

## **Half-year financial report January-June 2024**

**Nordea Mortgage Bank Plc**

# Nordea Mortgage Bank Plc

## Introduction

Nordea Mortgage Bank Plc operates as an issuer of covered bonds in the Finnish market. Bonds issued by Nordea Mortgage Bank are covered by a pool of loans consisting mainly of Finnish housing loans.

Throughout this report, “Nordea Mortgage Bank” and “NMB” refer to Nordea Mortgage Bank Plc, business identity code 2743219-6. The registered office of the company is in Helsinki. Nordea Mortgage Bank Plc is a wholly owned subsidiary of Nordea Bank Abp, the listed parent company of the Nordea Group. The Nordea Group is referred to as “Group”.

This half-year financial report is unaudited.

## Result summary January-June 2024

Operating income in the first half of 2024 decreased by 2% and amounted to EUR 135.2m (January-June 2023 137.4). Operating expenses decreased by 6% to EUR 70.7m (75.1). Net loan losses amounted to EUR 7.1m (7.9).

NMB's operating profit was EUR 57.4m (54.5). Net profit increased by 6% and totalled EUR 46.0m (43.6). Return on equity was 5.6% (5.5) and the cost/income ratio 52% (55).

## Macroeconomic environment

Outlook for the global economy has improved during the spring, slowing down the interest rate cuts. Unemployment is still low and the demand for labour remains high. Global GDP growth is expected to be 3.1% in 2024 as a whole.

In the Euro area, the GDP has not grown and inflation pressures are expected to remain moderate. Geopolitical risks have remained high on the agenda, as they have the potential to disrupt global supply chains and weaken both business and consumer sentiment.

## Market performance in Finland in January–June 2024

High interest rates have sent the Finnish economy into a recession. Energy and food prices are lower than last year and inflation is mainly kept up by an increase in the prices of services, driven by the wage rises in 2023.

Nordea Research forecasts negative growth of 1.0% in Finland for 2024. Household purchasing power is expected to improve this year as the interest rates and inflation are expected to go down. The slump in the housing market has resulted in a clear slowdown in residential construction and the volume of construction will continue to fall.

## Mortgage business development in the first half of 2024

We saw a small uptick in the Finnish housing market over the spring. The decline in house prices has come to an end especially outside the Greater Helsinki area. Transaction volumes are still below normal and sales of new homes, in particular, are sluggish.

In the whole country the prices of old apartments were down 2.8% in May compared to the previous year but rose by 1.0% from the previous month. In the larger cities, prices were down 3.2%, whereas in the rest of Finland the prices were down 2.2%. Prices of old single-family houses decreased by 9.9% in the larger cities and by 6.0% in the rest of Finland in January to March compared to previous year

House sales are expected to gradually pick up towards the end of the year. New supply in the market is declining sharply, as the number of new residential construction starts has fallen by 50% year-on-year and was 70% lower than in 2022. This may indicate a steep increase in prices within a few years when the current oversupply has dissipated.

Average maturity of new loans was 23 years during the first half of 2024. Nordea has capped maturity at origination at 30 years with a 10% flex feature.

The Board of the FIN-FSA has decided to keep the loan cap for residential mortgage loans at 90%. For the first-home loans the level will stay at 95%. In addition, the FIN-FSA recommends limiting the stressed debt-service-to-income (DSTI) ratio at 60% of the applicant's net income.

The Finnish tradition of steady amortisation continues, with relatively short and few interest-only periods during the lifetime of the loan. The demand for instalment-free

periods and flexi credit has stayed at normal levels and the volumes remain low compared to total lending. Also the development of loans in arrears and the movements remain within the range of normal fluctuation.

### **Comments on the income statement**

(Comparison figures in brackets refer to the corresponding period in 2023.)

#### ***Operating income***

Net interest income in January-June 2024 decreased 3% compared to last year, amounting to EUR 135.8m (139.6). Interest income was EUR 698.4m (535.0) and interest expenses were EUR 562.6m (395.4).

The interest rates have remained relatively stable during the first half of 2024, with 12 month Euribor slightly above and shorter rates slightly below the 2023 end situation. Comparing to the first half of 2023, the interest rates have been significantly higher. This has increased both the interest income from the mortgages and the funding costs for NMB's operations. The pressure towards mortgage margins has remained high.

Net fee and commission income was EUR 2.9m (3.2). Commission income relates mainly to lending and amounted to EUR 6.3m (6.7). Commission expenses relate mainly to the guarantee and liquidity facility provided by Nordea Bank Abp and were EUR 3.4m (3.6).

Net result from items at fair value was EUR -3.5m (-5.4) representing ineffective portion of hedging of financial instruments.

#### ***Operating expenses***

Total operating expenses were EUR 70.7m (75.1), of which staff costs amounted to EUR 0.9 (1.1). The number of employees was 14 (15) at the end of June 2024.

Other operating expenses decreased to EUR 69.8m (74.0). These expenses consist mostly of payments for the intra-group outsourced services. The Single Resolution Board decided not to collect resolution fee in 2024. In 2023 the resolution fee amount collected was EUR 7.1m.

The cost/income ratio was 52% (55) in the first half of 2024.

#### ***Loan losses***

Net loan losses totalled EUR 7.1m (7.9) corresponding to a loan loss ratio of 4.6 basis points (5.0). Realised loan losses were EUR 2.2m (3.9) during the first half of 2024. More information can be found in Note 6 "Net loan losses" and Note 7 "Loans and impairment".

#### ***Taxes***

The effective tax rate for the first half of 2024 was 20% (20).

#### ***Net profit***

Net profit amounted to EUR 46.0 (43.6), corresponding to a return on equity of 5.6% (5.5) in the first half of the year.

### **Comments on the balance sheet**

(Comparison figures in brackets refer to year-end 2023 figures.)

NMB's balance sheet remained stable compared to year-end 2023. Total assets amounted to EUR 32.5bn (32.5).

Total lending to the public decreased 0.2% compared to the end of 2023, amounting to EUR 31.0bn (31.1).

Positive market values of derivatives amounted to EUR 0.4bn (0.4). NMB's derivatives mainly pertain to interest rate swaps.

Total liabilities amounted to EUR 30.8bn (31.0) and equity to EUR 1.8bn (1.6).

Deposits by credit institutions increased to EUR 10.6bn (10.3).

Debt securities in issue consist of covered bonds issued under the EUR 25bn Covered Bond Programme and an internal MREL loan of 0.6bn received from Nordea Bank Abp. Covered bond funding at the end of June 2024 was EUR 19.4bn (19.7).

During the first half year of 2024 NMB issued three new covered bonds totalling to EUR 2.8bn. EUR 3.0bn of the EUR 6bn covered bond retained by Nordea Bank Abp was redeemed. The combined size of the cover pools at the end of June 2024 was EUR 24.4bn (25.1) and the overcollateralization 26.1% (27.4).

### **Capital position and capital management**

At the end of June 2024, NMB's risk exposure amount (REA) was EUR 4.1bn, compared to EUR 3.9bn at year-end 2023.

In July 2024 the Group received ECB approval for new capital models for retail exposures. New models are expected to be implemented in the third quarter of this year and they will increase NMB's risk weights significantly. In May 2024, NMB received a capital injection of EUR 300m from Nordea Bank Abp, increasing the amount of invested unrestricted equity to EUR 1,350m. For further details on the impact of the new capital models, see Group half-year results page 13.

Excluding profit for the period, the Common Equity Tier 1 capital ratio stood at 42.1% and total capital ratio at 42.6% at the end of June 2024.

NMB has not included the interim profits net of any foreseeable charges or dividend in Common Equity Tier 1 capital.

### **Lending**

Total lending to the public was EUR 31.0bn (31.1) at the end of June 2024. Lending to households was 95% (94) of the total lending and totalled EUR 29.3bn (29.4). Corporate lending was EUR 1.7bn (1.7).

The level of impaired loans increased by 15.9% to EUR 313.0m from EUR 270.1m at year-end 2023.

Allowances amounted to EUR 85.2m (80.4), representing 0.26% (0.25) of total loans before allowances.

### **Off-balance sheet commitments**

NMB's off-balance sheet items consist of credit commitments amounting to EUR 183.2m (195.7) at the end of June 2024.

### **Risks and uncertainties**

Nordea Mortgage Bank's main risk exposure is credit risk. The company also assumes liquidity risk, market risk and operational risk. For further information on risk composition, see the Annual report.

NMB has maintained its strong financial position. None of the exposures and risks above are expected to have a significant adverse effect on the company or its financial position in the next six months.

There are no disputes or legal proceedings in which material claims have been lodged against the company.

### **Subsequent events**

No events have occurred after the balance sheet date that might affect the assessment of the half-year financial statements.

### Summary of items included in own funds

EURm	30 Jun 2024 <sup>2</sup>	31 Dec 2023 <sup>3</sup>	30 Jun 2023 <sup>2</sup>
Calculation of own funds			
Equity in the consolidated situation	1,717.2	1,644.2	1,552.0
Anticipated dividend		-81.4	-
Common Equity Tier 1 capital before regulatory adjustments	1,717.2	1,562.8	1,552.0
Deferred tax assets	-	-	-
Intangible assets	-	-	-
IRB provisions shortfall (-)	-16.2	-15.3	-19.9
Deduction for investments in credit institutions (50%)	-	-	-
Pension assets in excess of related liabilities <sup>1</sup>	-	-	-
Other items, net	7.5	12.0	24.7
<b>Total regulatory adjustments to Common Equity Tier 1 capital</b>	<b>-8.8</b>	<b>-3.3</b>	<b>4.8</b>
<b>Common Equity Tier 1 capital (net after deduction)</b>	<b>1,708.4</b>	<b>1,559.5</b>	<b>1,556.7</b>
Additional Tier 1 capital before regulatory adjustments	-	-	-
Total regulatory adjustments to Additional Tier 1 capital	-	-	-
<b>Additional Tier 1 capital</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Tier 1 capital (net after deduction)</b>	<b>1,708.4</b>	<b>1,559.5</b>	<b>1,556.7</b>
Tier 2 capital before regulatory adjustments	0.0	0.0	0.0
IRB provisions excess (+)	21.5	20.8	20.8
Deduction for investments in credit institutions (50%)	-	-	-
Deductions for investments in insurance companies	-	-	-
Pension assets in excess of related liabilities	-	-	-
Other items, net	-	-	-
<b>Total regulatory adjustments to Tier 2 capital</b>	<b>21.5</b>	<b>20.8</b>	<b>20.8</b>
<b>Tier 2 capital</b>	<b>21.5</b>	<b>20.8</b>	<b>20.8</b>
<b>Own funds (net after deduction)</b>	<b>1,729.9</b>	<b>1,580.3</b>	<b>1,577.5</b>

<sup>1</sup> Based on conditional FSA approval

<sup>2</sup> Excluding profit of the period

<sup>3</sup> Including profit of the period

### Capital ratios

Percentage	30 Jun 2024 <sup>1</sup>	31 Dec 2023 <sup>2</sup>	30 Jun 2023 <sup>1</sup>
CRR/CRDIV			
Common Equity Tier 1 capital ratio	42.1	39.8	39.7
Tier 1 capital ratio	42.1	39.8	39.7
Total capital ratio	42.6	40.3	40.2

<sup>1</sup> Excluding profit of the period.

<sup>2</sup> Including profit of the period.

### Leverage ratio

	30 Jun 2024 <sup>1</sup>	31 Dec 2023 <sup>2</sup>	30 Jun 2023 <sup>1</sup>
Tier 1 capital, EURm	1,708.4	1,559.5	1,556.7
Leverage ratio exposure, EURm	32,636.1	32,558.8	32,541.8
Leverage ratio, percentage	5.2	4.8	4.8

<sup>1</sup> Excluding profit of the period.

<sup>2</sup> Including profit of the period.

### Minimum capital requirement and risk exposure amount

	30 Jun 2024	30 Jun 2024	31 Dec 2023	31 Dec 2023	30 Jun 2023	30 Jun 2023
EURm	Minimum Capital requirement	REA	Minimum Capital requirement	REA	Minimum Capital requirement	REA
<b>Credit risk</b>	<b>290.3</b>	<b>3,628.3</b>	<b>280.6</b>	<b>3,508.1</b>	<b>280.7</b>	<b>3,509.3</b>
<b>IRB</b>	<b>287.3</b>	<b>3,590.8</b>	<b>277.4</b>	<b>3,467.3</b>	<b>276.8</b>	<b>3,460.6</b>
- sovereign	-	-	-	-	-	-
- corporate	28.3	354.0	28.0	349.7	28.8	359.7
- <i>advanced</i>	28.3	354.0	28.0	349.7	28.8	359.7
- retail	258.9	3,236.8	249.4	3,112.5	247.5	3,093.4
- <i>secured by immovable property collateral</i>	187.9	2,349.1	182.7	2,283.8	179.8	2,247.3
- <i>other retail</i>	71.0	887.7	66.7	833.7	67.7	846.1
- other	0.0	0.0	0.0	0.0	0.6	7.5
<b>Standardised</b>	<b>3.0</b>	<b>37.5</b>	<b>3.3</b>	<b>40.8</b>	<b>3.9</b>	<b>48.7</b>
- sovereign	3.0	37.5	3.3	40.8	3.9	48.7
<b>Operational risk (Standardised)</b>	<b>33.8</b>	<b>423.1</b>	<b>32.3</b>	<b>403.8</b>	<b>32.3</b>	<b>403.8</b>
<b>Additional risk exposure amount related to Swedish RW floor due to Article 458 CRR</b>	<b>0.7</b>	<b>8.4</b>	<b>0.8</b>	<b>10.5</b>	<b>1.0</b>	<b>12.0</b>
<b>Total</b>	<b>324.8</b>	<b>4,059.8</b>	<b>313.8</b>	<b>3,922.5</b>	<b>314.0</b>	<b>3,925.1</b>

### Minimum Capital Requirement & Capital Buffers

Percentage	Minimum Capital requirement	Capital Buffers				Capital Buffers total <sup>1</sup>	Total
		CCoB	CCyB	SII	SRB		
Common Equity Tier 1 capital	4.5	2.5	0.0	-	-	2.5	<b>7.0</b>
Tier 1 capital	6.0	2.5	0.0	-	-	2.5	<b>8.5</b>
Own funds	8.0	2.5	0.0	-	-	2.5	<b>10.5</b>
EURm							
Common Equity Tier 1 capital	187.7	101.5	0.9	-	-	102.4	<b>285.1</b>
Tier 1 capital	243.6	101.5	0.9	-	-	102.4	<b>346.0</b>
Own funds	324.8	101.5	0.9	-	-	102.4	<b>427.2</b>

<sup>1</sup>Only the maximum of the SRB and SII is used in the calculation of the total capital buffers.

## Management bodies

The composition of the Board of Directors during the year has remained as follows:

As from 1 January 2024 until 30 June 2024

- Jani Eloranta, Chair
- Kaj Blomster
- Ola Littorin
- Minna Martikainen
- Timo Nyman
- Ilkka Salonen
- Tina Sandvik, Deputy Chair

Kaj Blomster, Minna Martikainen and Ilkka Salonen are independent of Nordea Mortgage Bank Plc.

Andrea Falck was appointed as the Senior Compliance Officer in June 2024. There were no other changes in the Management Group.

Helsinki, 15 July 2024  
Board of Directors

## Income statement

EURm	Jan-Jun 2024	Jan-Jun 2023	Change %	Full year 2023
Net interest income	135.8	139.6	-3	265.7
Net fee and commission income	2.9	3.2	-9	7.4
Net result from items at fair value	-3.5	-5.4	-35	-10.9
Other operating income	0.0	0.0		0.0
<b>Total operating income</b>	<b>135.2</b>	<b>137.4</b>	<b>-2</b>	<b>262.2</b>
Staff costs	-0.9	-1.1	-13	-1.9
Other expenses	-69.8	-74.0	-6	-142.1
<b>Total operating expenses</b>	<b>-70.7</b>	<b>-75.1</b>	<b>-6</b>	<b>-144.0</b>
<b>Profit before loan losses</b>	<b>64.5</b>	<b>62.4</b>	<b>3</b>	<b>118.2</b>
Net loan losses	-7.1	-7.9	-10	-16.4
<b>Operating profit</b>	<b>57.4</b>	<b>54.5</b>	<b>5</b>	<b>101.8</b>
Income tax expense	-11.4	-10.9	4	-20.4
<b>Net profit for the period</b>	<b>46.0</b>	<b>43.6</b>	<b>-16</b>	<b>81.4</b>

## Business volumes, key items<sup>1</sup>

EURm	30 Jun 2024	30 Jun 2023	Change %	31 Dec 2023	Change %
Loans to the public	30,995.4	31,541.1	-2	31,066.0	0
Debt securities in issue	19,474.1	21,062.6	-8	19,931.4	-2
Equity	1,763.1	1,595.5	11	1,562.8	13
Total assets	32,513.5	32,831.9	-1	32,524.3	0

<sup>1</sup> End of period

## Ratios and key figures<sup>1</sup>

	Jan-Jun 2024	Jan-Jun 2023	Full year 2023
Return on equity <sup>2</sup> %	5.6	5.5	5.1
Cost/income ratio <sup>2</sup> , %	52	55	55
Loan loss ratio, basis points <sup>2</sup>	4.6	5.0	5.3
Common Equity Tier 1 capital ratio <sup>2</sup> , %	42.1	39.7	39.8
Tier 1 capital ratio <sup>2</sup> , %	42.1	39.7	39.8
Total capital ratio <sup>2</sup> , %	42.6	40.2	40.3
Tier 1 capital <sup>2</sup> , EURm	1,708.4	1,556.7	1,559.5
Risk exposure amount, EURm	4,059.8	3,925.1	3,922.5
Number of employees (full-time equivalents) <sup>2</sup>	14	15	14

<sup>1</sup> For more detailed information regarding ratios and key figures defined as Alternative performance measures, see [www.nordea.com/en/investor-relations/](http://www.nordea.com/en/investor-relations/).

<sup>2</sup> End of period.



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## Income statement

EURm	Note	Jan-Jun 2024	Jan-Jun 2023	Full year 2023
<b>Operating income</b>				
Interest income		698.4	535.0	1,206.1
Interest expense		-562.6	-395.4	-940.5
<b>Net interest income</b>	2	<b>135.8</b>	<b>139.6</b>	<b>265.7</b>
Fee and commission income		6.3	6.7	13.7
Fee and commission expense		-3.4	-3.6	-6.3
<b>Net fee and commission income</b>	3	<b>2.9</b>	<b>3.2</b>	<b>7.4</b>
Net result from items at fair value	4	-3.5	-5.4	-10.9
Other operating income		0.0	0.0	0.0
<b>Total operating income</b>		<b>135.2</b>	<b>137.4</b>	<b>262.2</b>
<b>Operating expenses</b>				
General administrative expenses:				
- Staff costs		-0.9	-1.1	-1.9
- Other expenses	5	-69.8	-74.0	-142.1
Depreciation of tangible assets		0.0	0.0	0.0
<b>Total operating expenses</b>		<b>-70.7</b>	<b>-75.1</b>	<b>-144.0</b>
<b>Profit before loan losses</b>		<b>64.5</b>	<b>62.4</b>	<b>118.2</b>
Net loan losses	6	-7.1	-7.9	-16.4
<b>Operating profit</b>		<b>57.4</b>	<b>54.5</b>	<b>101.8</b>
Income tax expense		-11.4	-10.9	-16.4
<b>Net profit for the period</b>		<b>46.0</b>	<b>43.6</b>	<b>81.4</b>
<b>Attributable to shareholders of Nordea Mortgage Bank Plc</b>		<b>46.0</b>	<b>43.6</b>	<b>81.4</b>

## Statement of comprehensive income

EURm	Jan-Jun 2024	Jan-Jun 2023	Full year 2023
<b>Net profit for the period</b>	<b>46.0</b>	<b>43.6</b>	<b>81.4</b>
<b>Items that may be reclassified subsequently to the income statement</b>			
Cash flow hedges:			
-Valuation gains/losses during the period, net of recycling	5.4	2.1	15.8
-Tax on valuation gains/losses during the period	-1.1	-0.4	-3.2
<b>Items that may not be reclassified subsequently to the income statement</b>			
Defined benefit plans:			
-Remeasurement of defined benefit plans	0.0	0.0	0.0
-Tax on remeasurement of defined benefit plans	0.0	0.0	0.0
<b>Other comprehensive income, net of tax</b>	<b>4.4</b>	<b>1.7</b>	<b>12.6</b>
<b>Total comprehensive income</b>	<b>50.4</b>	<b>45.3</b>	<b>94.1</b>
<b>Attributable to shareholders of Nordea Mortgage Bank Plc</b>	<b>50.4</b>	<b>45.3</b>	<b>94.1</b>

## Balance sheet

EURm	Note	30 Jun 2024	31 Dec 2023	30 Jun 2023
<b>Assets</b>				
Cash and balances with central banks		257.1	201.4	0.1
Loans to credit institutions <sup>1</sup>	7	1,112.0	1,042.1	813.9
Loans to the public	7	30,995.4	31,066.0	31,541.1
Fair value changes of the hedged items in portfolio hedges of interest rate risk		-302.0	-288.2	-526.2
Interest bearing securities		-	-	305.6
Derivatives <sup>1</sup>		401.4	449.8	546.3
Property and equipment		0.0	0.0	0.0
Deferred tax assets		15.0	16.3	19.5
Other assets <sup>1</sup>		21.8	27.9	125.7
Prepaid expenses and accrued income <sup>1</sup>		12.8	9.0	6.1
<b>Total assets</b>		<b>32,513.5</b>	<b>32,524.3</b>	<b>32,831.9</b>
<b>Liabilities</b>				
Deposits by credit institutions <sup>1</sup>		10,619.0	10,297.3	9,114.5
Debt securities in issue <sup>2</sup>		19,474.1	19,931.4	21,062.6
Derivatives <sup>1</sup>		610.4	588.8	964.5
Current tax liabilities		1.8	0.5	0.5
Other liabilities <sup>1</sup>		25.7	96.5	63.8
Accrued expenses and prepaid income <sup>1</sup>		19.3	46.9	30.3
Provisions		0.0	0.1	0.0
Retirement benefit liabilities		0.1	0.0	0.2
<b>Total liabilities</b>		<b>30,750.4</b>	<b>30,961.5</b>	<b>31,236.4</b>
<b>Equity</b>				
Share capital		250.0	250.0	250.0
Other reserves		1,339.2	1,184.8	1,174.0
Retained earnings		173.9	128.0	171.5
<b>Total equity</b>		<b>1,763.1</b>	<b>1,562.8</b>	<b>1,595.5</b>
<b>Total liabilities and equity</b>		<b>32,513.5</b>	<b>32,524.3</b>	<b>32,831.9</b>

<sup>1</sup> Loans to credit institutions, Derivatives, Other assets, Prepaid expenses and accrued income and Deposit by credit institutions comprise solely items where the counterparty is Nordea Bank Abp. Other liabilities and Accrued expenses and prepaid income comprise mainly items where the counterparty is Nordea Bank Abp.

<sup>2</sup> Debt securities in issue comprises EUR 3.0bn covered bond retained by Nordea Bank Abp and EUR 0.6bn MREL loan issued to Nordea Bank Abp in addition to the externally issued covered bonds.

## Statement of changes in equity

### Attributable to the shareholders of Nordea Mortgage Bank Plc

EURm	Share capital <sup>1</sup>	Cash flow hedges	Other reserves:		Retained earnings	Total equity
			Invested unrestricted equity	Defined benefit plans		
<b>Balance at 1 Jan 2024</b>	<b>250.0</b>	<b>-15.3</b>	<b>1,200.0</b>	<b>0.1</b>	<b>128.0</b>	<b>1,562.8</b>
Net profit for the period	-	-	-	-	46.0	46.0
Other comprehensive income, net of tax	-	4.3	-	0.0	-	4.4
Total comprehensive income	0.0	4.3	-	0.0	46.0	50.4
Other changes	-	-	150.0 <sup>1</sup>	-	0.0	150.0
<b>Balance at 30 Jun 2024</b>	<b>250.0</b>	<b>-11.0</b>	<b>1,350.0</b>	<b>0.1</b>	<b>174.0</b>	<b>1,763.2</b>

<sup>1</sup> Capital injection of EUR 150m from the parent entity

### Attributable to the shareholders of Nordea Mortgage Bank Plc

EURm	Share capital <sup>1</sup>	Cash flow hedges	Other reserves:		Retained earnings	Total equity
			Invested unrestricted equity	Defined benefit plans		
<b>Balance at 1 Jan 2023</b>	<b>250.0</b>	<b>-27.9</b>	<b>1,200.0</b>	<b>0.1</b>	<b>127.9</b>	<b>1,550.1</b>
Net profit for the period	-	-	-	-	81.4	81.4
Other comprehensive income, net of tax	-	12.6	-	0.0	-	12.6
Total comprehensive income	-	12.6	-	0.0	81.4	94.1
Anticipated dividend	-	-	-	-	-81.4	-81.4
Other changes	-	-	-	-	0.1	0.1
<b>Balance at 31 Dec 2023</b>	<b>250.0</b>	<b>-15.3</b>	<b>1,200.0</b>	<b>0.1</b>	<b>128.0</b>	<b>1,562.8</b>

### Attributable to the shareholders of Nordea Mortgage Bank Plc

EURm	Share capital <sup>1</sup>	Cash flow hedges	Other reserves:		Retained earnings	Total equity
			Invested unrestricted equity	Defined benefit plans		
<b>Balance at 1 Jan 2023</b>	<b>250.0</b>	<b>-27.9</b>	<b>1,200.0</b>	<b>0.1</b>	<b>127.9</b>	<b>1,550.1</b>
Net profit for the period	-	-	-	-	43.6	43.6
Other comprehensive income, net of tax	-	1.7	-	0.0	-	1.7
Total comprehensive income	0.0	1.7	0.0	0.0	43.6	45.3
Other changes	-	-	-	-	0.0	0.0
<b>Balance at 30 Jun 2023</b>	<b>250.0</b>	<b>-26.2</b>	<b>1,200.0</b>	<b>0.1</b>	<b>171.5</b>	<b>1,595.5</b>

<sup>1</sup> Total shares registered were 257.7 million (31 Dec 2023 257.7 million).

## Cash flow statement, condensed

EURm	Jan-Jun 2024	Jan-Jun 2023	Full year 2023
<b>Operating activities</b>			
Operating profit	57.4	54.5	101.8
Adjustments for items not included in cash flow	-140.9	-181.4	113.9
Income taxes paid	-9.9	-14.5	-23.6
<b>Cash flow from operating activities before changes in operating assets and liabilities</b>	<b>-93.3</b>	<b>-141.4</b>	<b>192.1</b>
Changes in operating assets and liabilities	136.1	-934.1	-846.7
<b>Cash flow from operating activities</b>	<b>42.8</b>	<b>-1,075.5</b>	<b>-654.6</b>
<b>Financing activities</b>			
Dividend paid	-81.4	-87.1	-87.1
Other changes	154.3	1.8	0.0
<b>Cash flow from financing activities</b>	<b>72.9</b>	<b>-85.3</b>	<b>-87.0</b>
<b>Cash flow for the period</b>	<b>115.7</b>	<b>-1,160.7</b>	<b>-741.6</b>

### Cash and cash equivalents

EURm	30 Jun 2024	30 Jun 2023	31 Dec 2023
Cash and cash equivalents at beginning of the period	640.7	1,382.3	1,382.3
Cash and cash equivalents at end of the period	756.4	221.5	640.7
<b>Change</b>	<b>115.7</b>	<b>-1,160.7</b>	<b>-741.6</b>

The following items are included in cash and cash equivalents:

Cash and balances with central banks	257.1	0.1	201.4
Loans to credit institutions, payable on demand	499.3	221.4	439.3
<b>Total cash and cash equivalents</b>	<b>756.4</b>	<b>221.5</b>	<b>640.7</b>

Cash comprises legal tender and bank notes. Balances with central banks consist of deposits in accounts with Bank of Finland, when the balance on the account is readily available at any time.

Loans to credit institutions, payable on demand consist of deposits in accounts with Nordea Bank Abp, when the balance is readily available at any time.

## Notes to the financial statements

### Note 1 Accounting policies

Nordea Mortgage Bank's half-year condensed financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting", as endorsed by the European Union (EU).

The report includes a condensed set of financial statements and is to be read in conjunction with the audited financial statements for the year ended 31 December 2023. The accounting policies and methods of computation are unchanged from the 2023 Annual Report. For more information see Note 1 in the 2023 Annual Report.

This half-year report is unaudited.

### Critical judgements and estimation uncertainty

NMB applied significant critical judgements in the preparation of the half-year financial statements. More information on where critical judgements are generally applied and where estimation uncertainty exists can be found in Note 1 in the Annual Report 2023.

## Note 2 Net interest income

EURm	Jan-Jun 2024	Jan-Jun 2023	Full year 2023
<b>Interest income</b>			
<i>Interest income from financial instruments calculated using the effective interest method</i>			
Loans to credit institutions	30.6	17.6	39.4
Loans to the public	629.1	415.1	1,011.2
Yield fees	5.4	5.8	11.9
Net interest paid or received on derivatives in accounting hedges of assets	33.5	89.1	18.7
Other interest income	0.0	1.2	7.6
<i>Other</i>			
Net interest income from derivatives	0.0	4.1	5.3
<b>Interest income</b>	<b>698.4</b>	<b>535.0</b>	<b>1,206.1</b>
<b>Interest expense</b>			
<i>Interest expense from financial instruments calculated using the effective interest method</i>			
Deposits by credit institutions	-206.5	-130.7	-325.8
Debt securities in issue	-256.0	-202.6	-452.6
Net interest paid or received on derivatives in hedges of liabilities	-100.1	-55.4	-149.2
Other interest expenses	-0.0	-6.6	-12.8
<b>Interest expense</b>	<b>-562.6</b>	<b>-395.4</b>	<b>-940.5</b>
<b>Net interest income</b>	<b>135.8</b>	<b>139.6</b>	<b>265.7</b>

Interest on impaired loans amounted to EUR 2.7m (1.8).

## Note 3 Net fee and commission income

EURm	Jan-Jun 2024	Jan-Jun 2023	Full year 2023
Securities issuance expenses	-0.6	-0.4	-0.7
Loan servicing fee income	6.3	6.7	13.7
Guarantee and liquidity facility fee expenses	-2.8	-3.2	-5.7
<b>Total</b>	<b>2.9</b>	<b>3.2</b>	<b>7.4</b>

## Note 4 Net result from items at fair value

Net result from categories of financial instruments	Jan-Jun 2024	Jan-Jun 2023	Full year 2023
EURm			
Financial assets at fair value through other comprehensive income <sup>1</sup>	-	-1.5	2.6
Financial assets and liabilities mandatorily at fair value through profit or loss	-128.6	-55.1	180.8
Financial assets at amortised cost <sup>2</sup>	-18.2	98.9	333.6
Financial liabilities at amortised cost <sup>2</sup>	143.3	-47.7	-527.9
Foreign exchange gains/losses excluding currency hedges	0.0	0.1	0.0
<b>Total</b>	<b>-3.5</b>	<b>-5.4</b>	<b>-10.9</b>

<sup>1</sup> NMB held interest-bearing debt securities during 2023 as liquidity buffer, which was replaced by central bank balances before the year-end.

<sup>2</sup> These rows comprise mostly fair value changes of hedged amortised cost assets or liabilities in hedges of interest rate risk. More information can be found in NMB Annual Report 2023.

## Note 5 Other expenses

EURm	Jan-Jun 2024	Jan-Jun 2023	Full year 2023
Resolution fee	-	-7.1	-6.5
Information technology	0.0	0.0	0.0
Marketing and representation	0.0	0.0	0.0
Postage, transportation, telephone and office expenses	0.0	0.0	0.0
Rents, premises and real estate	0.0	0.0	0.0
Fees for the outsourced services provided by the parent company	-68.9	-66.0	-134.1
Other	-0.9	-0.8	-1.5
<b>Total</b>	<b>-69.8</b>	<b>-74.0</b>	<b>-142.1</b>

The Single Resolution Board has decided not to collect resolution fee in 2024.

## Note 6 Net loan losses

EURm	Jan-Jun 2024	Jan-Jun 2023	Full year 2023
Net loan losses, stage 1	-0.3	0.5	1.1
- of which off-balance sheet items	0.0	0.0	0.0
Net loan losses, stage 2	-0.5	-1.0	-3.9
- of which off-balance sheet items	-0.0	-0.0	0.1
<b>Net loan losses, non-defaulted</b>	<b>-0.8</b>	<b>-0.4</b>	<b>-2.8</b>
<b>Stage 3, defaulted</b>			
Net loan losses, individually assessed, collectively calculated	-4.1	-3.8	-6.4
Realised loan losses	-2.7	-3.9	-7.7
Decrease of provisions to cover realised loan losses	0.0	0.0	0.0
Recoveries on previous realised loan losses	0.4	0.2	0.5
New/increase in provisions	0.0	0.0	0.0
Reversal of provisions	0.0	0.0	0.0
<b>Net loan losses, defaulted</b>	<b>-6.3</b>	<b>-7.5</b>	<b>-13.6</b>
<b>Net loan losses</b>	<b>-7.1</b>	<b>-7.9</b>	<b>-16.4</b>

## Key ratios

	Jan-Jun 2024	Jan-Jun 2023	Full year 2023
Loan loss ratio, basis points <sup>1</sup>	4.6	5.0	5.3
- of which stages 1 and 2	0.5	0.3	0.9
- of which stage 3	4.1	4.7	4.4

<sup>1</sup> Net loan losses (annualised) divided by closing balance of loans to the public (lending) measured at amortised cost.

## Note 7 Loans and impairment

The credit quality of NMB's loan book has remained strong throughout the first half of 2024. The Nordea Group level method for impairment is applied in NMB. Macro-economic scenarios have been updated. Furthermore, a thorough review of NMB's loan book has been concluded.

EURm	30 Jun 2024	31 Dec 2023	30 Jun 2023
Loans measured at amortised cost, not impaired (stage 1 and 2)	31,879.6	31,918.30	32,192.8
Impaired loans (stage 3)	313.0	270.1	237.4
- of which servicing	31.7	27.6	24.5
- of which non-servicing	281.4	242.5	212.9
<b>Loans before allowances</b>	<b>32,192.6</b>	<b>32,188.4</b>	<b>32,430.2</b>
- of which credit institutions	1,112.0	1,042.1	813.9
Allowances for impaired loans (stage 3)	-54.7	-50.6	-48.0
- of which servicing	-2.9	-2.8	-3.5
- of which non-servicing	-51.8	-47.8	-44.5
Allowances for not impaired loans (stage 1 and 2)	-30.6	-29.8	-27.3
<b>Allowances</b>	<b>-85.2</b>	<b>-80.4</b>	<b>-75.3</b>
- of which credit institutions	-	-	-
<b>Loans, carrying amount</b>	<b>32,107.4</b>	<b>32,108.0</b>	<b>32,354.9</b>

### Movements of allowance accounts for loans measured at amortised cost

EURm	Stage 1	Stage 2	Stage 3	Total
<b>Balance at 1 Jan 2024</b>	<b>-3.5</b>	<b>-26.3</b>	<b>-50.6</b>	<b>-80.4</b>
Changes due to origination and acquisition	-0.6	-	-	-0.6
Transfers from stage 1 to stage 2	0.3	-9.7	-	-9.4
Transfers from stage 1 to stage 3	0.0	-	-1.7	-1.7
Transfers from stage 2 to stage 1	-0.4	6.2	-	5.8
Transfers from stage 2 to stage 3	-	1.7	-6.7	-5.0
Transfers from stage 3 to stage 1	0.0	-	0.2	0.2
Transfers from stage 3 to stage 2	-	-0.7	3.3	2.6
Changes due to change in credit risk (net)	0.1	0.7	-0.9	-0.1
Changes due to repayments and disposals	0.2	1.4	1.7	3.3
<b>Balance at 30 Jun 2024</b>	<b>-3.8</b>	<b>-26.8</b>	<b>-54.7</b>	<b>-85.2</b>

EURm	Stage 1	Stage 2	Stage 3	Total
<b>Balance at 1 Jan 2023</b>	<b>-4.6</b>	<b>-22.3</b>	<b>-44.2</b>	<b>-71.1</b>
Changes due to origination and acquisition	-0.5	-	-	-0.5
Transfers from stage 1 to stage 2	0.5	-8.9	-	-8.4
Transfers from stage 1 to stage 3	0.0	-	-2.0	-1.9
Transfers from stage 2 to stage 1	-0.3	5.9	-	5.5
Transfers from stage 2 to stage 3	-	1.0	-6.1	-5.1
Transfers from stage 3 to stage 1	0.0	-	0.7	0.7
Transfers from stage 3 to stage 2	-	-0.6	4.8	4.2
Changes due to change in credit risk (net)	0.5	0.5	-3.1	-2.0
Changes due to repayments and disposals	0.2	1.1	1.9	3.2
<b>Balance at 30 Jun 2023</b>	<b>-4.1</b>	<b>-23.2</b>	<b>-48.0</b>	<b>-75.3</b>

Key ratios <sup>1</sup>	30 Jun 2024	31 Dec 2023	30 Jun 2023
Impairment rate (stage 3), gross, basis points	97	84	73
Impairment rate (stage 3), net, basis points	80	68	58
Total allowance rate (stage 1, 2 and 3), basis points	26	25	23
Allowances in relation to impaired loans (stage 3), %	17	19	20
Allowances in relation to loans in stage 1 and 2, basis points	10	9	8

<sup>1</sup> For definitions, see Glossary



## Note 8 Classification of financial instruments

EURm	Amortised cost	Mandatorily at fair value through profit or loss	Non-financial assets	Total
<b>Assets</b>				
Cash and balances with central banks	257.1	-	-	257.1
Loans to credit institutions	1,112.0	-	-	1,112.0
Loans to the public	30,995.4	-	-	30,995.0
Derivatives	-	401.4	-	401.4
Fair value changes of the hedged items in portfolio hedges of interest rate risk	-302.0	-	-	-302.0
Property and equipment			0.0	0.0
Deferred tax assets			15.0	15.0
Other assets	21.1		0.7	21.8
Prepaid expenses and accrued income	12.8	-	-	12.8
<b>Total 30 Jun 2024</b>	<b>32,096.4</b>	<b>401.4</b>	<b>15.7</b>	<b>32,513.5</b>
Total 31 Dec 2023	32,055.8	449.8	18.7	32,524.3

EURm	Amortised cost	Mandatorily at fair value through profit or loss	Non-financial assets	Total
<b>Liabilities</b>				
Deposits by credit institutions	10,619.0	-	-	10,619.0
Debt securities in issue	19,474.1	-	-	19,474.1
Derivatives	-	610.4	-	610.4
Current tax liabilities			1.8	1.8
Other liabilities	0.2	-	25.5	25.7
Accrued expenses and prepaid income	0.4	-	18.9	19.3
Provisions			0.1	0.1
Retirement benefit obligations	-	-	0.0	0.0
<b>Total 30 Jun 2024</b>	<b>30,093.7</b>	<b>610.4</b>	<b>46.3</b>	<b>30,750.4</b>
Total 31 Dec 2023	30,229.3	588.8	143.5	30,961.6

## Note 9 Assets and liabilities at fair value

### Fair value of financial assets and liabilities

EURm	30 Jun 2024		31 Dec 2023	
	Carrying amount	Fair value	Carrying Amount	Fair value
<b>Financial assets</b>				
Cash and balances with central banks	257.1	257.1	201.3	201.3
Loans	31,805.4	32,265.0	31,819.9	32,126.1
Derivatives	401.4	401.4	449.8	449.8
- Valued using observable data (Level 2)	397.9	397.9	444.4	444.4
- Valued using non-observable data (Level 3)	3.5	3.5	5.5	5.5
Other assets	21.1	21.1	25.5	25.5
Prepaid expenses and accrued income	12.8	12.8	9.0	9.0
<b>Total financial assets</b>	<b>32,497.8</b>	<b>32,957.4</b>	<b>32,505.6</b>	<b>32,811.9</b>
<b>Financial liabilities</b>				
Deposits and debt instruments	30,093.1	30,192.9	30,587.2	30,576.2
Derivatives	610.4	610.4	588.8	588.8
- Valued using observable data (Level 2)	589.5	589.5	568.3	568.3
- Valued using non-observable data (Level 3)	20.9	20.9	20.5	20.5
Other liabilities	0.2	0.2	0.2	0.2
Accrued expenses and prepaid income	0.4	0.4	0.3	0.3
<b>Total financial liabilities</b>	<b>30,704.1</b>	<b>30,803.9</b>	<b>31,176.5</b>	<b>31,165.5</b>

The determination of fair value is described in the Annual Report 2023, Note 23 "Assets and liabilities at fair value". The fair value for loans has been estimated by discounting the expected future cash flows with an assumed customer interest rate that would have been used on the market if the loans had been issued at the time of the measurement. The assumed customer interest rate is calculated as the benchmark interest rate plus the average margin on new lending.

#### Assets and liabilities held at fair value

Derivatives are measured at fair value on a recurring basis at the end of each reporting period mainly through valuation technique using observable data (IFRS fair value hierarchy level 2). Level 2 in the fair value hierarchy consists of assets and liabilities that do not have directly quoted market prices available from active markets. The fair values are based on quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets that are not active. Alternatively, the fair values are estimated using valuation techniques or valuation models based on market prices or rates prevailing at the balance sheet date and where any unobservable inputs have had an insignificant impact on the fair values.

Level 3 in the fair value hierarchy consists of those types of assets and liabilities for which fair values cannot be obtained directly from quoted market prices or indirectly using valuation techniques or models supported by observable market prices or rates.

## Glossary

### **Cost/income ratio**

Total operating expenses divided by total operating income.

### **Cover pool**

Loans with mortgage collateral that serve as collateral for covered bonds and that are entered in a bond register.

### **Loan loss ratio**

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

### **Impairment rate (stage 3) gross, basis points**

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

### **Impairment rate (stage 3) net, basis points**

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

### **Total allowance rate (stage 1, 2 and 3), basis points**

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

### **Allowances in relation to credit impaired loans (stage 3), %**

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

### **Allowances in relation to loans in stage 1 and 2, basis points**

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

### **Return on equity (ROE)**

Net profit for the year as a percentage of average equity for the year. Average equity including net profit for the year and dividend until paid.

### **Risk exposure amount**

Total assets and off-balance-sheet items valued on the basis of the credit and market risks, as well as the operational risks in accordance with regulations governing capital adequacy, excluding carrying amount of shares which have been deducted from the capital base and intangible assets.

### **Tier 1 capital**

The Tier 1 capital of an institution consists of the sum of the Common Equity Tier 1 capital and Additional Tier 1 capital of the institution. Common Equity Tier 1 capital includes 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 ratio**

Tier 1 capital as a percentage of risk exposure amount. The Common Equity Tier 1 capital ratio is calculated as Common Equity Tier 1 capital as a percentage of risk exposure amount.

### **Total capital ratio**

Own funds as a percentage of risk exposure amount.