

Nordea Mortgage Bank Plc

Business definitions

Nordea Mortgage Banks's Alternative Performance Measures (APMs) are presented to provide users of Nordea Mortgage Bank's financial reporting with relevant information and tools to be able to establish a view on Nordea Mortgage Banks's performance.

APMs on capital adequacy are disclosed to give the user a view on Nordea Mortgage Banks's balance between capital and risk, while lending related APMs are disclosed to provide information on Nordea Mortgage Banks's provisions in relation to credit risk. Return on equity is intended to provide the user of financial statements with relevant information on Nordea Mortgage Banks's performance in relation to capital invested. The cost/income ratio is disclosed to provide the user with information on the correlation between income and expense.

Due to the implementation of IFRS 9 some APM's have new, updated definitions and one new APM has been introduced. APM's including Basel I floor are as from 1 Jan 2018 not applicable and hence not disclosed.

Return on equity

Net profit for the year excluding non-controlling interests as a percentage of average equity for the year. Average equity including net profit for the year and dividend until paid, non-controlling interests excluded

Cost/income ratio

Total operating expenses divided by total operating income.

Loan loss ratio (IFRS 9)

Net loan losses (annualised) divided by closing balance of loans to the public (lending) measured at amortised cost.

Loan loss ratio (IAS 39)

Net loan losses (annualised) divided by the closing balance of loans to the public (lending).

Impairment rate (stage 3), gross, basis points (IFRS 9)

Impaired loans (stage 3) before allowances divided by total loans measured at amortised cost before allowances.

Impairment rate, gross, basis points (IAS 39)

Individually assessed impaired loans before allowances divided by total loans before allowances.

Impairment rate (stage 3), net, basis points (IFRS 9)

Impaired loans (stage 3) after allowances divided by total loans measured at amortised cost before allowances.

Impairment rate, net, basis points (IAS 39)

Individually assessed impaired loans after allowances divided by total loans before allowances.

Total allowance rate (stage 1,2 and 3), basis points (IFRS 9)

Total allowances divided by total loans measured at amortised cost before allowances.

Total allowance rate, basis points (IAS 39)

Total allowances divided by total loans before allowances.

Allowances in relation to credit impaired loans (Stage 3), % (IFRS 9)

Allowances for impaired loans (stage 3) divided by impaired loans measured at amortised cost (stage 3) before allowances.

Allowances in relation to impaired loans, % (IAS 39)

Allowances for individually assessed impaired loans divided by individually assessed impaired loans before allowances.

Allowances in relation to loans in stage 1 and 2, % (IFRS 9)

Allowances for not impaired loans (stage 1 and 2) divided by not impaired loans measured at amortised cost (stage 1 and 2) before allowances.

Total allowances in relation to gross impaired loans, % (provisioning ratio) (IAS 39)

Total allowances divided by total gross impaired loans before allowances.

Tier 1 capital

The Tier 1 capital consists of the sum of the Common Equity Tier 1 capital and Additional Tier 1 capital. Common Equity Tier 1 capital includes consolidated shareholders' equity excluding proposed dividend, deferred tax assets, intangible assets, the full expected shortfall deduction (the negative difference between expected losses and provisions) and finally other deductions such as cash flow hedges. Tier 1 capital consists of both common equity tier 1 capital (CET 1) and additional tier 1 capital.

Common Equity Tier 1 (CET 1) capital ratio

Common equity tier 1 capital as a percentage of risk exposure amount.

Tier 1 capital ratio

Tier 1 capital as a percentage of risk exposure amount. Tier 1 Capital consist of both CET 1 capital and Additional Tier 1 capital.

Total capital ratio

Total capital ratio is total own funds divided by total risk exposure amount. Total own funds is the sum of Tier 1 and Tier 2 capital.

Risk Exposure Amount (REA)

Risk exposure amount is calculated in accordance with the requirements in the CRR.

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Alternative Performance Measures

	Jan-Jun 2018	Jan-Jun 2017	Full year 2017
Average equity and dividend until paid out, EURm	1 148,3	1 101,0	1 129,5
Net profit attributable to shareholders, EURm	55,3	45,5	105,3
<i>Net profit attributable to shareholders, annualised, EURm</i>	<i>110,6</i>	<i>91,0</i>	<i>105,3</i>
Return on equity, %	9,6	8,3	9,3
Total operating income, EURm	102,1	81,5	178,7
Total operating expenses, EURm	-24,4	-24,3	-47,8
Cost/income ratio, %	24	30	26,7
Net loan losses, EURm	-7,3	-0,3	0,7
<i>Net loan losses, annualised, EURm</i>	<i>-14,6</i>	<i>-0,6</i>	<i>0,7</i>
Total lending, EURm	23 403,6	23 160,4	23 530,1
Loan loss ratio, basis points	6,2	0,3	-0,3
Impaired loans, EURm	159,7		
Loans before allowances, EURm	24 320,7		
Impairment rate (stage 3), gross, basis points¹	66		
Impaired loans, EURm		116,4	135,4
Loans before allowances, EURm		23 401,0	24 188,8
Impairment rate, gross, basis points²		50	56
Impaired loans, EURm	159,7		
Allowances for individually assessed impaired loans, EURm	-13,2		
<i>Impaired loans after allowances, EURm</i>	<i>146,4</i>		
Loans before allowances, EURm	24 320,7		
Impairment rate (stage 3), net, basis points¹	60		
Impaired loans, EURm		116,4	135,4
Allowances for individually assessed impaired loans, EURm		-2,0	-2,0
<i>Impaired loans after allowances, EURm</i>		<i>114,4</i>	<i>133,4</i>
Loans before allowances, EURm		23 401,0	24 188,8
Impairment rate, net, basis points²		49	55
Total allowances, EURm	43,7		
Loans before allowances, EURm	24 320,7		
Total allowance ratio (stage 1, 2 and 3), basis points¹	18		
Total allowances, EURm		12,1	11,1
Loans before allowances, EURm		23 401,0	24 188,8
Total allowance ratio, basis points²		5	5
Allowances for individually assessed impaired loans, EURm	13,2		
Impaired loans, EURm	159,7		
Allowances in relation to credit impaired loans (stage 3), basis points¹	8		
Allowances for individually assessed impaired loans, EURm		2,0	2,0
Impaired loans, EURm		116,4	135,4
Allowances in relation to impaired loans, basis points²		2	1
Total allowances, EURm		12,1	11,1
Impaired loans, EURm		116,4	135,4
Total allowances in relation to gross impaired loans, (%) (provisioning ratio)²		10	8
CET 1 capital ³ , EURm	1 048,9	1 052,6	1 042,8
Risk exposure amount, excl. Basel I floor, EURm	4 127,3	3 135,8	3 184,4
Common Equity Tier 1 capital ratio, excl. Basel I floor³, %	25,4	33,6	32,7
Tier 1 capital ³ , EURm	1 048,9	1 052,6	1 042,8
Risk exposure amount, excl. Basel I floor, EURm	4 127,3	3 135,8	3 184,4
Tier 1 capital ratio, excl. Basel I floor³, %	25,4	33,6	32,7
Total Own funds ³ , EURm	1 262,4	1 253,8	1 247,5
Risk exposure amount, excl. Basel I floor, EURm	4 127,3	3 135,8	3 184,4
Total capital ratio, excl. Basel I floor³, %	30,6	40,0	39,2

¹ Based on IFRS 9

² Based on IAS 39

³ Excluding result of the period

Income statement

EURm	Jan-Jun 2018	Jan-Jun 2017	Full year 2017
Net interest income	108,4	91,1	192,1
Net fee and commission income	-4,7	-5,3	-11
Net result from items at fair value	-1,5	-4,3	-2,4
Other operating income	0,0	0,0	0,0
Total operating income	102,2	81,5	178,7
Staff costs	-1,0	-0,9	-1,9
Other expenses	-23,4	-23,4	-45,9
Total operating expenses	-24,4	-24,3	-47,8
Profit before loan losses	77,8	57,2	130,9
Net loan losses	-7,3	-0,3	0,7
Operating profit	70,5	56,9	131,6
Income tax expense	-15,2	-11,4	-26,3
Net profit for the period	55,3	45,5	105,3

Business volumes, key items

EURm	30 Jun 2018	30 Jun 2017	Full year 2017
Loans to the public	23 403,6	23 160,4	23 530,1
Debt securities in issue	18 366,6	17 780,5	15 469,6
Equity	1 116,1	1 123,6	1 180,5
Total assets	25 108,3	26 589,2	25 025,2