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Nordea signs corporate and SME loan securitisation

Nordea Bank Abp (“Nordea”) is entering into a synthetic risk sharing transaction, referencing EUR 5.1bn of Nordea’s loan portfolio. As part of the transaction, investors will purchase credit linked notes referencing the first loss tranche of the portfolio.

- Risk sharing transactions constitute a core part of the toolbox that enables Nordea to free up capital at attractive rates for redeployment into our core business, says Mark Kandborg, Head of Group Treasury and ALM.

The transaction strengthens Nordea’s role as the number one provider of credit to the Nordic economies (ibid.).

- Nordea has during the fall worked closely with several experienced investors demonstrating their strong support in our processes and business models. This transaction supports one of Nordea’s key priorities – to drive income growth initiatives, says Jonas Bäcklund, Head of Group Structuring, Treasury and ALM.

In contrast to an outright sale of loan portfolios, all assets will remain on our balance sheet and Nordea continues to service the loans. Nordea will therefore maintain all facets of its customer relationships. Pursuant to the transaction, the buyers of the credit linked notes are sharing the risk of credit losses of the reference portfolio up to a pre agreed amount.

The credit loss protection amount is sized to be sufficient to cover expected and certain unexpected losses, relieving Nordea from the associated risks. The transaction is priced at an attractive cost of capital for Nordea, which reflects the low credit risk associated with Nordic corporate lending as well as a high degree of confidence in Nordea’s credit origination and risk management processes by the investors.

The selected portfolio consists of approximately EUR 5.1bn in corporate and SME loans from over 2,000 borrowers across the Nordic markets, spread across a wide range of industries and asset classes. No specific industry class was targeted for the transaction.

The transaction is arranged by joint arrangers J.P. Morgan and Nordea, and will close in January 2020

For further information:

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