<b>Loan losses for the period</b>		
+/- Change in group write-downs for the period (ECL)	235	-249
<b>Write-downs and losses for the period</b>	<b>235</b>	<b>-249</b>
<b>Loss allowance</b>		
Loss allowance at the start of the period	1,340	1,589
+/- Change in loss allowance for the period	235	-249
<b>Loss allowance at the end of the period</b>	<b>1,575</b>	<b>1,340</b>
<b>Defaulted loans</b>		
Gross default over 90 days	8,924	6,266

### Credit quality by risk group

31 Dec 2021 NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
<b>Loans to and claims on customers</b>				
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
<b>Total</b>	<b>19,425,388</b>	<b>212,673</b>	<b>26,444</b>	<b>19,664,505</b>
Loss allowance	347	730	498	1,575
<b>Total net</b>	<b>19,425,042</b>	<b>211,943</b>	<b>25,946</b>	<b>19,662,930</b>

31 Dec 2020 NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
<b>Loans to and claims on customers</b>				
Low	22,377,357		2,491	22,379,849
Medium	2,902	43,942	1,979	48,823
High	2,133	87,631	8,651	98,415
Not classified	920			920
Impaired and written down			6,266	6,266
Adjustment	-710,767			-710,767
<b>Total</b>	<b>21,672,546</b>	<b>131,573</b>	<b>19,387</b>	<b>21,823,506</b>
Loss allowance	600	331	410	1,340
<b>Total net</b>	<b>21,671,945</b>	<b>131,243</b>	<b>18,978</b>	<b>21,822,166</b>

## 6. Write-downs and losses on loans (cont.)

### Loans to and claims on customers by past due status

NOKt	31 Dec 2021		31 Dec 2020	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
0-29 days	19,641,587	1,221	21,808,609	954
30-59 days	12,908	208	3,017	61
60-89 days	1,086	8	5,614	211
90+ days	8,924	138	6,266	114
<b>Total</b>	<b>19,664,505</b>	<b>1,575</b>	<b>21,823,506</b>	<b>1,340</b>

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 de-recognised" 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 balance sheet allowance
<b>Loss allowance as at 1 Jan 2021</b>	<b>600</b>	<b>331</b>	<b>410</b>	<b>1,340</b>
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
<b>Loss allowance as at 31 Dec 2021</b>	<b>347</b>	<b>730</b>	<b>498</b>	<b>1,575</b>

NOKt	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total balance sheet allowance
<b>Loss allowance as at 1 Jan 2020</b>	<b>480</b>	<b>114</b>	<b>995</b>	<b>1,589</b>
Transfer to stage 1	28	-24	-4	
Transfer to stage 2	-59	204	-146	
Transfer to stage 3	-203	-44	247	
New Financial assets originated during the period	182	25		207
Financial assets that have been derecognised	-148	-59	-44	-251
Changes in balance with no transfer between stages	321	113	-639	-205
<b>Loss allowance as at 31 Dec 2020</b>	<b>600</b>	<b>331</b>	<b>410</b>	<b>1,340</b>



## 6. Write-downs and losses on loans (cont.)

### Loss allowance

NOKt	31 Dec 2021	31 Dec 2020
Stage 1	347	600
Stage 2	730	331
Stage 3	498	410
<b>Total</b>	<b>1,575</b>	<b>1,340</b>
Stage 1	22,0%	44,8%
Stage 2	46,4%	24,6%
Stage 3	31,6%	30,6%
<b>Total</b>	<b>100,0%</b>	<b>100,0%</b>

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
<b>Gross carrying amount as at 1 Jan 2021</b>	<b>21,672,546</b>	<b>131,573</b>	<b>19,387</b>	<b>21,823,506</b>
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
<b>Gross carrying amount as at 31 Dec 2021</b>	<b>19,425,388</b>	<b>212,673</b>	<b>26,444</b>	<b>19,664,505</b>
Loss allowance as at 31 Dec 2021	347	730	498	1,575



## 6. 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
<b>Gross carrying amount as at 1 Jan 2020</b>	<b>21,610,538</b>	<b>229,756</b>	<b>24,411</b>	<b>21,864,705</b>
Transfer to stage 1	135,335	-127,228	-8,107	
Transfer to stage 2	-68,504	71,618	-3,114	
Transfer to stage 3	-8,782	-2,288	11,070	
New financial assets originated	7,614,220	20,311		7,634,531
Financial assets that have been derecognised	-6,044,862	-55,946	-4,445	-6,105,253
Change in balances due to payments	-854,637	-4,650	-427	-859,714
Other Changes	-710,763			-710,763
<b>Gross carrying amount as at 31 Dec 2020</b>	<b>21,672,546</b>	<b>131,573</b>	<b>19,387</b>	<b>21,823,506</b>
Loss allowance as at 31 Dec 2020	600	331	410	1,340

NOKt	31 Dec 2021	31 Dec 2020
Stage 1	19,425,388	21,672,546
Stage 2	212,673	131,573
Stage 3	26,444	19,387
<b>Total</b>	<b>19,664,505</b>	<b>21,823,506</b>
Stage 1	98,8%	99,3%
Stage 2	1,1%	0,6%
Stage 3	0,1%	0,1%
<b>Total</b>	<b>100,0%</b>	<b>100,0%</b>



## 7. Tax expense

NOKt	2021	2020
Tax payable	29,978	32,362
Change in deferred tax/tax assets	9,318	-701
Other adjustments to previous years		
<b>Tax expense</b>	<b>39,295</b>	<b>31,661</b>
<b>Reconciliation of tax expense</b>		
Profit/ (loss) before tax expense	157,181	126,645
Expected tax at nominal tax rate of 25%	39,295	31,661
Other adjustments to previous years		
<b>Tax expense</b>	<b>39,295</b>	<b>31,661</b>
The average effective tax rate	25%	25%
<b>Deferred tax assets / (Deferred tax liabilities)</b>		
Deferred tax assets arising from temporary differences		
- Current assets	5	7
- Financial instruments	-8,379	937
<b>Deferred tax assets / (Deferred tax liabilities)</b>	<b>-8,374</b>	<b>944</b>
<b>Net changes in deferred tax assets/ deferred tax through profit or loss are as follows:</b>		
Current assets	2	3
Financial instruments	9,316	-703
<b>Total</b>	<b>9,318</b>	<b>-701</b>

Deferred tax assets resulting from loss carryforwards are only recognised to the extent that it is probable that they will be realised. Deferred tax assets and deferred tax are offset and the net amount is entered when this is permitted by legislation and the amounts relate to the same tax authority.

## 8. Other assets

NOKt	31 Dec 2021	31 Dec 2020
Earned income not yet received	24,413	24,041
Advance payments	10	-2
<b>Total</b>	<b>24,423</b>	<b>24,039</b>



## 9. Loans to and receivables from credit institutions

NOKt	31 Dec 2021	31 Dec 2020
Loans and receivables without an agreed term to maturity, amortised cost	336,036	449,620
Loans and receivables with an agreed term to maturity, amortised cost	78	73
<b>Total loans and receivables to credit institutions, amortised cost</b>	<b>336,114</b>	<b>449,693</b>

## 10. Analysis of loans

NOKt	31 Dec 2021	31 Dec 2020
Loans to customers, amortised cost	19,664,505	21,823,506
<b>Total gross loans to customers</b>	<b>19,664,505</b>	<b>21,823,506</b>

### Loss allowance

Loss allowance (see note 6)	1,575	1,340
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<b>Loans to and receivables from customers</b>	<b>19,662,930</b>	<b>21,822,166</b>
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### Loans by sector and industry

Private individuals	19,664,505	21,823,506
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<b>Total</b>	<b>19,664,505</b>	<b>21,823,506</b>
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### Loans by region based on customers residential address:

NOKt	31 Dec 2021		31 Dec 2020	
	Loans	Per cent	Loans	Per cent
Agder	357,467	1.82%	428,771	1.96%
Innlandet	670,015	3.41%	695,979	3.19%
Møre og Romsdal	349,614	1.78%	404,717	1.85%
Nordland	430,335	2.19%	427,118	1.96%
Oslo	4,363,104	22.19%	5,157,509	23.63%
Rogaland	1,151,520	5.86%	1,309,921	6.00%
Vestfold and Telemark	1,062,075	5.40%	1,098,577	5.03%
Troms and Finnmark	813,191	4.14%	841,555	3.86%
Trøndelag	1,670,767	8.50%	1,912,801	8.76%
Vestland	1,943,071	9.88%	2,221,527	10.18%
Viken	6,823,111	34.70%	7,276,412	33.34%
Svalbard, abroad	30,233	0.15%	48,617	0.22%
<b>Total gross loans by county</b>	<b>19,664,505</b>	<b>100.00%</b>	<b>21,823,506</b>	<b>100.00%</b>

Nordea Direct Bank Boligkreditt AS has no guarantees to customers

## 11. Interest-bearing securities

NOKt	31 Dec 2021	31 Dec 2020
Short-term government bonds	111,186	78,062
Covered bonds	78,181	111,964
Exchange rate adjustment		
<b>Total</b>	<b>189,367</b>	<b>190,027</b>
Stock exchange listed securities	189,367	190,027
Unlisted securities		
<b>Total</b>	<b>189,367</b>	<b>190,027</b>

## 12. Financial derivatives

Financial derivatives are linked to underlying amounts which are not carried on the balance sheet. In order to quantify the volume of derivatives, reference is made to gross nominal volume and the like.

For interest derivatives, an asset position implies a positive change in value if interest rates are reduced. An asset position in a currency derivative generates a positive change in value if the exchange rate against the NOK sees an increase.

NOKt 31 Dec 2021	Gross nominal volume	Carrying amount assets	Carrying amount liabilities
Interest rate swaps	600,000	25,382	2,448
Currency swaps			
<b>Total</b>	<b>600,000</b>	<b>25,382</b>	<b>2,448</b>
NOKt 31 Dec 2020	Gross nominal volume	Carrying amount assets	Carrying amount liabilities
Interest rate swaps	600,000	56,085	3,119
Currency swaps			
<b>Total</b>	<b>600,000</b>	<b>56,085</b>	<b>3,119</b>

## 13. Liabilities to credit institutions

NOKt	31 Dec 2021	31 Dec 2020
Debt without an agreed term to maturity, amortised cost		
Debt with an agreed term to maturity, at amortised cost	9,186,381	5,274,986
<b>Total debt to credit institutions, amortised cost</b>	<b>9,186,381</b>	<b>5,274,986</b>



#### 14. Liabilities opened for the issue of securities

NOKt					Face value
ISIN Number	Currency	Rate	Due	Ext.due	31 Dec 2021
N00010770852	NOK	Floating	20.5.2022	20.5.2023	3,699,000
N00010789266	NOK	Floating	23.5.2023	23.5.2024	4,500,000
N00010678766	NOK	Fixed	8.5.2025	8.5.2026	600,000
<b>Total debt incurred through the issue of securities</b>					<b>8,799,000</b>

NOKt					Face value
ISIN Number	Currency	Rate	Due	Ext.due	31 Dec 2020
N00010727738	NOK	Floating	12.5.2021	12.5.2022	5,000,000
N00010770852	NOK	Floating	20.5.2022	20.5.2023	5,000,000
N00010789266	NOK	Floating	23.5.2023	23.5.2024	4,500,000
N00010678766	NOK	Fixed	8.5.2025	8.5.2026	600,000
<b>Total debt incurred through the issue of securities</b>					<b>15,100,000</b>

Standard contract terms (loan terms) apply to the signed loan agreements, with requirements for overcollateralization of 110%. Nordea Direct Bank Boligkreditt AS met all existing terms and conditions in 2021.

#### 15. Liabilities from financing activities

NOKt	1 Jan 2021	Cash flow	Non cash flow		31 Dec 2021
			Exchange rate changes	Other changes	
Deposits by credit institutions	5,274,986	3,911,395			9,186,381
Debt securities in issue	15,172,167	-6,465,486		123,858	8,830,539
<b>Total liabilities from financing activities</b>	<b>20,447,154</b>	<b>-2,554,091</b>		<b>123,858</b>	<b>18,016,920</b>

NOKt	1 Jan 2020	Cash flow	Non cash flow		31 Dec 2020
			Exchange rate changes	Other changes	
Deposits by credit institutions	1,728,317	3,546,669			5,274,986
Liabilities opened for the issue of securities	18,860,857	-4,027,475		338,785	15,172,167
<b>Total liabilities from financing activities</b>	<b>20,589,174</b>	<b>-480,806</b>		<b>338,786</b>	<b>20,447,154</b>

## 16. Hedge accounting

The Company's criteria for classifying a derivative as a hedging instrument are as follows:

1. When entering into a hedge, the correlation between the hedging instrument and the hedged item is documented. In addition, the hedge's goal and strategy is documented.
2. The hedge is expected to be highly effective by offsetting changes in fair value of an identified object.
3. The effectiveness of the hedge can be reliably measured.
4. There is adequate documentation when entering into a hedge that, among other things, shows that the hedging is effective.
5. The hedge is evaluated regularly and has proven to be effective during the accounting period, i.e. within the range 80-125%.

### Fair value interest rate risk

To hedge exposure to changes in the fair value of financial instruments with a fixed interest rate the Company uses interest rate swaps. The fair value of derivatives included in the fair value hedge are as follows:

NOKt	31 Dec 2021	31 Dec 2020
<b>Hedge instrument:</b>		
Interest rate swap	22,934	52,966
<b>Interest rate swap nominal value</b>	<b>600,000</b>	<b>600,000</b>
Interest rate swap		
<b>Fixed rate bond issued</b>	<b>-25,276</b>	<b>-56,052</b>
<b>Fixed rate bond issued nominal value</b>	<b>600,000</b>	<b>600,000</b>

### Gain/(loss) on fair value hedges

Gain/ (loss) on hedging instruments and hedged items designated in fair value hedges are as follows:

NOKt	31 Dec 2021	31 Dec 2020
<b>Hedging instrument:</b>		
Interest rate swap	-30,702	19,723
<b>Hedge item:</b>		
Bond debt	30,776	-19,636
<b>Total</b>	<b>87</b>	<b>87</b>

Gain (loss) is shown in the income statement under "Net gains on financial instruments at fair value"

### Hedge effectiveness

The hedge is evaluated regularly and has proven to be effective for the accounting period.

Fixed leg of the interest rate swap is 100% matched to the fixed rate covered bond cash flow. Inefficiency is caused by changes in value of the floating leg of the interest rate swap.

### Fair value hedges

The Company uses fair value hedges to manage its interest rate risk. Hedging is performed to hedge against fluctuations in the value of issued fixed rate bonds due to changes in interest rates. Interest rate swaps designated as hedging instruments are measured at fair value and changes in fair value are recognised in the income statement. For the hedged item, the fixed rate bond, a change in fair value attributable to the hedged risk is accounted for as an addition to or deduction from the carrying value in the balance sheet and in the income statement.

If the hedge ceases, changes made to the carrying value of the hedged item are amortised over the remaining life using the effective interest method, if the hedging instrument is a financial instrument recognised using the effective interest method.



## 17. Provisions and other liabilities

NOKt	31 Dec 2021	31 Dec 2020
Accounts payable		
Liabilities to public authorities	78	73
Accrued personnel cost	150	145
Other accrued expenses and deferred income	37,582	35,227
<b>Total other liabilities</b>	<b>37,810</b>	<b>35,445</b>

## 18. Off-balance sheet commitments and contingent liabilities

NOKt	31 Dec 2021	31 Dec 2020
Unused credit facilities	1,823,813	1,929,971
<b>Total contingent liabilities</b>	<b>1,823,813</b>	<b>1,929,971</b>

Unused credit facilities include approved and unused credit limits on home equity lines of credit. NOK 1,821m (NOK 1,929m) of the exposures has conversion factors 0 percent for capital adjusted exposure value. The Company has not received pledges of or pledged assets as security.

## 19. Fair value of financial instruments

### Method used to calculate the fair value of financial instruments

#### Financial instruments measured at fair value (incl. financial instruments available for sale).

##### Fair value

Financial assets and liabilities measured at fair value are carried at the amount each asset/liability can be settled for in an orderly transaction between market participants on the measurement date. Different valuation techniques and methods are used to estimate fair value, depending on the type of financial instruments and the extent to which they are traded in active markets. Instruments are classified in their entirety in one of three valuation levels in a hierarchy on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Prices quoted in active markets are considered to be the best estimate of an asset/liability's fair value. When quoted prices in active markets are not available, the fair value of financial assets/liabilities will preferably be estimated on the basis of valuation techniques based on observable market data. When neither quoted prices in active markets nor observable market data are available, the fair value of financial assets/liabilities is estimated based on valuation techniques that are based on non-observable market data. For assets and liabilities for which amortised cost and fair value are virtually identical, book values and the fair value are presented with identical amounts.

##### Quoted prices in active markets

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

##### Valuation based on observable market data

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

##### Valuation based on non-observable market data

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

##### Sensitivity financial assets level three

The sensitivity analysis for financial assets that are valued on the basis of non-observable market data shows the effect on profits of realistic and plausible market outcomes. General market downturns or a worsening of the outlook can affect expectations of future cash flows or the applied multiples, which in turn will lead to a reduction in value. A fall in value of ten 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.



## 19. Fair value of financial instruments (cont.)

### **Financial instruments measured at amortised cost**

Market prices are used to price loans and receivables from credit institutions and loans to customers. The value of loans that have been written down is determined by discounting future cash -flows using the internal rate of return based on market conditions for equivalent loans that have not been written down. Fair value is considered to be the carrying amount for loans and receivables measured at amortised cost. No allowance has been made for any changes in credit risk over and above the changes in estimated future cash flows for loans that have been written down.

The fair value of short-term liabilities to credit institutions is estimated as being their amortised cost. Long-term liabilities to credit institutions are measured at fair value based on the equivalent interest rate the bank pays on its own bonds. Debt securities measured at amortised cost are valued in the same way as debt securities measured at fair value, cf. note 1.



## 19. Fair value of financial instruments (cont.)

NOKt	31 Dec 2021		31 Dec 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Classification of financial instruments</b>				
<b>Net loans to and receivables from credit institutions</b>				
Loans to and receivables from credit institutions, amortised cost	336,114	336,114	449,693	449,693
<b>Loans to and receivables from credit institutions</b>	<b>336,114</b>	<b>336,114</b>	<b>449,693</b>	<b>449,693</b>
<b>Bonds and other fixed-income securities</b>				
Certificates and bonds, fair value	189,367	189,367	190,027	190,027
<b>Total bonds and other fixed-income securities</b>	<b>189,367</b>	<b>189,367</b>	<b>190,027</b>	<b>190,027</b>
<b>Net loans to customers</b>				
Loans to and receivables from customers, amortised cost	19,664,505	19,664,505	21,823,506	21,823,506
<b>Total loans before loss allowance</b>	<b>19,664,505</b>	<b>19,664,505</b>	<b>21,823,506</b>	<b>21,823,506</b>
- Loss allowance	1,575	1,575	1,340	1,340
<b>Total net loans to customers</b>	<b>19,662,930</b>	<b>19,662,930</b>	<b>21,822,166</b>	<b>21,822,166</b>
<b>Other assets</b>				
Derivatives, fair value	25,382	25,382	56,085	56,085
Other financial assets, amortised cost	24,413	24,413	24,041	24,041
<b>Total other financial assets</b>	<b>49,795</b>	<b>49,795</b>	<b>80,126</b>	<b>80,126</b>
<b>Total financial assets</b>	<b>20,238,206</b>	<b>20,238,206</b>	<b>22,542,012</b>	<b>22,542,012</b>
<b>Classification of financial liabilities</b>				
<b>Liabilities to credit institutions</b>				
Loans and deposits from credit institutions, amortised cost	9,186,381	9,186,381	5,274,986	5,274,986
<b>Total liabilities to credit institutions</b>	<b>9,186,381</b>	<b>9,186,381</b>	<b>5,274,986</b>	<b>5,274,986</b>
<b>Debt Securities</b>				
Commercial paper and bonds, amortised cost	8,207,700	8,241,352	14,519,220	14,593,728
Liability incurred through the issue of securities, fair value hedge	622,839	632,554	652,948	664,351
<b>Total debt securities</b>	<b>8,830,539</b>	<b>8,873,907</b>	<b>15,172,167</b>	<b>15,258,079</b>
<b>Other financial liabilities</b>				
Derivatives, fair value	2,448	2,448	3,119	3,119
Other financial liabilities, amortised cost	27,640	27,640	30,647	30,647
<b>Total other financial liabilities</b>	<b>30,088</b>	<b>30,088</b>	<b>33,766</b>	<b>33,766</b>
<b>Total financial liabilities</b>	<b>18,074,009</b>	<b>18,090,376</b>	<b>20,480,920</b>	<b>20,566,832</b>



## 19. Fair value of financial instruments (cont.)

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

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

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

If any transfers are made between levels of the fair value hierarchy, they are recognised at the end of the reporting period during which the change has occurred.



## 20 Cover pool

NOKt	31 Dec 2021		31 Dec 2020	
	Nominal value	Market value	Nominal value	Market value
Assets				
Loans to the public	19,664,505	19,664,505	21,823,506	21,823,506
- whereof pool of eligible loans	19,655,111	19,655,111	21,805,199	21,805,199
Supplementary assets and derivatives:	244,464	269,847	358,764	414,849
- whereof CIRS				
- whereof IRS		25,382		56,085
<b>Total cover pool</b>	<b>19,899,575</b>	<b>19,924,957</b>	<b>22,163,963</b>	<b>22,220,048</b>
Debt securities in issue (net outstanding amount)	8,799,000	8,873,907	15,100,000	15,258,079
Over-collateralization calculated on net outstanding covered bonds	126.2 %	124.5 %	46.8%	45.6%
Debt securities in issue (issued amount)	8,799,000	8,873,907	15,100,000	15,258,079
Over-collateralization calculated on issued covered bonds <sup>1</sup>	126.2 %	124.5 %	46.8%	45.6%

<sup>1</sup> without deduction for holdings of own bonds

## 21. Related parties

Nordea Direct Bank ASA is a directly owned subsidiary of Nordea Bank Abp. Nordea Direct Bank 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 Bank 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 Bank 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 31 December 2021, the credit limit of the agreement was NOK 3,699.0m.

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

Transactions with the Board and the Supervisory Board are not included, see note 5.

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

NOKt	2021		2020	
	Nordea Direct Bank ASA	Nordea Bank Abp	Nordea Direct Bank ASA	Nordea Bank Abp
Net interest income	70,467	35,291	47,274	12,085
Other operating income	961		950	
Andre driftskostnader	-12,041	-12	-10,648	

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

NOKt	31 Dec 2021		31 Dec 2020	
	Nordea Direct Bank ASA	Nordea Bank Abp	Nordea Direct Bank ASA	Nordea Bank Abp
Deposit	335,961	155	449,027	666
Loans to credit institutions	9,195,924		5,280,351	
Interest-bearing securities		104,480	1,393,903	395,381

Transactions between Nordea Direct Bank Boligkreditt AS and other legal entities or branches in the Nordea Group are performed according to market based principles in conformity with OECD requirements on transfer pricing.

## 22. Events after the balance sheet day

No significant events have occurred after the balance sheet date.



## 23. Capital adequacy

NOKt	31 Dec 2021	31 Dec 2020
Share capital and share premium	1,220,020	1,220,020
Other equity	922,666	804,853
<b>Equity</b>	<b>2,142,686</b>	<b>2,024,873</b>
Deductions		
Goodwill and other intangible assets		
Value adjustments due to the requirements for prudent valuation	-217	-249
<b>Common equity Tier 1 capital</b>	<b>2,142,469</b>	<b>2,024,624</b>
<b>Net primary capital</b>	<b>2,142,469</b>	<b>2,024,624</b>
<b>Minimum requirement for equity and subordinated debt</b>		
<b>Credit risk</b>		
Of which:		
Central government or central banks		189
Institutions	6,221	10,207
Mass market positions	777	1,380
Positions secured by mortgage	550,251	610,298
Overdue positions	784	1,085
Covered bonds	626	625
Other positions		
<b>Total minimum requirement credit risk</b>	<b>558,659</b>	<b>623,783</b>
Operational risk	22,088	21,411
CVA-risk	1,947	5,081
<b>Minimum requirement for net primary capital</b>	<b>582,694</b>	<b>650,275</b>
<b>Basis of calculation of balance sheet items not included in trading portfolio</b>	<b>6,975,068</b>	<b>7,762,200</b>
<b>Basis of calculation of off-balance sheet items not included in trading portfolio</b>	<b>8,184</b>	<b>35,083</b>
<b>Risk-weighted assets (calculation basis for capital adequacy ratio)</b>	<b>7,283,688</b>	<b>8,145,232</b>
<b>Buffer requirements</b>		
Systemic risk buffer	218,511	244,357
Conservation buffer	182,092	203,631
Countercyclical buffer	72,837	81,452
<b>Total buffer requirement for common equity Tier 1 capital</b>	<b>473,440</b>	<b>529,440</b>
<b>Pillar 2 requirement 1.7% for common equity Tier 1 capital set by The Financial Supervisory Authority of Norway</b>	<b>123,823</b>	<b>138,469</b>
<b>Available Core Tier 1 capital net minimum requirement</b>	<b>1,217,440</b>	<b>990,180</b>
<b>Capital adequacy</b>		
Capital adequacy ratio	29.4 %	24.9%
Tier 1 capital ratio	29.4 %	24.9%
Common equity Tier 1 capital ratio	29.4 %	24.9%
Leverage ratio	10.5 %	8.9%

For credit risk the standard method is used, while basis method is used for operational risk. The Financial Supervisory Authority of Norway has set a Pillar 2 requirement on additional 1.7% of risk-weighted assets for Nordea Direct Bank Group, covered by Common equity Tier 1 capital. Total regulatory requirement for common equity Tier 1 capital was 12.7% end of 2021.



## 24. Classification of financial instruments

NOKt	Financial instruments measured at fair value through profit or loss	Financial assets and liabilities at amortised cost	Financial derivatives as hedging instruments	Non-financial assets and liabilities	Total
<b>Balance 31 Dec 2021</b>					
<b>Assets</b>					
Loans to and claims on credit institutions		336,114			336,114
Loans to and claims on customers		19,662,930			19,662,930
Certificates, bonds and other interest-bearing securities	189,367				189,367
Derivatives			25,382		25,382
Other assets		24,413		10	24,423
<b>Total assets</b>	<b>189,367</b>	<b>20,023,457</b>	<b>25,382</b>	<b>10</b>	<b>20,238,216</b>
<b>Liabilities and equity</b>					
Liabilities to credit institutions		9,186,381			9,186,381
Liabilities opened for the issue of securities		8,830,539			8,830,539
Derivatives			2,448		2,448
Deferred tax liabilities				8,374	8,374
Other liabilities				40,147	40,147
<b>Total liabilities</b>		<b>18,016,920</b>	<b>2,448</b>	<b>48,521</b>	<b>18,067,890</b>
<b>Total equity</b>				<b>2,142,686</b>	<b>2,142,686</b>
<b>Total liabilities and equity</b>		<b>18,016,920</b>	<b>2,448</b>	<b>2,191,207</b>	<b>20,210,575</b>
<b>Balance 31 Dec 2020</b>					
<b>Assets</b>					
Loans to and claims on credit institutions		449,693			449,693
Loans to and claims on customers		21,822,166			21,822,166
Certificates, bonds and other interest-bearing securities	190,027				190,027
Deferred tax assets				944	944
Derivatives			56,085		56,085
Other assets		24,041		-2	24,039
<b>Total assets</b>	<b>190,027</b>	<b>22,295,900</b>	<b>56,085</b>	<b>942</b>	<b>22,542,953</b>
<b>Liabilities and equity</b>					
Liabilities to credit institutions		5,274,986			5,274,986
Liabilities opened for the issue of securities		15,172,167			15,172,167
Derivatives			3,119		3,119
Other liabilities		30,647		37,160	67,807
<b>Total liabilities</b>		<b>20,477,801</b>	<b>3,119</b>	<b>37,160</b>	<b>20,518,080</b>
<b>Total equity</b>				<b>2,024,873</b>	<b>2,024,873</b>
<b>Total liabilities and equity</b>		<b>20,477,801</b>	<b>3,119</b>	<b>2,062,033</b>	<b>22,542,953</b>

## 25. Risk and risk management

Nordea Direct Bank Boligkreditt AS is exposed mainly to credit risk, market risk, liquidity risk and operational risk, where credit risk is the largest risk. The Board emphasises that the Company should have low risk, and limits have been established for all types of risks.

### Capital adequacy regulations

The capital regulations are built on three pillars:

- Pillar 1 Minimum capital requirements
- Pillar 2 ICAAP process for evaluation of the bank's total capital requirements
- Pillar 3 Requirements for the public disclosure of financial information

**Pillar 1:** The Company uses the standard method for reporting credit risk and the basic indicator approach for reporting operational risk.

**Pillar 2:** Nordea Direct Bank ASA prepares the ICAAP document for the Nordea Direct Bank Group. The ICAAP document is approved by the Board in the bank. Guidelines for ICAAP are approved by the Board. The document is prepared with broad involvement of management and specialists in the bank, as well as the Board. The Board in Nordea Direct Bank Boligkreditt AS is also involved as part of this process. The Board in Nordea Direct Bank Boligkreditt AS has defined guidelines for common equity Tier 1 capital ratio, Tier 1 capital ratio and Capital adequacy ratio.

These guidelines as in line with the requirements for Nordea Direct Bank ASA and Nordea Direct Bank Group, approved by the Board

**Pillar 3:** Nordea Direct Bank ASA has defined guidelines for the public disclosure of information, and they have been adopted by the Board. The Pillar 3 document is published together with the annual report.

### Credit risk

Credit risk refers to the risk the Company faces in the event of a borrower's failure to repay a loan or credit or to meet their contractual obligations.

The Company's credit risk originates from residential mortgages to consumers in Norway. The Company is also exposed to credit risk through placements within the liquidity reserve. Risk exposure and development are continuously monitored and reported to the Board.

All loans are purchased from Nordea Direct Bank ASA in accordance with regulatory requirements. At the time of purchase, the individual loans are required to be within 75% of the approved value of the collateral. The value of the property is used as collateral for mortgage loans and this is updated quarterly. The value is set using estimates from Eiendomsverdi AS. Nordea Direct Bank ASA provides loans to customers based on credit scores, combined with an individual assessment of their ability to repay the loan.

#### Credit risk liquidity portfolio by counterparty:

NOKt	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	Unrated	31.12.2021
Loans to and claims on credit institutions			336,114			336,114
State and government guaranteed bonds	111,186					111,186
Covered bonds	78,181					78,181
<b>Total</b>	<b>189,367</b>		<b>336,114</b>			<b>525,480</b>

#### Credit risk derivatives by counterparty:

NOKt	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	Unrated	31.12.2021
Other			25,382			25,382
<b>Total</b>			<b>25,382</b>			<b>25,382</b>

## 25. Risk and risk management (cont.)

### Credit risk liquidity portfolio by counterparty:

NOKt	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	Unrated	31.12.2020
Loans to and claims on credit institutions			449,693			449,693
State and government guaranteed bonds	111,964					111,964
Covered bonds	78,062					78,062
<b>Total</b>	<b>190,027</b>		<b>449,693</b>			<b>639,720</b>

### Credit risk derivatives by counterparty:

NOKt	AAA Fair value	AA Fair value	A Fair value	BBB Fair value	Unrated	31.12.2020
Other			52,966			52,966
<b>Total</b>			<b>52,966</b>			<b>52,966</b>

The table below shows the lending portfolio and provisions as of 31 December 2021 and 31 December 2020 segmented by the risk groups:

31.12.2021 NOK million	Gross lending	Guarantees	Total off- balance commitments	Individual Provisions	Other exposure	Maximum credit exposure
Low	19,455		1,820			21,275
Medium	59		1			60
High	139		2			142
Not classified	2		1			3
Impaired and written down	9					9
<b>Total</b>	<b>19,665</b>		<b>1,824</b>			<b>21,488</b>
Loss allowance	2					2
<b>Total net</b>	<b>19,663</b>		<b>1,824</b>			<b>21,487</b>

31.12.2020 NOK million	Gross lending	Guarantees	Total off- balance commitments	Individual Provisions	Other exposure	Maximum credit exposure
Low	21,669		1,924			23,593
Medium	49		2			50
High	98		3			101
Not classified	1		2			3
Impaired and written down	6					6
<b>Total</b>	<b>21,824</b>		<b>1,930</b>			<b>23,753</b>
Loss allowance	1					1
<b>Total net</b>	<b>21,822</b>		<b>1,930</b>			<b>23,752</b>



The handling of individual loan customers and the administration of loans are managed by Nordea Direct Bank ASA in accordance with the SLA. The weighted loan to value ratio, indexed was 43.5% for the portfolio. Approximately 91% of the loan portfolio is within 60% of collateral value.

As of 31 December 2021, the Company's gross lending was NOK 19,664.5m and eight loans were in default over 90 days. The loan portfolio is mainly secured by residences in Eastern Norway. The largest single exposure was NOK 9.7m. Development of the loan portfolio is monitored through monthly credit risk reports with the focus on LTV, the development of property prices, geographical distribution, credit scores and delinquency.

The Company uses application score models and behaviour score models set by the bank. The models predict the probability of default for decisions related to top-ups, collections, group write-downs and other portfolio management decisions. With the help of these score models, the lending portfolios in the bank are grouped into risk classes, starting from the lowest risk to the worst risk, based on their probability of default. They are then further grouped into three main risk groups: Low risk, Medium risk and High risk.

The portfolio risk is considered to be low.

In order to limit credit risk relating to the liquidity reserve, the Company has placements with solid counterparties and limits exposure to each of them. The liquidity reserve consists of bank placements with Nordea Direct Bank ASA, treasury bills and covered bonds.

The Company's maximum credit exposure related to lending is NOK 21,486.8m.

### Market risk

Market risk is the risk of losses associated with movements in market prices, which, in this context, relates

to positions and activities in the interest rate-, currency-, credit- and stock markets. The Company's financial strategy sets limits and guidelines for managing the market risk.

Risk exposure and development are continuously monitored and reported to the Board. The Company has no exposure to equities and no currency risk. The Company's exposure to interest rate risk shall be kept low, and the spread risk kept moderate in relation to the core capital.

Interest rate risk refers to the risk of a loss as a result of changes in the interest rate level. Risk arises from the Company's assets and liabilities having different remaining fixed interest periods. The Company manages interest rate risk by adapting the interest terms for assets and liabilities. In addition, derivatives are used for hedging. Interest rate risk exposure is measured in 'milli-years' (MY), which are assets and liabilities with fixed interest in NOK millions multiplied by the remaining fixed interest period. Net cumulative interest rate risk exposure over three months shall not exceed plus / minus 400 MY. Net interest rate risk exposure shall, within each time interval be within plus / minus 300 MY. However, for the interval three to 12 months, exposure within plus 500 MY and minus 300 MY is permitted. In the interval below three months the interest rate risk exposure shall not exceed plus / minus 3 500. When the limit over three months is fully utilised, the loss for the Company in the event of a one percentage point change in the yield curve will be NOK 5m.

As of 31 December 2021, the Company has a positive interest rate exposure over 3 months of 92 MY.

Spread risk refers to the risk of a loss as a result of changes in credit spreads. The Company limits the spread risk on assets by investing in high quality securities with short maturity, where the value is expected to be less exposed to changes in the credit spread. The Company does not hedge the spread risk on its own bond issues.

31 Dec 2021		Loan-to-value, secured loans		31 Dec 2020		
Distribution as percentage	Gross carrying amounts	Unused credit lines	Nokt	Distribution as percentage	Gross carrying amounts	Unused credit lines
21.58%	4,242,438	385,953	0% - 40%	22.13%	4,828,097	419,452
44.04%	8,659,989	834,127	40% - 60%	46.62%	10,171,195	875,212
33.44%	6,575,735	562,925	60% - 80%	30.23%	6,595,334	593,043
0.44%	85,733	21,146	80% - 90%	0.61%	133,120	18,408
0.22%	43,016	15,620	90% - 100%	0.19%	40,636	13,396
0.28%	55,919	4,031	>100%	0.22%	48,387	10,456
<b>100.00%</b>	<b>19,662,829</b>	<b>1,823,801</b>	<b>Home Loans</b>	<b>100.00%</b>	<b>21,816,768</b>	<b>1,929,967</b>



## **Concentration risk**

Concentration risk is the risk of losses due to the Company having large parts of its lending tied to a single borrower or to limited geographic or business areas.

As of 31 December 2021, the portfolio is geographically diverse, with the greatest lending in the most populous areas of the country. The largest exposure is about NOK 9.4m. The exposure related to the ten largest loans (limit) is about NOK 86.1m. The Company's liquidity reserves consist of bank deposits in parent company, securities issued by the Norwegian government and Norwegian covered bonds (OMF).

## **Liquidity risk**

Liquidity risk is the risk that the Company will be unable to meet all its financial obligations on their due date, or be unable to finance assets, including desired growth, without a significant increase in financing costs. The Company's finance strategy set by the Board provides guidelines and limits for managing the Company's liquidity risk both inside and outside the company's cover pool. The Company shall have low liquidity risk.

The Company manages its liquidity risk by having a liquid securities portfolio and credit facilities in Nordea Direct Bank ASA. It also matches the maturities of its assets and liabilities. The credit facility in Nordea Direct Bank ASA shall be sufficient at all times to cover the total repayment of the outstanding bonds in the next 12 months. The Company had a long-term credit facility of up to NOK 21,000.0m. Unutilised credit facilities amounted to NOK 11,813.7m at the end of the year.

## **Operational risk**

Operational risk refers to the risk of a loss resulting from human errors, external events or fraud, deficiencies and/or inadequacies in the Company's internal systems, procedures or processes and compliance and reputational risk.

Services such as customer support and loan management, as well as day-to-day management and administrative services, are provided by Nordea Direct Bank ASA, Gjensidige Forsikring ASA and Nordea Bank Apb. The agreement is regulated by an SLA that sets requirements for quality and timely deliveries.

Company activities that are outsourced to the bank are also covered at monthly operational risk meetings ('Operational Risk Reviews'). Operational incidents, the development of AML activities, internal control self-assessment (RSCA) results, fraud development, IT / security and customer complaints are important focus areas at these meetings. The CEO of Nordea Direct Bank ASA and CEO of Nordea Direct Bank Boligkreditt AS attend these meetings together with key managers. In addition, quarterly internal control self-assessments (RCSA) are carried out to ensure that procedures and processes are followed for outsourced activities.

The annual risk assessment of Nordea Direct Bank Boligkreditt AS is conducted by the CEO. The output of the risk assessment is reported to the Board.

The Company has appointed an independent investigator that monitors the register of issued bonds as required by the Financial Institutions Act. Regular reviews are conducted to ensure that the register is booked correctly. Findings are reported to the Financial Supervisory Authority.



## 26. Credit risk

### Credit exposure for loans

Mortgage customers are assessed in relation to their willingness and ability to repay their loans. Their ability to service the loans is calculated and the customers are risk assessed at the time of application. The loan to value ratio for customers in Nordea Direct Boligkreditt AS is less than 75% at the time of transfer from Nordea Direct Bank ASA.

The loans are secured through mortgages on residential property. The collateral is considered to be good and the portfolio has a low credit risk.

#### Commitments by customer groups

31.12.2021 NOKt	Loans and receivables to/from customers	Guarantees	Unused credit facilities	Total commitments	Average size of loans	Gross non- performing loans	Individual impairment	Net non- performing loans
Private individuals	19,664,505		1,830,047	21,494,552	1,770	8,089		8,089
<b>Total</b>	<b>19,664,505</b>		<b>1,830,047</b>	<b>21,494,552</b>	<b>1,770</b>	<b>8,089</b>		<b>8,089</b>
- Loss allowance		1,575		1,575				
+ other changes in value								
<b>Total loans and receivables to/from customers</b>	<b>19,662,930</b>		<b>1,830,047</b>	<b>21,492,977</b>	<b>1,770</b>	<b>8,089</b>		<b>8,089</b>

#### Loans by geographical area based on the collateral address

31.12.2021 NOKt	Loans and receivables to/from customers	Guarantees	Unused credit facilities	Total commitments	Gross non- performing loans	Individual impairment	Net non- performing loans
Eastern Norway	12,991,978		1,059,128	14,051,106	3,384		3,384
Western Norway	3,434,703		459,386	3,894,089	627		627
Central Norway	1,676,963		196,254	1,873,217	1,732		1,732
Northern Norway	1,218,901		71,174	1,290,076	853		853
Southern Norway	341,960		44,104	386,064	1,491		1,491
Abroad							
<b>Total</b>	<b>19,664,505</b>		<b>1,830,047</b>	<b>21,494,552</b>	<b>8,089</b>		<b>8,089</b>

#### Total commitments by remaining maturity

31.12.2021 NOKt	Loans and receivables to/from customers	Guarantees	Unused credit facilities	Total commitments	Gross non- performing loans	Individual impairment	Net non- performing loans
1 month							
1-3 months	4,032		2	4,034			
3-12 months	5,449		-9	5,440			
1-5 years	191,907		256	192,163			
More than 5 years	19,463,117		1,829,798	21,292,916	8,089		8,089
<b>Total</b>	<b>19,664,505</b>		<b>1,830,047</b>	<b>21,494,552</b>	<b>8,089</b>		<b>8,089</b>



## 26. Credit risk (cont.)

### Age analysis of loans that are due

31.12.2021 NOKt	Loans and receivables to/ from customers	Guarantees	Accrued interest	Total commitments
Default 1 - 29 days	124,977		224	125,201
Default 30 - 59 days	9,416		31	9,447
Default 60 - 89 days	142		1	143
Default 90+ days	8,089		346	8,434
<b>Total</b>	<b>142,624</b>		<b>601</b>	<b>143,225</b>

### Overdue loans over 90 days by geographical area

Eastern Norway	3,384	90	3,474
Western Norway	627	17	645
Central Norway	1,732	81	1,814
Northern Norway	853	41	895
Southern Norway	1,491	116	1,607
<b>Total</b>	<b>8,089</b>	<b>346</b>	<b>8,434</b>

Only non-performing loans are classified by geographical area in this overview. Commitments are deemed to be in default when credit is overdrawn for more than 90 days and the amount is at least NOK 1,000.

### Credit risk by customer groups

31.12.2021 NOKt	Total loans with impairment	Total commitments	Total value changes	Total impairment	Total value changes over income statement
Private individuals	8,434	21,494,552			
<b>Total</b>	<b>8,434</b>	<b>21,494,552</b>			

### Commitments by customer groups

31.12.2020 NOKt	Loans and receivables to/from customers	Guarantees	Unused credit facilities	Total commitments	Average size of loans	Gross non- performing loans	Individual impairment	Net non- performing loans
Private individuals	21,823,506		1,932,158	23,755,664	1,767	9,523		9,523
<b>Total</b>	<b>21,823,506</b>		<b>1,932,158</b>	<b>23,755,664</b>	<b>1,767</b>	<b>9,523</b>		<b>9,523</b>
- Loss allowance	1,340			1,340				
+ other changes in value								
<b>Total loans and receivables to/from customers</b>	<b>21,822,166</b>		<b>1,932,158</b>	<b>23,754,324</b>	<b>1,767</b>	<b>9,523</b>		<b>9,523</b>

### Loans by geographical area based on the collateral address

31.12.2020 NOKt	Loans and receivables to/from customers	Guarantees	Unused credit facilities	Total commitments	Gross non- performing loans	Individual impairment	Net non- performing loans
Eastern Norway	14,335,433		1,145,553	15,480,986	5,683		5,683
Western Norway	3,927,277		475,136	4,402,413			
Central Norway	1,903,652		188,837	2,092,489	1,495		1,495
Northern Norway	1,250,895		72,062	1,322,957	853		853
Southern Norway	406,249		50,570	456,819	1,491		1,491
Abroad							
<b>Total</b>	<b>21,823,506</b>		<b>1,932,158</b>	<b>23,755,664</b>	<b>9,523</b>		<b>9,523</b>



## 26. Credit risk (cont.)

### Total commitments by remaining maturity

31.12.2020 NOKt	Loans and receivables to/from customers	Guarantees	Unused credit facilities	Total commitments	Gross non- performing loans	Individual impairment	Net non- performing loans
1 month							
1-3 months	140			78			
3-12 months	4,070		10	2,929			
1-5 years	192,004		8	189,235			
More than 5 years	21,627,292		1,932,140	23,645,218	9,523		9,523
<b>Total</b>	<b>21,823,506</b>		<b>1,932,158</b>	<b>23,837,460</b>	<b>9,523</b>		<b>9,523</b>

### Age analysis of loans that are due

31.12.2020 NOKt	Loans and receivables to/ from customers	Guarantees	Accrued interest	Total commitments
Default 1 - 29 days	124,269		205	124,474
Default 30 - 59 days	9,787		35	9,822
Default 60 - 89 days				
Default 90+ days	9,523		198	9,721
<b>Total</b>	<b>143,579</b>		<b>438</b>	<b>144,017</b>

### Overdue loans over 90 days by geographical area

Eastern Norway	5,683	63	5,746
Western Norway	1,495	48	1,544
Central Norway	853	19	872
Northern Norway	1,491	69	1,560
<b>Total</b>	<b>9,523</b>	<b>200</b>	<b>9,722</b>

Only non-performing loans are classified by geographical area in this overview. Commitments are deemed to be in default when credit is overdrawn for more than 90 days and the amount is at least NOK 1,000.

### Credit risk by customer groups

31.12.2020 NOKt	Total loans with impairment	Total commitments	Total value changes	Total impairment	Total value changes over income statement
Private individuals	9,722	23,755,664			
<b>Total</b>	<b>9,722</b>	<b>23,755,664</b>			



## 27. Liquidity risk

As of 31 December 2021, the Company had net liquid assets of NOK 525.5m, divided between NOK 336.1m in bank deposits, NOK 78.2 m in covered bonds and NOK 111.2 m in treasury bills.

In addition the Company has credit facility agreements with the parent company.

<b>31.12.2021</b>							
<b>NOKt</b>	<b>1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>	<b>No fixed maturity</b>	<b>Total</b>
Loans to and claims on credit institutions	336,114						336,114
Loans to and claims on customers	-55	197,264	964,925	4,505,378	18,248,236		23,915,748
Certificates, bonds and other interest-bearing securities		25,269	165,203				190,472
Other financial assets	24,413					25,382	49,795
Derivatives – gross inflows			21,600	64,800			86,400
<b>Total financial assets</b>	<b>360,471</b>	<b>222,533</b>	<b>1,151,728</b>	<b>4,570,178</b>	<b>18,248,236</b>	<b>25,382</b>	<b>24,578,529</b>
Liabilities to credit institutions	8,457	16,913	77,518	9,280,530			9,383,418
Liabilities opened for the issue of securities		32,934	3,775,350	5,197,786			9,006,070
Unused credit facilities	1,823,813						1,823,813
Derivatives – gross outflows		-2,239	-6,643	-22,192			-31,074
<b>Total financial liabilities</b>	<b>1,832,270</b>	<b>47,609</b>	<b>3,846,225</b>	<b>14,456,124</b>			<b>20,182,227</b>
<b>31.12.2020</b>							
<b>NOKt</b>	<b>1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>	<b>No fixed maturity</b>	<b>Total</b>
Loans to and claims on credit institutions	449,693						449,693
Loans to and claims on customers	-49	207,648	1,036,249	4,849,644	20,215,495		26,308,986
Certificates, bonds and other interest-bearing securities	30	25,076	165,105				190,211
Other financial assets	24,042					56,085	80,127
Derivatives – gross inflows			21,600	86,400			108,000
<b>Total financial assets</b>	<b>473,716</b>	<b>232,724</b>	<b>1,222,954</b>	<b>4,936,044</b>	<b>20,215,495</b>	<b>56,085</b>	<b>27,137,017</b>
Liabilities to credit institutions	3,115	6,230	4,301,034	1,008,400			5,318,778
Liabilities opened for the issue of securities		29,347	5,106,680	10,276,099			15,412,126
Unused credit facilities	1,929,971						1,929,971
Derivatives – gross outflows		1,699	5,096	23,837			30,632
<b>Total financial liabilities</b>	<b>1,933,085</b>	<b>37,276</b>	<b>9,412,810</b>	<b>11,308,336</b>			<b>22,691,507</b>

The figure includes interest. The current interest rate at the end of the year is used to calculate the interest costs.



## 28. Sensitivity analysis

A change in the market risk that occurs within one year will affect the result and equity as shown below based on the balance sheet at 31 December 2021.

### Effect on income statement / equity

2021	Interest	
	-1.5%	1.5%
<b>NOKt</b>		
Asset swap	-22,613	22,613
Loans to and receivables from credit institutions	-3,781	3,781
Loans to and receivables from customers	-195,700	195,700
Interest-bearing securities	-1,639	1,639
Liabilities to credit institutions	103,347	-103,347
Liabilities opened for the issue of securities (variable interest)	80,709	-80,709
Liabilities opened for the issue of securities (fixed interest)	22,613	-22,613
<b>Total</b>	<b>-17,064</b>	<b>17,064</b>
<hr/>		
2020	Interest	
	-1.5%	1.5%
<b>NOKt</b>		
Asset swap	-29,363	29,363
Loans to and receivables from credit institutions	-5,059	5,059
Loans to and receivables from customers	-217,186	217,186
Interest-bearing securities	-1,644	1,644
Liabilities to credit institutions	59,344	-59,344
Liabilities opened for the issue of securities (variable interest)	142,734	-142,734
Liabilities opened for the issue of securities (fixed interest)	29,363	-29,363
<b>Total</b>	<b>-21,811</b>	<b>21,811</b>

This note shows the effect over a 12 month period of an immediate parallel change in interest rates of + 1.5% and - 1.5%.



## Declaration from the Board and CEO


The Board and the CEO have today discussed and approved the annual report and financial statements for Nordea Direct Bank Boligkreditt AS for the calendar year 2021 and as of 31 December 2021 (Annual Report 2021).

We declare that, to the best of our knowledge, the financial statements for 2021 have been prepared in accordance with IFRS as adopted by the EU, and in accordance with additional requirements set out in the Accounting Act, and taking into account the limitations of accounting regulations for banks, credit insti-

tutions and financing companies. The accounting data provide a true and fair picture of the company's assets, liabilities, financial position and results as a whole, and the annual report gives a true picture of important events in the accounting period and their impact on the financial statements, related material transactions and the most important risks and uncertainties faced by the company in the next accounting period.

### Nordea Direct Boligkreditt AS

Oslo, 11 February 2022

  
Børre Gundersen  
Chairman

  
Morten Keil  
Board member

  
Elen M. Stiksrud  
Board member

  
Cathrine K. Conradi  
Board member

  
Jan Kåre Raae  
Chief Executive Officer



## Auditor's report



To the General Meeting of Nordea Direct Boligkreditt AS

### *Independent Auditor's Report*

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#### *Opinion*

We have audited the financial statements of Nordea Direct Boligkreditt AS (the Company), which comprise the balance sheet as at 31 December 2021, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

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#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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#### *Key Audit Matters*

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

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

## Auditor's report



### Key Audit Matter

### How our audit addressed the Key Audit Matter

#### *Loans to the public*

At the end of 2021, gross lending totalled NOK 19,66 billion and the mortgage credit institution has issued covered bonds. Routines and processes have been established to ensure that the company complies with requirements set for collateral with mortgage on real estate when issuing covered bonds. This implies that collateral always is within 75% of value of the underlying real estate asset.

The mortgage credit institution has historically not had significant losses on loans. Due to requirements being of fundamental importance for the mortgage credit institution's operations we have focused on this topic in our audit.

Notes 1.1-1.6, 2, 6 and 10 in the financial statements provide additional information on residential mortgage loans.

To ensure that the requirements in the regulations on the mortgage credit institution's bonds are met, processes have been established in which loan documentation is reviewed. This process is performed prior to the loans being transferred from other group companies to the mortgage credit institution. We have gone through the company's processes in this area.

Our performed procedures include testing aimed at the company's financial reporting systems relevant for financial reporting. The company uses external service providers to operate certain IT-systems. The external auditor of the relevant service organizations has been used to evaluate the design and efficiency of – and test established controls that ensure the integrity of the IT systems used in financial reporting. The auditor's testing included whether key calculations made by the core systems were performed in line with expectations, including interest rate calculations and amortization. Testing also included integrity of data, change management and access to the systems.

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

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

The company's processes involving the realizable value of underlying collateral are calculated using external tariffs. In order to determine whether LTV was within 75% requirement, we reviewed the collateral related to the transferred loans to the mortgage credit institution.

We conducted our audit by gathering documents and data on the control operation to support that the process had been carried out correctly, and that the conclusions the mortgage Company had drawn in regard to whether the requirements of law and regulation were fulfilled.

Deviations found in our testing were not significant.

We have read the notes and found them to be adequate and to give a balanced overview of the models, parameters and judgmental assumptions used.

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## Auditor's report



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### *Other Information*

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

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

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

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

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

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### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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## Auditor's report



- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Oslo, 11 February 2022  
**PricewaterhouseCoopers AS**

Anne Lene Stensholdt  
State Authorised Public Accountant

(This document is signed electronically)

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## Auditor's report

 Securely signed with Brevio

Revisjonsberetning NDB AS 2021

**Signers:**

<i>Name</i>	<i>Method</i>	<i>Date</i>
Stensholdt, Anne Lene	BANKID_MOBILE	2022-02-11 12:42

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- The electronic signatures. These are not visible in the document, but are electronically integrated.



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



**Skattedirektoratet**

Saksbehandler Torstein Kinden Helleland	Deres dato 06.06.2016	Vår dato 23.08.2016
Telefon 22078139	Deres referanse Are Fuglehaug	Vår referanse 2016/540322

GJENSIDIGE FORSIKRING ASA  
Postboks 700 Sentrum  
0106 OSLO

## Søknad om tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk

Vi viser til deres brev av 6. juni 2016 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for følgende selskaper;

**Gjensidige Bank ASA org. nr. 990 323 429**  
**Gjensidige Bank Boligkreditt AS org. nr. 994 000 845**  
**Gjensidige Pensjonsforsikring AS org. nr. 988 343 773**

### Bakgrunn

Selskapene inngår i Gjensidige konsern hvor konsernspiss er Gjensidige Forsikring ASA. Ettersom Gjensidige konsern har virksomhet i flere land, herunder Norge, Danmark, Sverige og de tre baltiske land, er konsernets arbeidsspråk i økende grad engelsk. Videre har konsernet ansatte fra mange nasjoner, slik at det allerede i dag er noen virksomhetsområder som utelukkende har engelsk som arbeidsspråk.

Gjensidige Forsikring ASA har dispensasjon fra språkkravet i verdipapirhandeloven § 5-13. Gjensidige Bank ASA og Gjensidige Bank Boligkreditt AS har utstedt obligasjoner som er notert på markedsplassen Nordic ABM. Gjensidige Pensjonsforsikring AS er i prosess med å utstede obligasjoner på samme markedsplass. Regelverket til obligasjoner notert på Nordic ABM gir adgang til utsteder å kunne sende børsmeldinger på engelsk. Selskapene har som følge av dette kun sendt børsmeldinger på engelsk. Obligasjonenes investorer består av en stor del av utenlandske investorer som ikke behersker norsk. Den norske investorgruppen antas å beherske engelsk på en god måte, slik at denne gruppen ikke vil bli skadelidende dersom årsrapport og årsberetning kun blir utarbeidet på engelsk.

Gjensidige konsern er en viktig markedsaktør og har en stor markedsandel i Norge. Den private forbruker som har interesse i å tilegne seg informasjon om Gjensidige konsern må kunne gjøre dette på en lettfattelig måte. Selv om årsrapport og årsberetning til selskapene kun vil bli utarbeidet på engelsk, vil tilsvarende rapporter for de øvrige selskapene i Gjensidige konsernet i Norge fremdeles bli utarbeidet på både norsk og engelsk. I disse rapportene vil det fremdeles være mulig å tilegne seg informasjon om selskapene. Det er på

Postadresse  
Postboks 9200 Grønland  
0134 Oslo

Besøksadresse:  
Se [www.skatteetaten.no](http://www.skatteetaten.no)  
Org.nr: 996250318  
E-post: [skatteetaten.no/sendepost](mailto:skatteetaten.no/sendepost)

Sentralbord  
800 80 000  
Telefaks  
22 17 08 60



denne bakgrunn konsernets vurdering at Gjensidige fremdeles sikrer tilstrekkelig informasjon til samtlige som ønsker å tilegne seg informasjon om Gjensidige konsern, samt det enkelte selskap i konsernet.

#### **Regelverk**

Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

*"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."*

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til "informative regnskaper for ulike grupper av regnskapsbrukere". Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

#### **Gjensidige Bank ASA og Gjensidige Pensjonsforsikring AS**

Skattedirektoratet er innforstått med at Gjensidige Bank ASA og Gjensidige Pensjonsforsikring AS har behov for å ha sitt årsregnskap og årsberetning på engelsk. Det er også opplyst at de mest sentrale brukerne av selskapets årsregnskap og årsberetning etter formodningen ikke vil ha behov for at disse utarbeides på norsk. Gjensidige Bank ASA har utstedt obligasjoner som er notert på markedsplassen Nordic ABM. Gjensidige Pensjonsforsikring AS er i prosess med å utstede obligasjoner på samme markedsplass. Regelverket til obligasjoner notert på Nordic ABM gir adgang til utsteder å kunne sende børsmeldinger på engelsk.

Det er særlig hensynet til brukerne av regnskapsinformasjonen som skal vurderes ved dispensasjonsbehandlingen. I dette tilfelle mener Skattedirektoratet at selskapene har en så stor betydning og posisjon i det norske samfunnet generelt at kretsen av regnskapsbrukere må defineres vidt. Dette forsterkes av at selskapene også retter seg mot privatkunder, og derfor har en stor krets



av norske private kunder. Det ligger et klart ønske i regnskapslovens krav om at disse dokumentene skal utarbeides på norsk.

Med den sentrale posisjonen selskapene har i Norge, og interessen for selskapene som finnes i brede lag av den norske befolkningen, finner Skattedirektoratet derfor ikke å kunne gi dispensasjon fra kravet om at årsregnskapet og årsberetningen skal utarbeides på norsk for Gjensidige Bank ASA og Gjensidige Pensjonsforsikring AS. Dette er også i henhold til Skattedirektoratets dispensasjonspraksis. Selskapene har med dette fått avslag på søknaden.

Vedtak truffet av Skattedirektoratet i saker som gjelder bestemmelsene i regnskapsloven kan påklages til Finansdepartementet etter forvaltningsloven § 28. Klagen må fremsettes skriftlig til Skattedirektoratet innen tre uker fra tidspunktet selskapet mottar dette brevet.

#### **Gjensidige Bank Boligkreditt AS**

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Gjensidige Bank Boligkreditt AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt særlig vekt på at selskapets virksomhet er konsernintern og medfører ingen kontakt med privatkunder. Videre er det vektlagt at selskapet er et heleid datterselskap og at eierkretsen er begrenset. Selskapet har obligasjoner notert på Nordic ABM som gir adgang til utsteder å kunne sende børsmeldinger på engelsk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad  
*seniorrådgiver*  
Rettsavdelingen, foretaksskatt  
Skattedirektoratet

Torstein Kinden Helleland

*Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer*