



Nordea

Debt investor presentation Q2 2018

The Euromoney / ECBC Covered Bond Congress 2018, Munich

Disclaimer

This presentation contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. Although Nordea believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of various factors.

Important factors that may cause such a difference for Nordea include, but are not limited to: (i) the macroeconomic development, (ii) change in the competitive climate, (iii) change in the regulatory environment and other government actions and (iv) change in interest rate and foreign exchange rate levels.

This presentation does not imply that Nordea has undertaken to revise these forward-looking statements, beyond what is required by applicable law or applicable stock exchange regulations if and when circumstances arise that will lead to changes compared to the date when these statements were provided.

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Nordea in brief

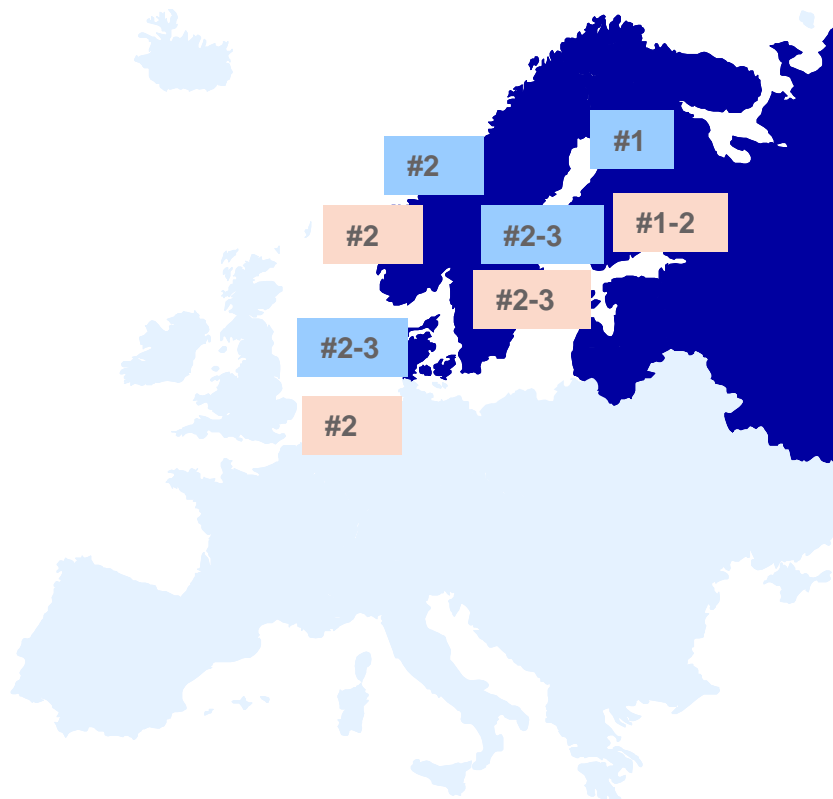
The largest financial services group in the Nordics

Household market position*

#1

Corporate & Institutional market position**

#1



Business position

- Leading market position in all four Nordic countries
- Universal bank with strong position in household, corporate and wealth management
- Well diversified business mix between net interest income, net commission income and capital markets income

11 million customers and strong distribution power

- Approx. 10 million household customers
- 700 000 corporate customers, including Nordic Top 500
- Approx. 450 branch office locations
- Enhanced digitalisation of the business for customers

Financial strength

- EUR 9.5bn in full year income (2017)
- EUR 570bn of assets (Q2 2018)
- EUR 31.9bn in equity capital (Q2 2018)
- CET1 ratio 19.9% (Q2 2018)

AA level credit ratings

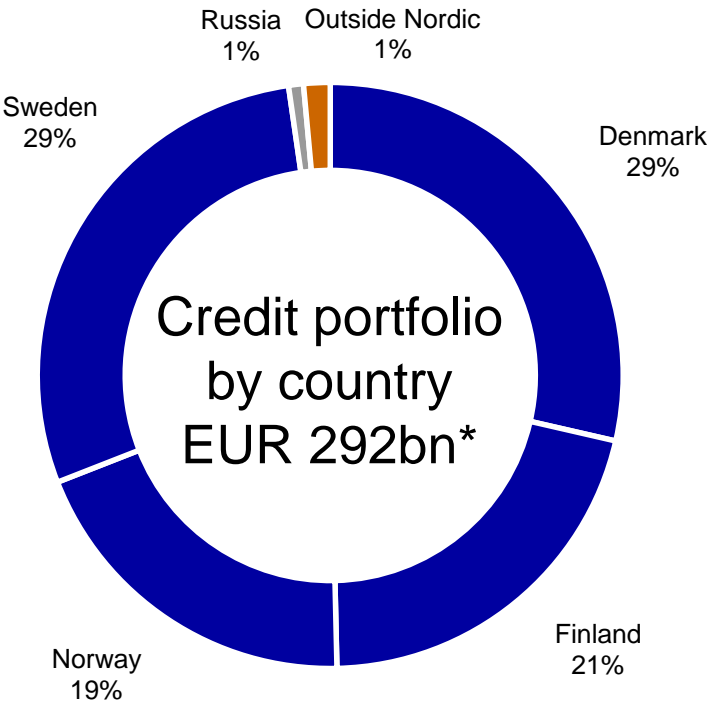
- Moody's Aa3 (stable outlook)
- S&P AA- (stable outlook)
- Fitch AA- (stable outlook)

EUR 33.5bn in market cap (Q2 2018)

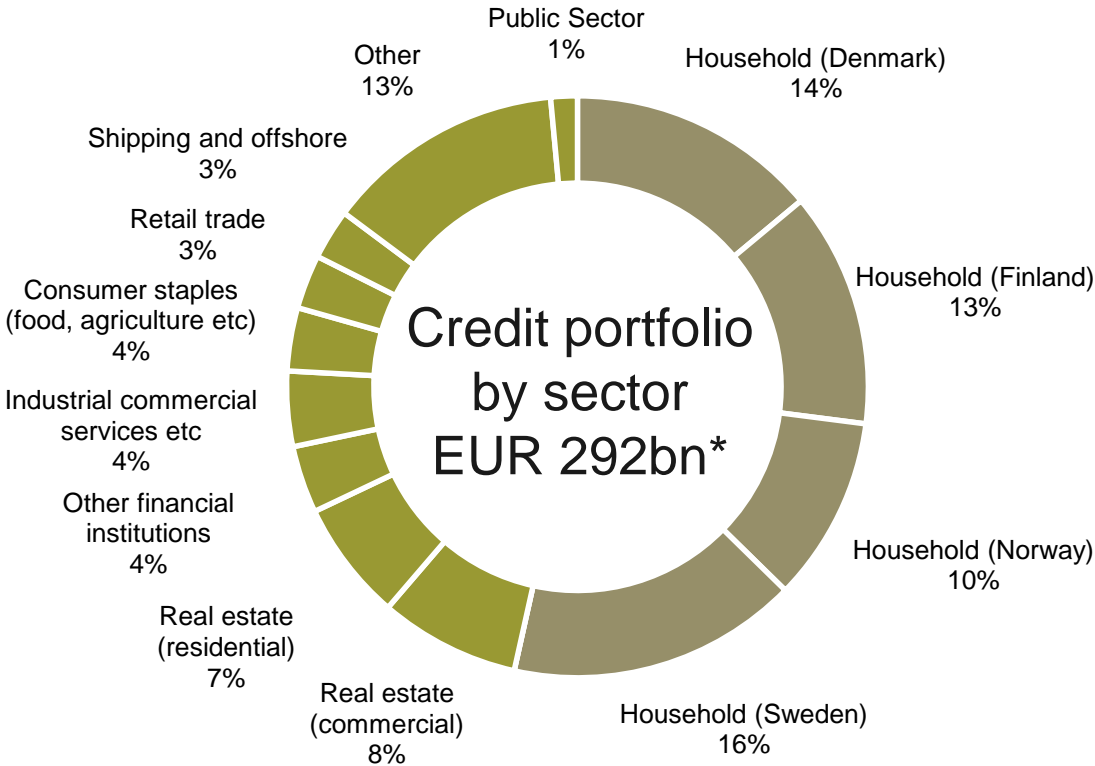
- One of the largest Nordic corporations
- A top-10 universal bank in Europe

Nordea is the most diversified bank in the Nordics

A Nordic-centric portfolio (98%)

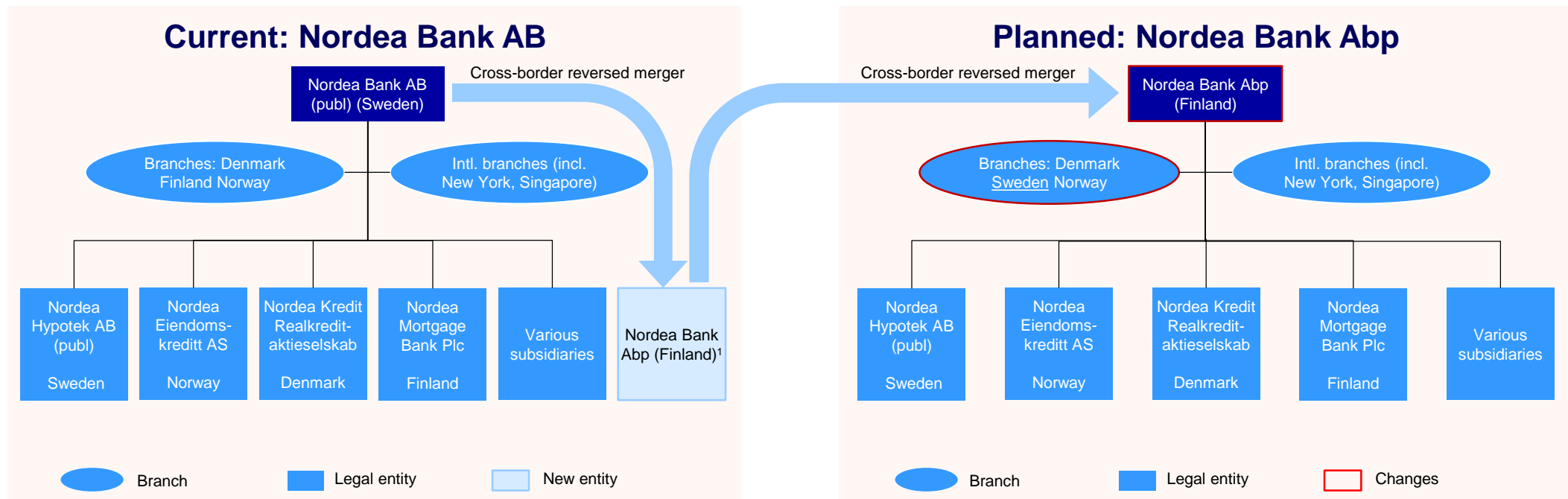


Lending: 47% Corporate and 53% Household

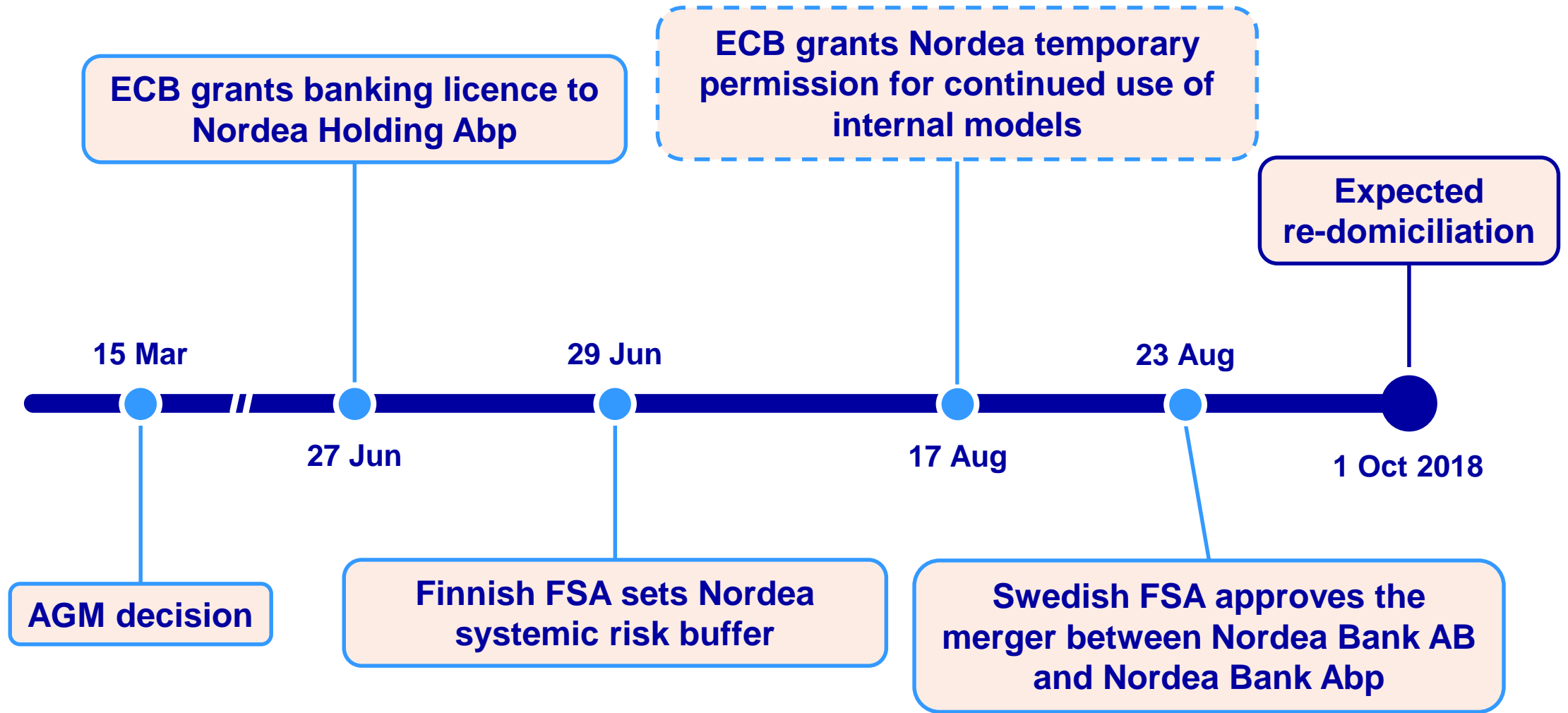


Re-domiciliation of the parent company to Finland

- The re-domiciliation will be carried out by way of a cross-border reversed merger through which Nordea Bank AB (publ) will be **merged into a newly established Finnish subsidiary**
- Nordea Board of Directors has on 25 October 2017 **signed the merger plan**
- Nordea **AGM approved** the proposal to re-domicile on 15 March 2018
- Ongoing work with relevant authorities and the re-domiciliation is planned to be effective as of **1 October 2018**



Re-domiciliation process according to plan



Nordea's sustainability work, initiated more than 15 years ago, further enhanced from 2015

Nordea's publicly stated commitments, examples

- The UN Environment Program Finance Initiative
- The UN Global Compact
- The United Nations' Universal Declaration of Human Rights
- The UN Guiding Principles on Business and Human Rights
- The ILO-conventions
- The OECD Guidelines for Multinational Enterprises
- The Equator Principles
- Paris Pledge for Action in support of COP 21
- The UN Convention against Corruption
- The Rio Declaration on Environment and Development
- The UN Principles for Responsible Investments

Sustainability acknowledgements

 eekom research

Company Rating: C (A+ to D-)*

 SUSTAINALYTICS

ESG Score: 81 (out of 100)**

 MSCI

ESG Rating: A (AAA-CCC)

Enhanced ESG focus from 2015

- Business Ethics & Values Committee established (2015)
- New Corporate Values Framework (2017)
- Green Bond Framework (2017)
- Inaugural Green Bond issuance (2017)
- Climate Change Position Paper (2017)
- First Sustainable Finance Conference (2017)
- New Sustainability Policy (2017)
- New Group Sustainable Finance organization (2018)
- Sector Guideline for Defence Industry (2018)
- Green Bond Impact Report (2018)

Nordea ESG evaluation process in financing

The Nordea ESG evaluation process includes an assessment of large corporate borrowers with respect to:

- Governance
- Environmental, health and safety management processes
- Social aspects including human and labour rights
- Potential controversies

Financial results highlights

Nordea

Improved customer satisfaction and business momentum

- Stabilising trend in NII
- Positive signs in volume development in most sectors
- Strong trend in corporate advisory service

Delivering on the cost targets

Strong credit quality

Capital ratios at all-time-high

Major improvements in compliance

2018 outlook

- Reported net profit for 2018 to be higher vs 2017
- Unlikely that recurrent revenues in 2018 will reach the 2017 level*
- Confident to reach cost target for 2018 of EUR 4.9bn
- Loan losses in the coming quarters are expected to be lower than the long-term average

Planned acquisition of Gjensidige Bank – strategic partnership with Gjensidige Forsikring

* 2017 revenues adjusted for the deconsolidation of the Baltic operations and Nordea Life and Pension in Denmark

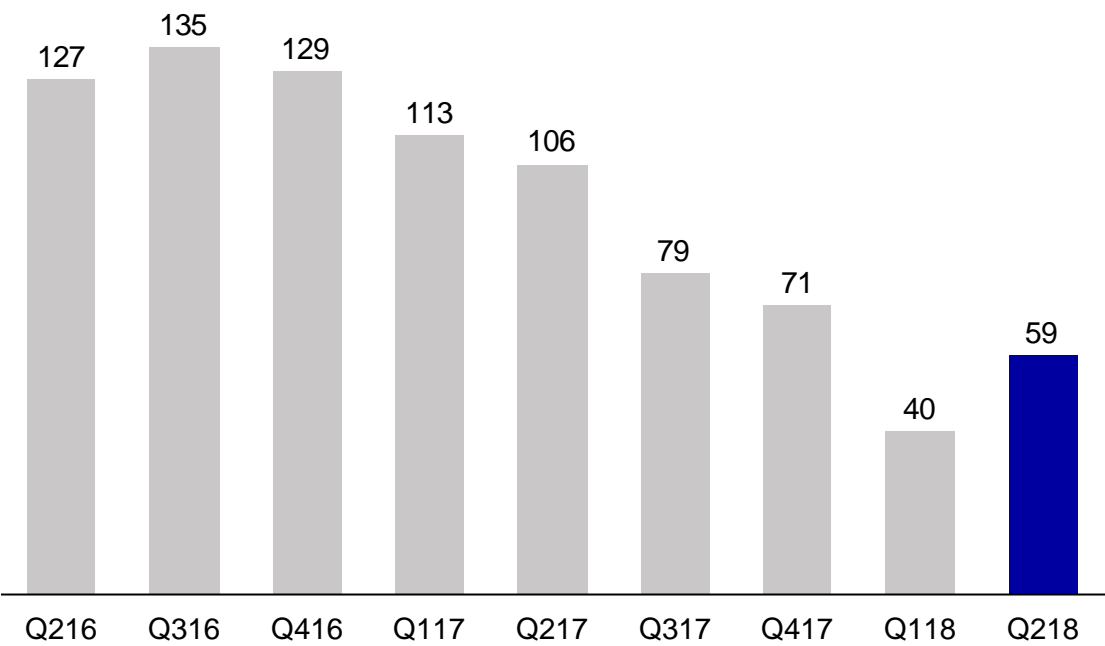


Nordea Group

EURm	Q218	Q118	Change QoQ	Change QoQ (local currency)	Q217	Change YoY	Change YoY (local currency)
Net interest income	1,073	1,053	2%	2%	1,175	-9%	-7%
Net fee and commission income	800	770	4%	5%	850	-6%	-4%
Net fair value result	260	441	-41%	-39%	361	-28%	-25%
Other Income	408	51			21		
Total operating income	2,541	2,315	10%	10%	2,407	6%	8%
Total operating expenses	-1,154	-1,205	-4%	-3%	-1,291	-11%	-8%
Net loan losses	-59	-40	48%	53%	-106	-44%	-41%
Operating profit	1,328	1,070	24%	24%	1,010	31%	34%
Net profit	1,085	820	32%	33%	743	46%	49%
Return on equity (%)	13.9	10.0	+3.9 %-points		9.5	+4.4 %-points	
CET1 capital ratio (%)	19.9	19.8	+0.1 %-points		19.2	+0.7 %-points	
Cost/income ratio (%)	45	52	-7 %-points		54	-9 %-points	

Strong asset quality

Total net loan losses*, EURm



Comments

- Collective provisions related to potential impacts of sanctions to Russia
- Write-backs in Nordic franchise
- Gross impairment rate (stage 3) also down

Planned acquisition of Gjensidige Bank – strategic partnership with Gjensidige Forsikring

Gjensidige Bank – a growing, profitable and digital bank



EUR 4,840m customer assets

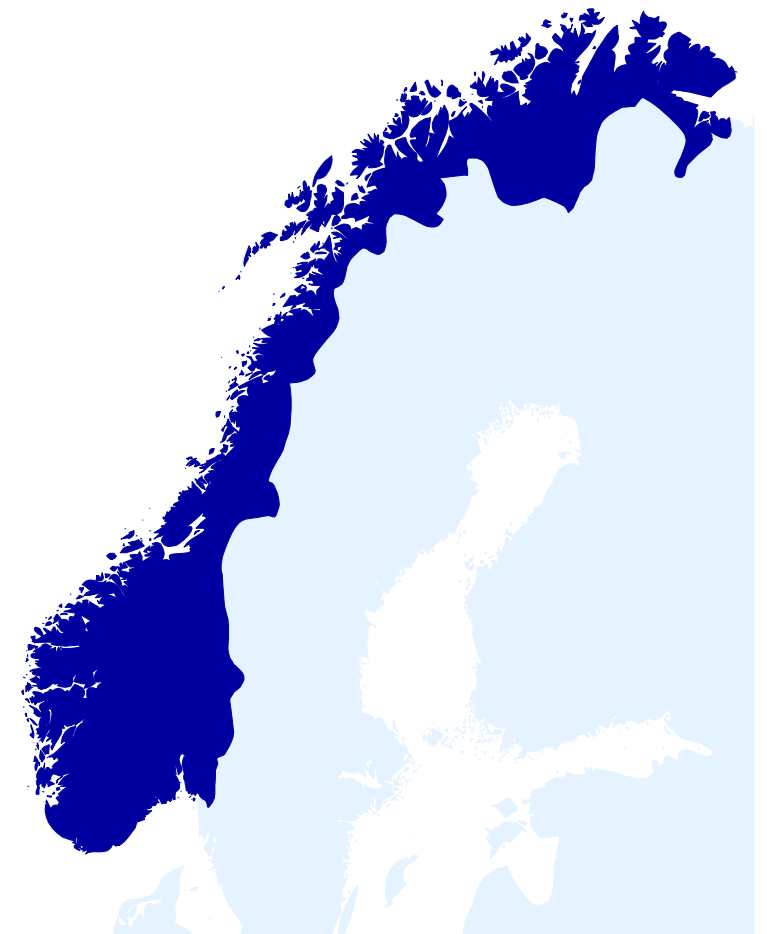
- RoE >10%
- 12% CAGR (2015-2017)

Acquisition summary*

- Price NOK 5,500m**
- EUR 25m annualised cost synergies by 2022
- RoI ~16% by 2022

Rationale for the planned acquisition and partnership

- Strategy to grow in the Nordics
- Expand customer reach
- Both insurance and financing product offering via partnership

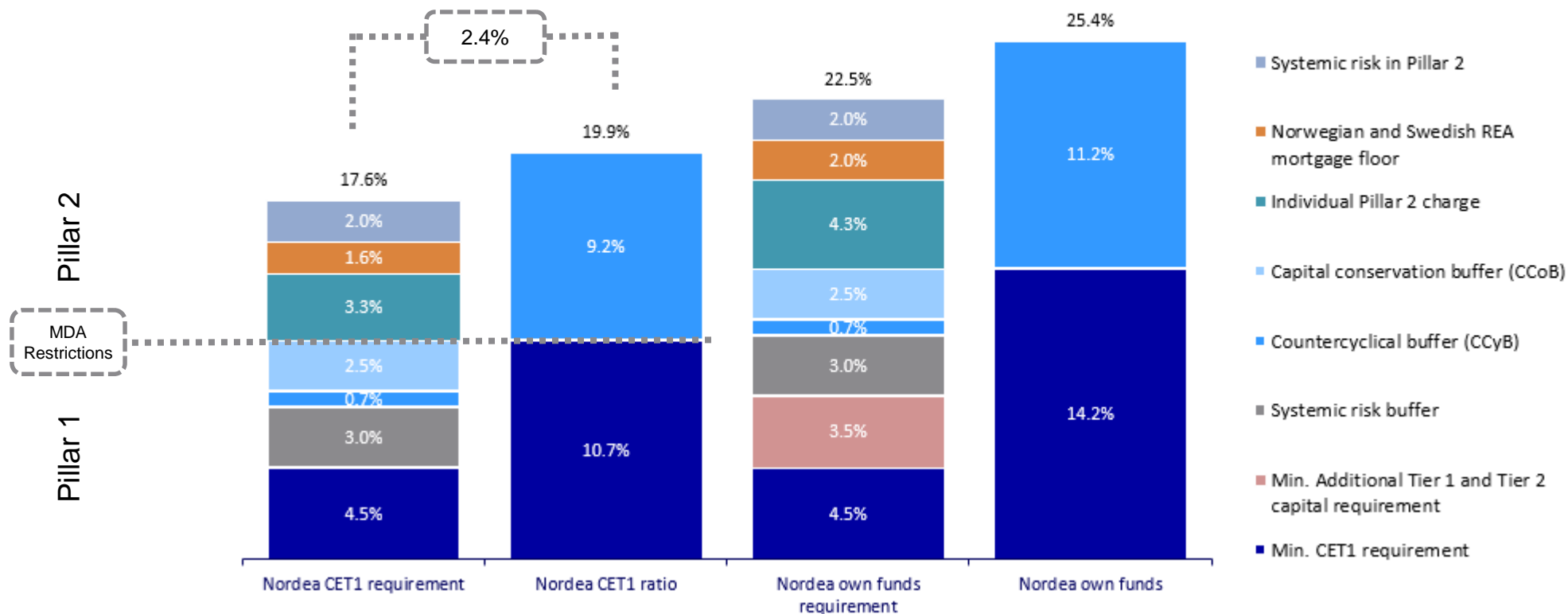


Capital

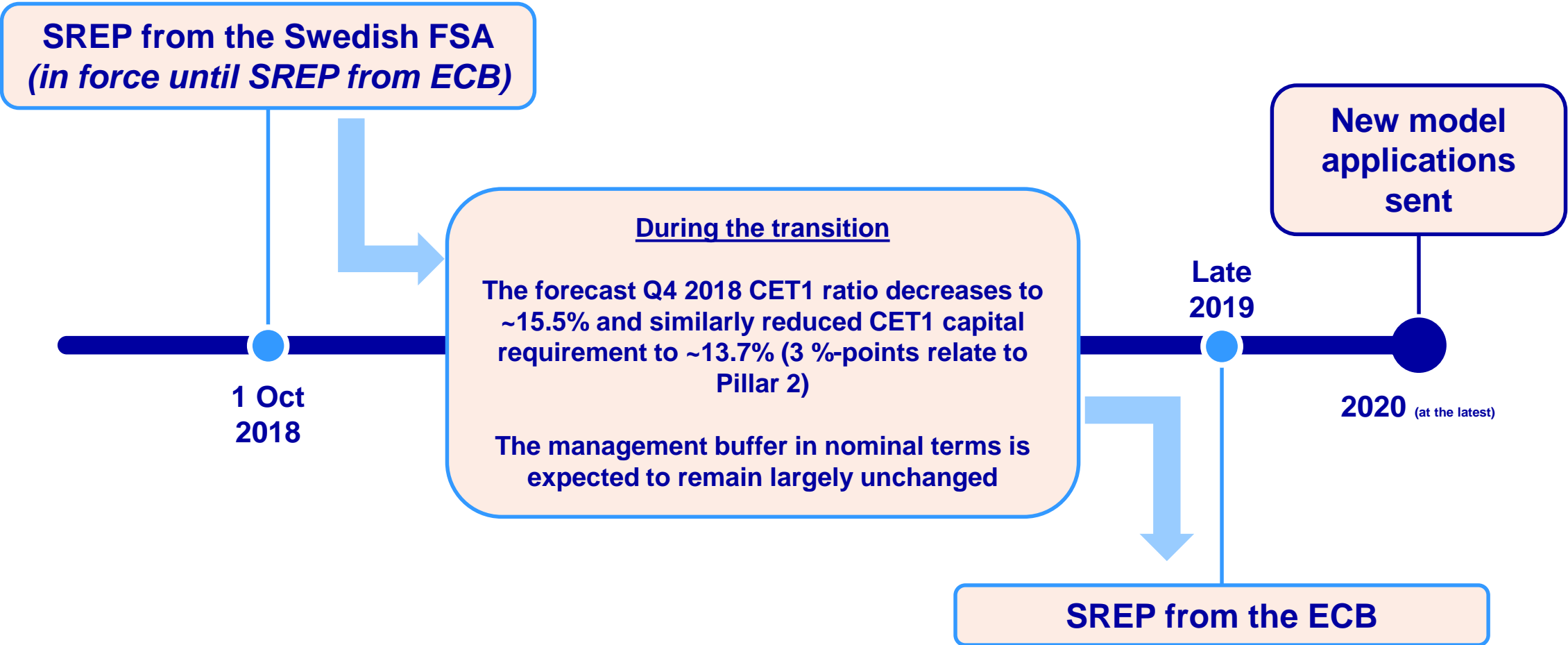
Nordea estimated CET1 and own funds requirement Q2 2018*

Comments

- As part of the re-domiciliation process, Nordea will migrate from the Swedish FSA framework to the harmonised ECB capital requirement's framework
- Nordea is currently in dialogue with the ECB to establish future capital requirements
- Finnish FSA has set Nordea's systemic risk buffer at 3% as of July 2019



ECB has granted Nordea temporary permission for continued use of internal models

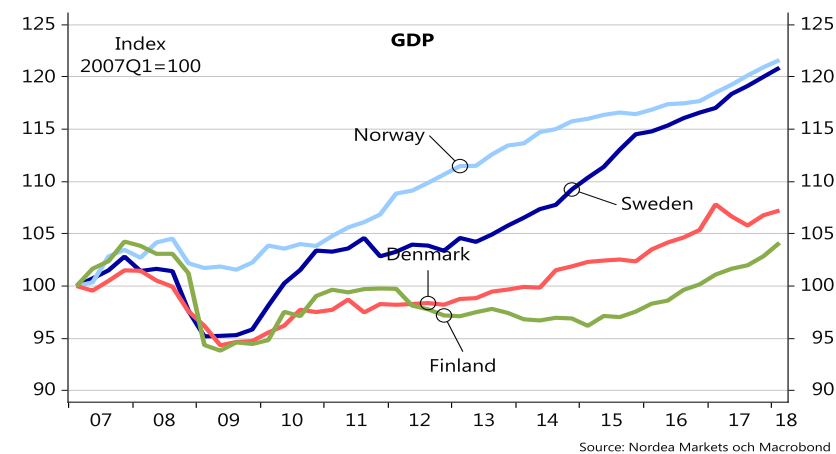


Nordea remains equally strongly capitalised. Nordea's capital and dividend policy remain unchanged. Nordea is committed to maintain its AA rating

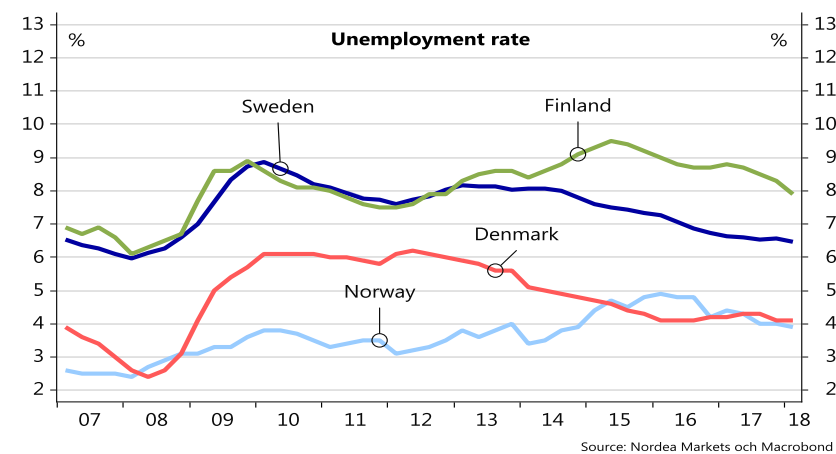
Macro

Prospering Nordic economies

GDP development



Unemployment rate



Comments

- The Nordics are enjoying an economic tailwind. While the synchronized global recovery raise exports, the accommodative monetary polices support domestic demand
- Short-term survey indicators remain upbeat, which suggests growth will be held up in the near-term

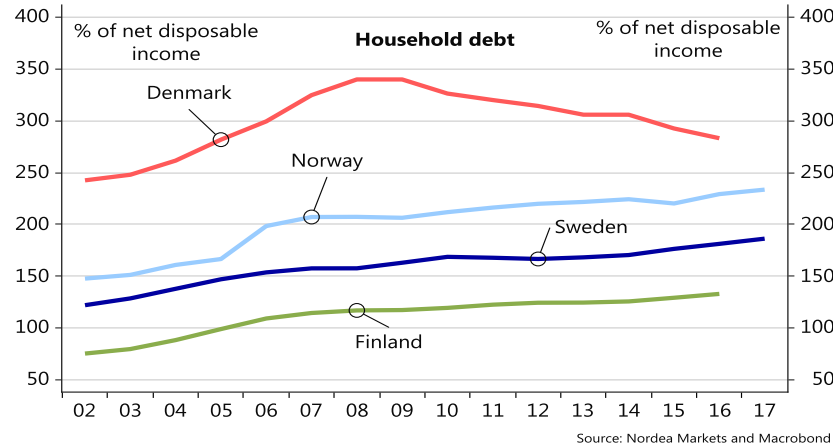
GDP forecast, %

Country	2015	2016	2017	2018E	2019E
Denmark	1.6	2.0	2.2	1.8	1.7
Finland	0.1	2.1	2.6	3.0	2.5
Norway	1.4	1.0	1.8	2.4	2.4
Sweden	4.3	3.0	2.7	2.5	1.9

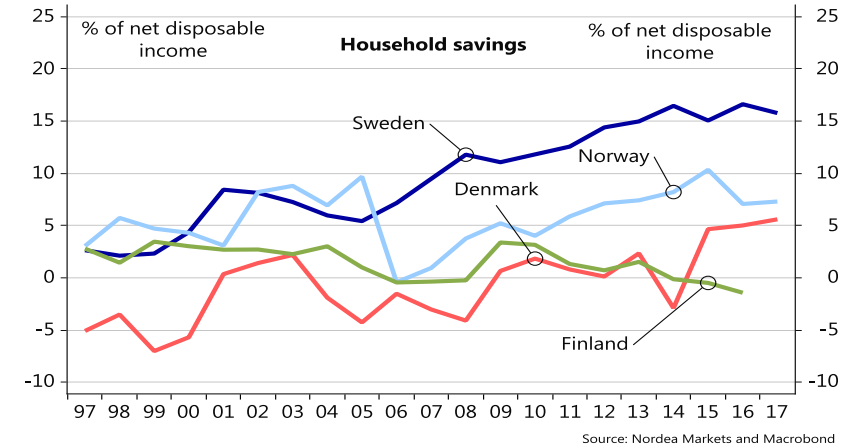
Source: Nordea Markets Economic Outlook April 2018 and Macrobond

Household debt remains high, but so is private and public savings

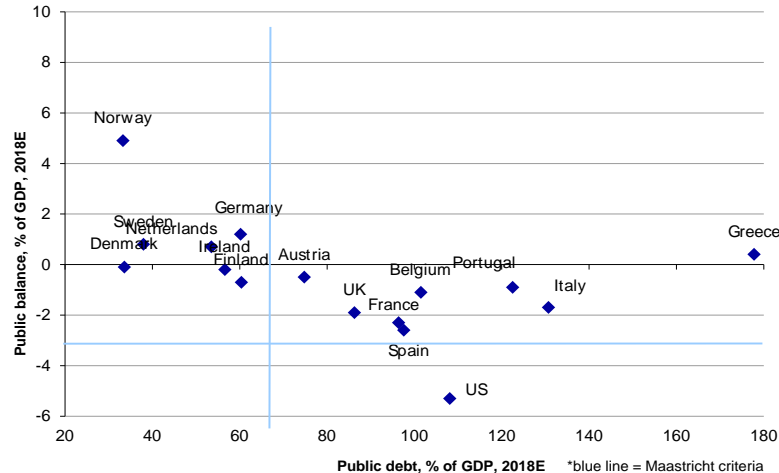
Household debt



Household savings



Public balance/debt, % of GDP, 2018E

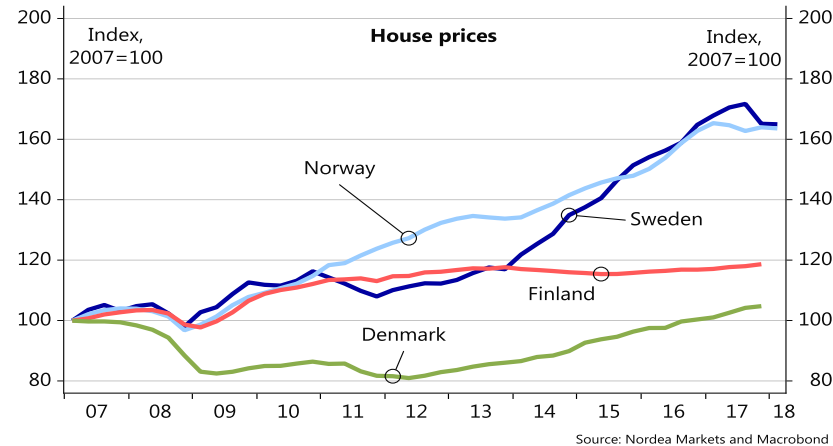


Comments

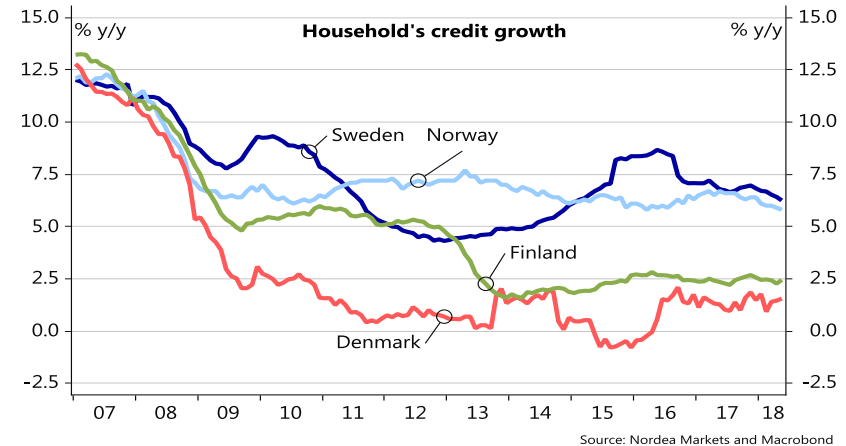
- In all countries, apart from Denmark, household debt continues to rise somewhat faster than income. Meanwhile, households' savings rates remain at high levels, apart from Finland where savings have declined somewhat in recent years
- The Nordic public finances are robust due to the overall economic recovery and relatively strict fiscal policies. Norway is in a class of its own due to oil revenues

House price development in the Nordics

House prices



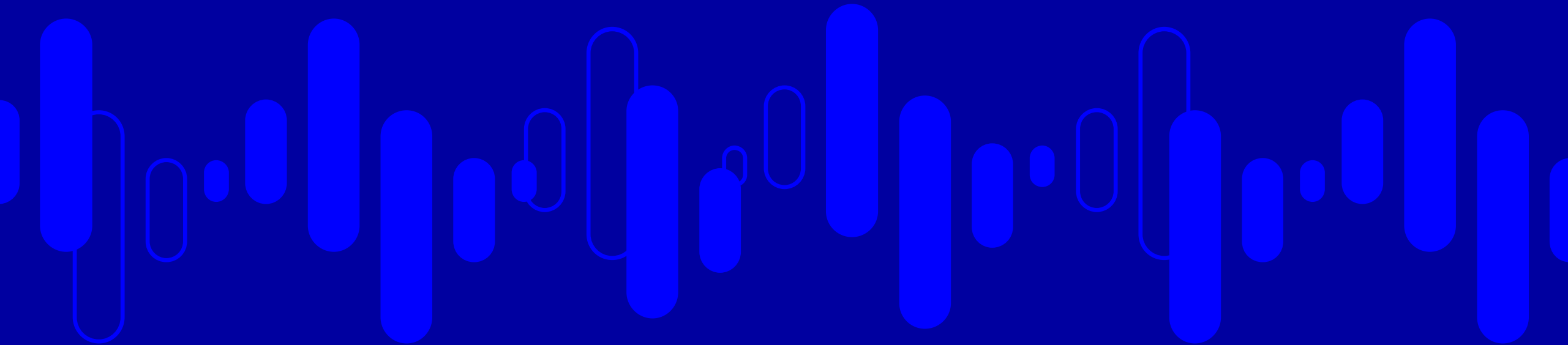
Household's credit growth



Comments

- Recent quarters have shown stabilisation in the Swedish and Norwegian housing markets, while prices continue to rise in Denmark and to some extent also in Finland
- In Sweden house prices declined during H2 2017 but the trend has levelled out in H1 2018, despite increased regulations which was expected to put downward pressure on house prices. The price correction is probably caused by the marked rise in new buildings seen in recent years. Going forward, largely stagnant prices are expected as mortgage rates are expected to stay low
- In Norway, primarily in Oslo, house prices turned down during 2017. The downturn was primarily driven by stricter lending requirements introduced 1 January 2017. However, prices have levelled out, and even increased somewhat in Oslo, in recent months. Largely unchanged prices are forecast ahead

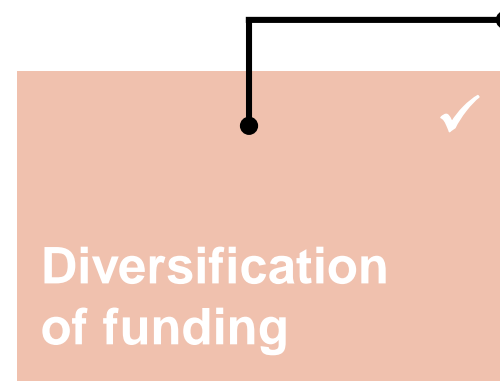
Funding



Key Principles to preserve market capacity

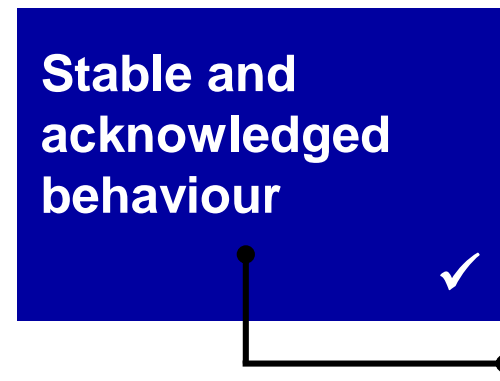
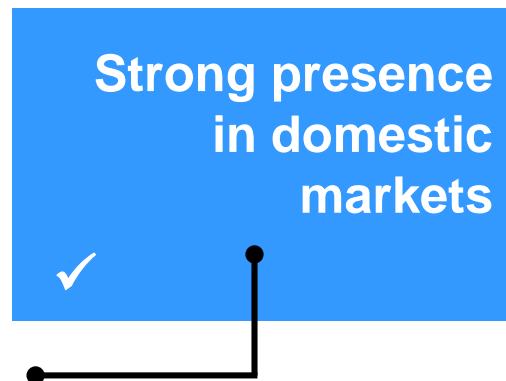
Securing funding while maintaining a prudent risk level

- Appropriate balance sheet matching; maturity, currency and interest rate
- Prudent short term and structural liquidity position
- Avoidance of concentration risks
- Appropriate capital level



- Diversified wholesale funding sources:
 - Instruments, programs, currency and maturity
 - Investor types
 - Geographic split
- Active in deep liquid markets

- Profiting on strong name across Nordics
- Nurture and develop strong home markets
- Covered bond platforms in all Nordic countries

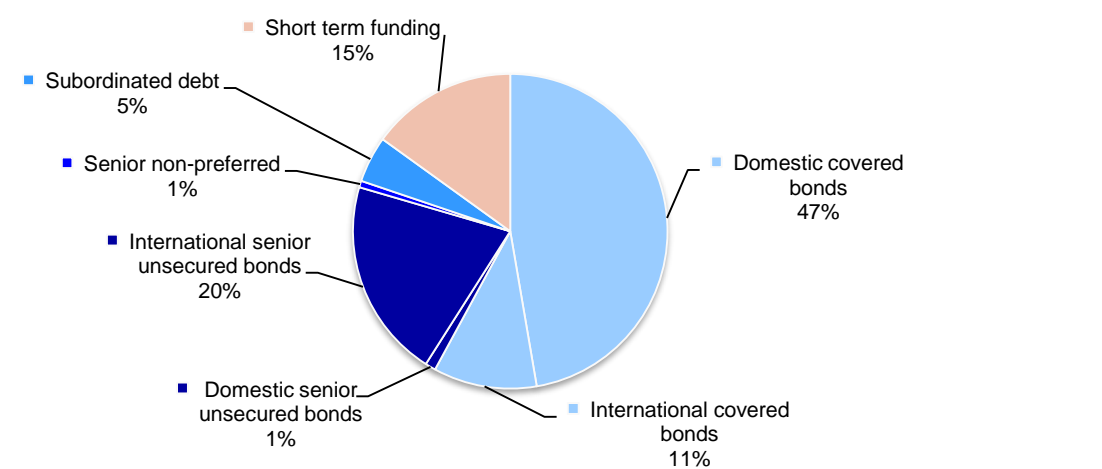


- Consistent, stable wholesale issuance strategy
- Knowing our investors
- Predictable and proactive – “staying in charge”

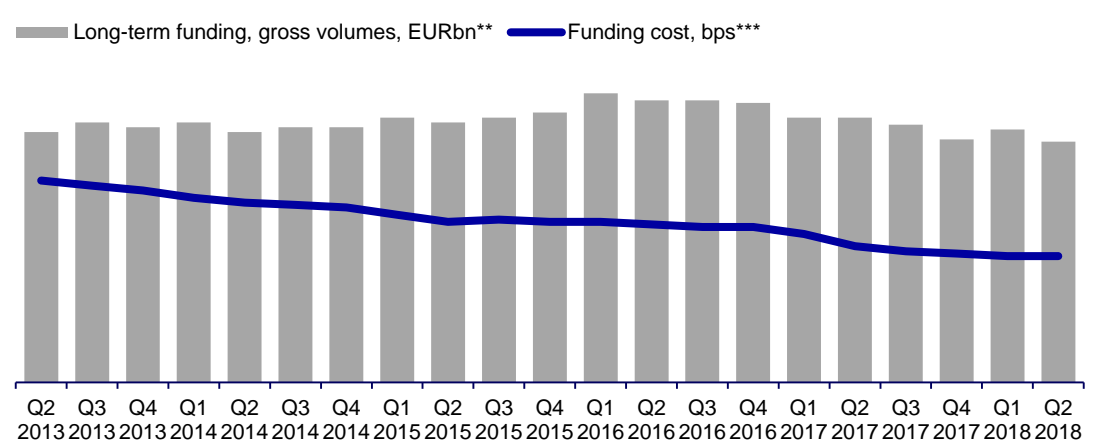
Continuously optimising cost of funding within market constraints

Solid funding operations

Long- and short-term funding, gross volumes, EUR 188bn

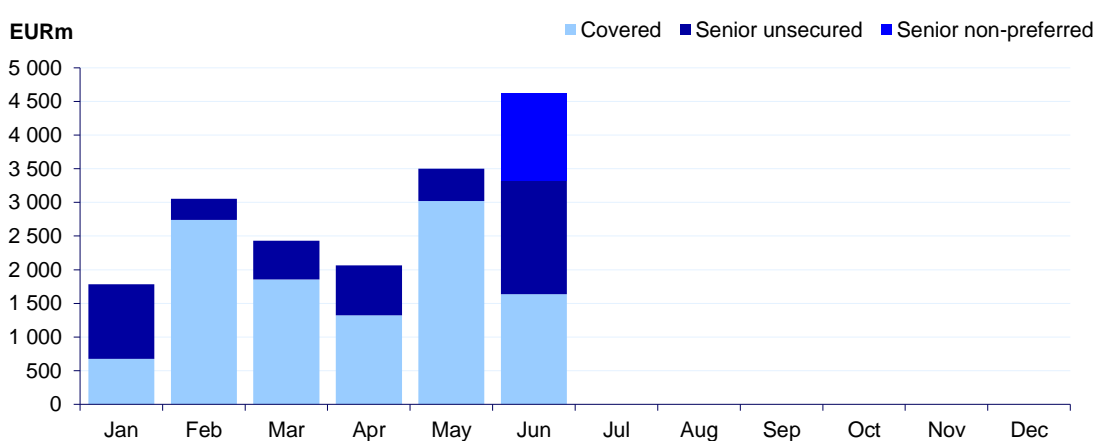


Long-term funding costs trending down*

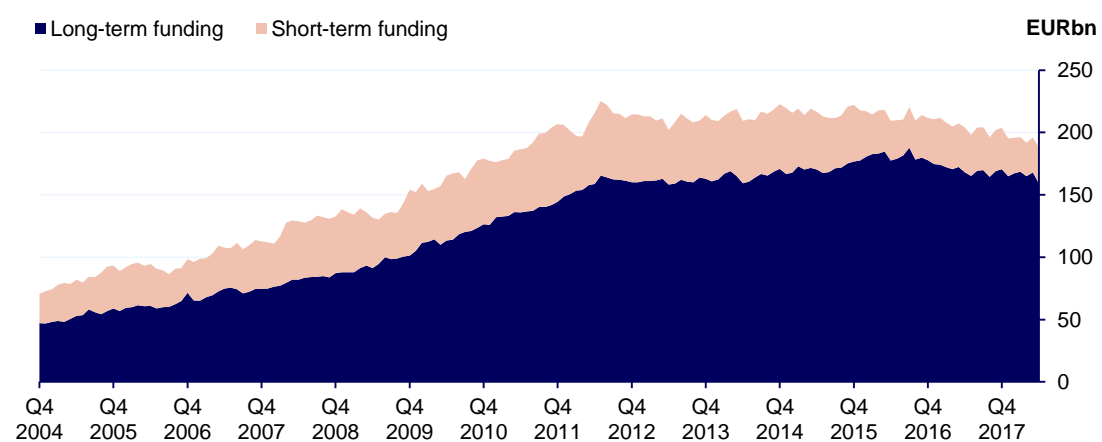


* Excluding Nordea Kredit covered bonds and subordinated debt
 ** Seasonal effects in volumes due to redemptions
 *** Spread to Xibor

YTD long-term issuance as of Q2 2018, gross volumes, EUR 17.5bn****



Distribution of long vs. short-term funding, gross volumes*****



**** Excluding Nordea Kredit
 ***** As of Q2 2018 84% of total funding is long term, adjusted for internal holdings

Changes to funding programs due to the re-domiciliation to Finland

Comments

- Nordea will establish corresponding funding programs for the new company in Finland (Nordea Bank Abp), i.e.

Short term programs:

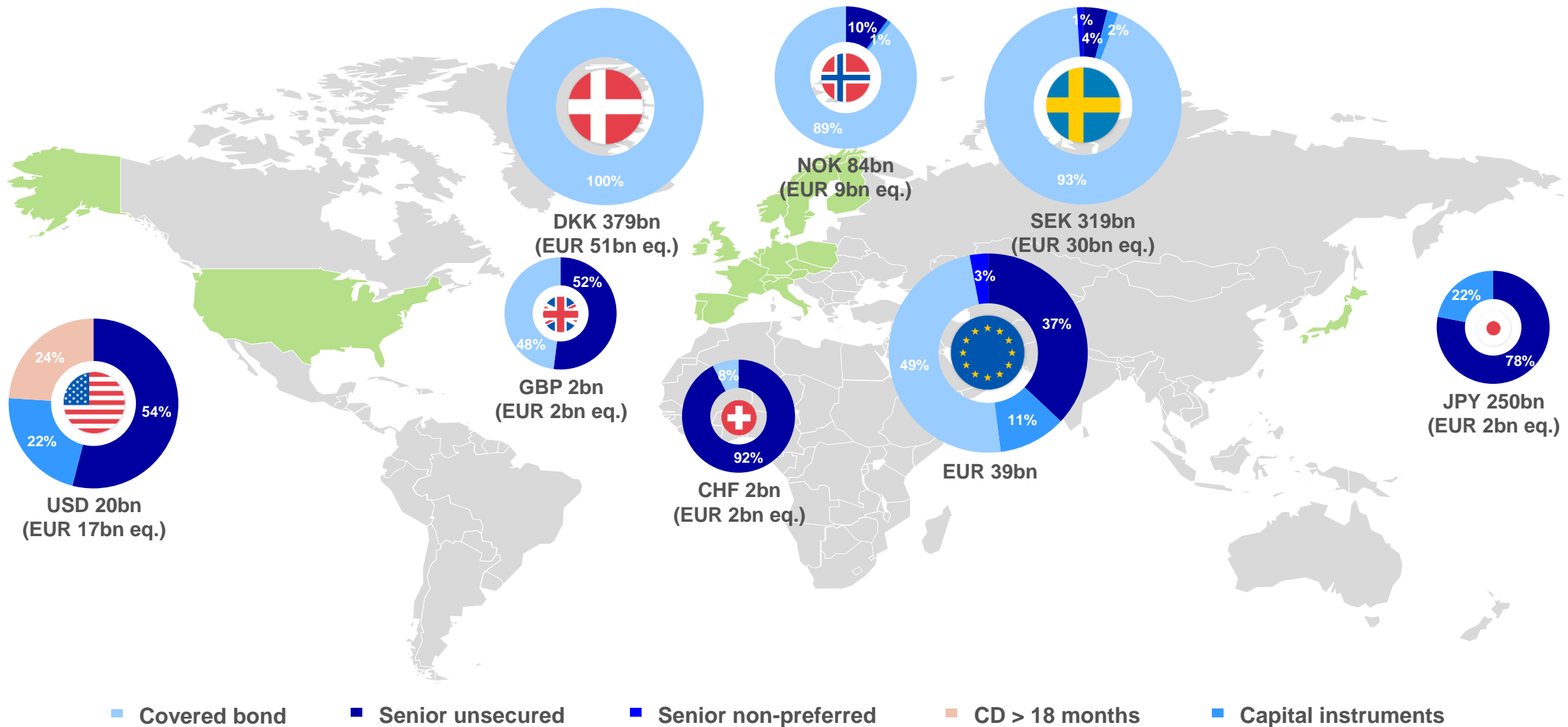
USCP, USCD
ECP
FCP
LCD

Long term programs:

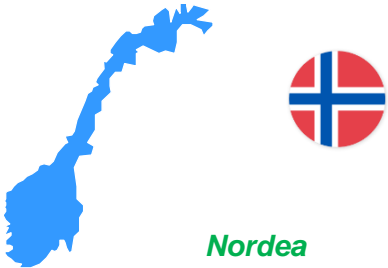
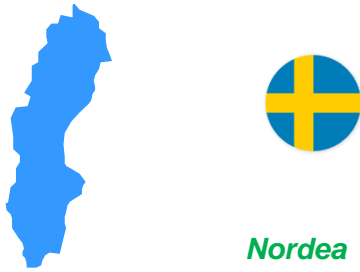


EMTN
GMTN
Structured note programs
Samurai (shelf registration)

- Outstanding debt transactions will automatically be transferred by way of universal succession
- Once the re-domiciliation has taken place, new issuance will be conducted from Finland (Nordea Bank Abp), incl. senior preferred, senior non-preferred and capital instruments
- Program sizes to remain the same
- Issuing and Paying Agents will remain the same
- Swift information will remain the same
- All current contact persons will remain the same
- Investors may need to update Know Your Customer information
- Covered bond programs remain unaffected – all covered bonds will continue to be issued from existing mortgage subsidiaries
- Due Diligence documents and information can be obtained by contacting our Due Diligence team on Nordea.com (see link below)*

Nordea's global issuance platform














Nordea covered bond operations

<i>Four aligned covered bond issuers with complementary roles</i>	 <i>Nordea Eiendomskreditt</i>	 <i>Nordea Hypotek</i>	 <i>Nordea Kredit</i>	 <i>Nordea Mortgage Bank</i>
Legislation	Norwegian	Swedish	Danish/SDRO	Finnish
Cover pool assets	Norwegian residential mortgages	Swedish residential mortgages primarily	Danish residential & commercial mortgages	Finnish residential mortgages primarily
Cover pool size	EUR 11.5bn (eq.)	EUR 50.0bn (eq.)	Balance principle	EUR 20.1bn
Covered bonds outstanding	EUR 9.2bn (eq.)	EUR 29.9bn (eq.)	EUR 53.0bn (eq.)	EUR 18.3bn
OC	26.1%	67.3%	CC1/CC2 10.7%/3.5%	9.5%
Issuance currencies	NOK, GBP, USD, CHF	SEK	DKK, EUR	EUR
Rating (Moody's / S&P)	Aaa / -	Aaa / AAA	Aaa / AAA	Aaa / -

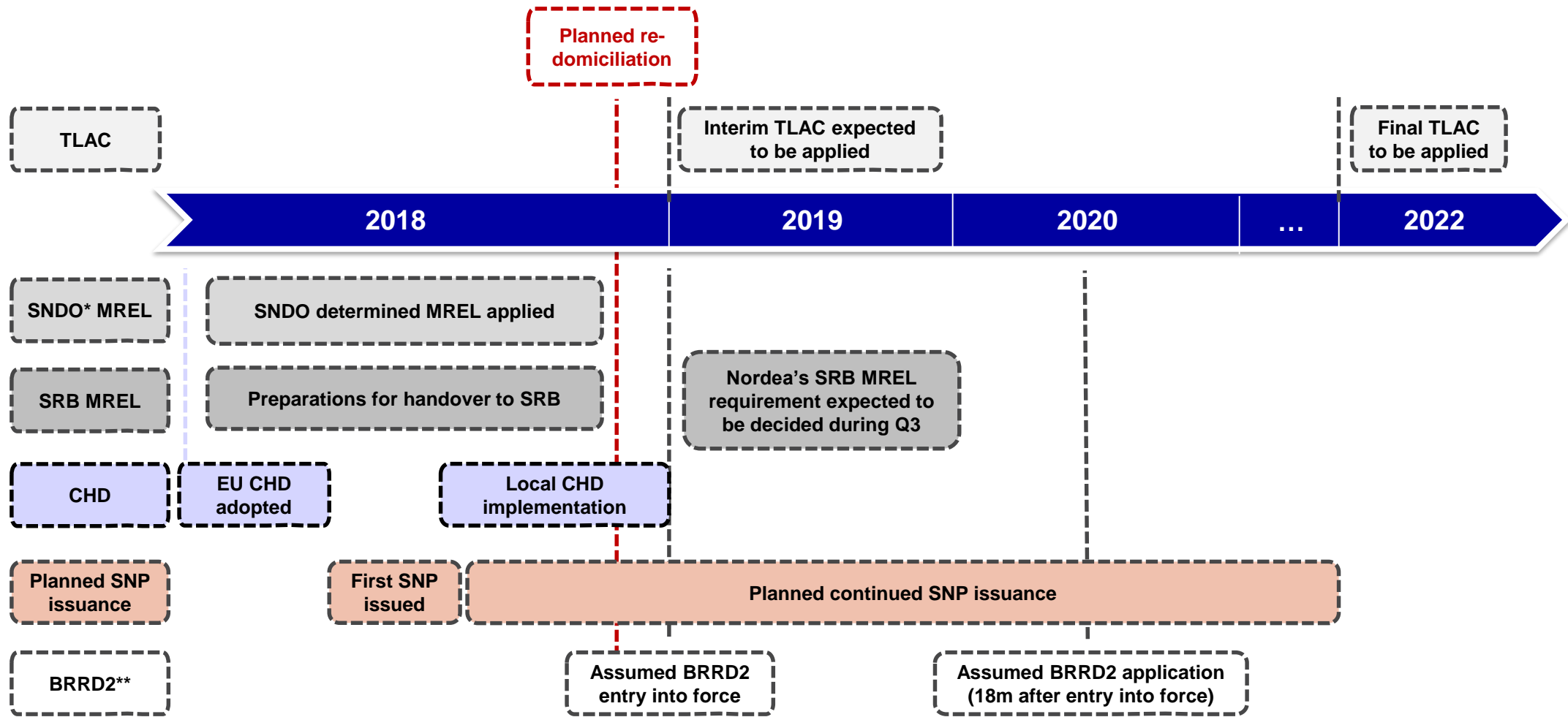
- Covered bonds are an integral part of Nordea's long term funding operations
- Issuance in Scandinavian and international currencies
- ECBC Covered Bond Label on all Nordea covered bond issuance



Nordea benchmark transactions last 12 months

	Issuer	Type	Currency	Amount (m)	Issue date	Maturity date	FRN / Fixed
	Nordea Bank AB	Senior unsecured*	EUR	500	30 Jun 2017	30 Jun 2022	Fixed
	Nordea Bank AB	Senior unsecured	EUR	1 000 1 000	27 Sep 2017 27 Sep 2017	27 Sep 2027 27 Sep 2021	Fixed FRN
	Nordea Hypotek AB	Covered	SEK	5 000	18 Oct 2017	20 Sep 2023	Fixed
	Nordea Bank AB	AT1	EUR	750	28 Nov 2017	12 Mar 2025	Fixed
	Nordea Bank AB	Senior unsecured	EUR	1 000	7 Feb 2018	7 Feb 2022	FRN
	Nordea Mortgage Bank	Covered	EUR	1 250 750	21 Feb 2018 21 Feb 2018	28 Feb 2023 28 Feb 2033	Fixed Fixed
	Nordea Eiendomskreditt	Covered	NOK	5 000	21 Mar 2018	21 Jun 2023	FRN
	Nordea Mortgage Bank	Covered	EUR	1 000	17 May 2018	23 May 2025	Fixed
	Nordea Eiendomskreditt	Covered	GBP	300	6 Jun 2018	18 Jun 2023	FRN
	Nordea Bank AB	Senior non-preferred	EUR	1 000	15 Jun 2018	26 Jun 2023	Fixed
	Nordea Bank AB	Senior non-preferred	SEK	2 250 750	19 June 2018 19 June 2018	25 June 2023 25 June 2023	Fixed FRN

SNP, TLAC and MREL expected timeline

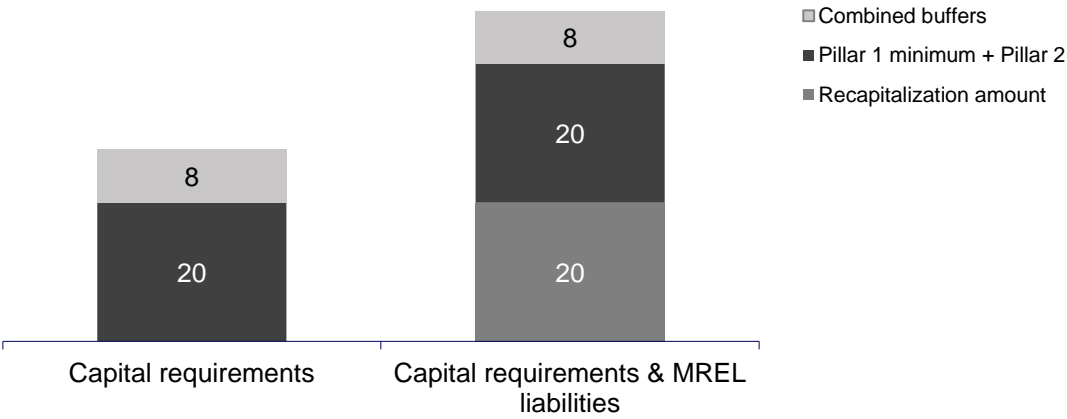


Summary of Nordea SNP, TLAC and MREL

Comments

- Nordea will ensure 2019 and 2022 TLAC compliance given the GSIB classification
- Nordea aims to use own funds and SNP to cover the minimum TLAC requirement once fully implemented in 2022
- MREL after re-domiciliation is pending, dependent on factors such as:
 - Results from dialogue with the SRB and other authorities
 - Nordea's capital requirement components for MREL calibration to be decided by the ECB
 - Uncertain SNP need under future SRB MREL
- SNDO published in December 2017 Nordea's recapitalisation amount: 16.5% of REA (EUR 20bn), to be met with SNP from 2022

Swedish MREL (EURbn)



Current senior bonds available for potential refinancing in SNP format

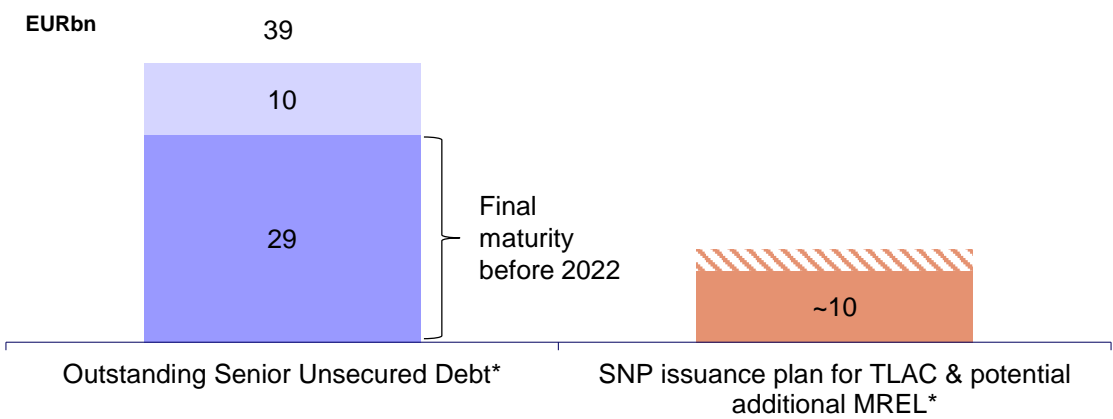
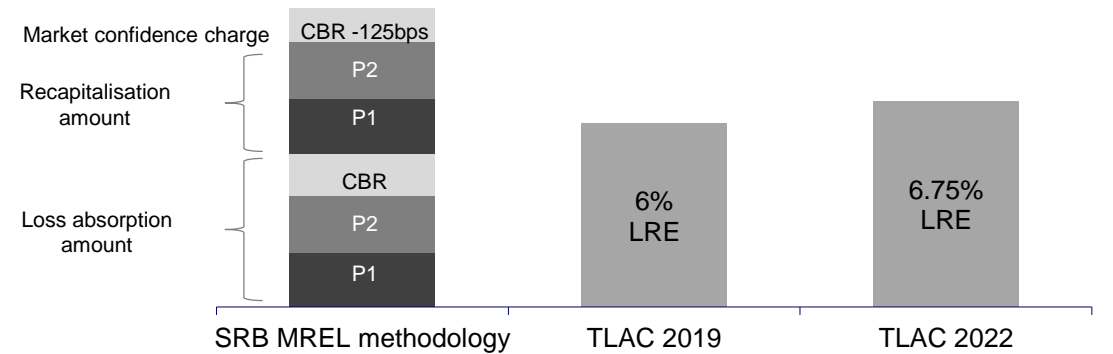


Illustration SRB MREL methodology and TLAC**



Nordea Mortgage Bank

Nordea Mortgage Bank Plc – overview

Q2 2018

- 100% owned subsidiary of Nordea Bank AB - the largest Nordic financial institution
- Operates as a mortgage credit institution with the main purpose of issuing covered bonds
- Licensed by the European Central Bank to issue covered bonds according to the Finnish covered bond legislation (Covered Bond Act (688/2010) or CBA)
- Market share of Nordea approx. 30% of the Finnish mortgage market (housing loans)
- Acting in a healthy and conservative Finnish housing market
- Dedicated liquidity line provided by Nordea Bank AB (publ), Finnish Branch, to manage daily cash needs and ensure compliance with external and internal requirements regarding liquidity management
- Covered bonds rated Aaa by Moody's

Cover pool key characteristics

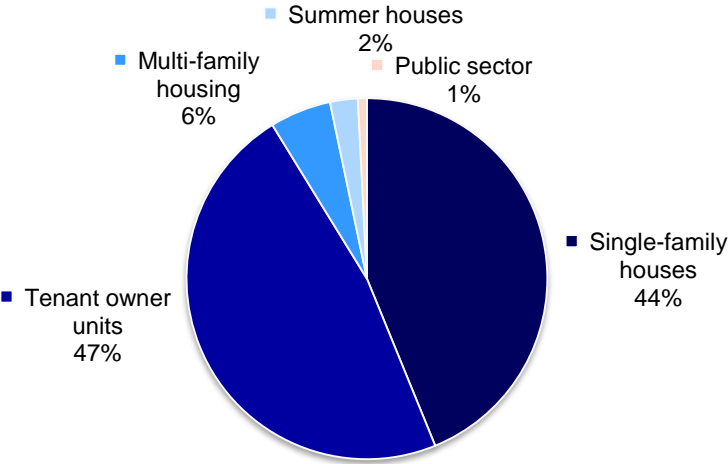
Q2 2018

Cover pool summary	
Pool notional	EUR 20.1bn
Outstanding Covered Bonds	EUR 18.3bn
Cover pool content	Mortgage loans secured by residential property. Loans guaranteed by public sector
Geographic distribution	Throughout Finland with concentration in urban areas
Asset distribution	99.2% residential, 0.8% public sector
Weighted average LTV	48.9% (indexed, calculated per property)
Average loan size*	EUR 63.0k
Over collateralisation, OC	9.5%
Rate type*	Fixed rate 1.9%, Floating rate 98.1%
Amortisation*	Bullet/ interest only 5.4%, Amortising 94.6%
Substitute assets	None
Pool type	Dynamic
Loans originated by	Nordea Bank Finland Plc / Nordea Bank AB (publ.) Finnish Branch

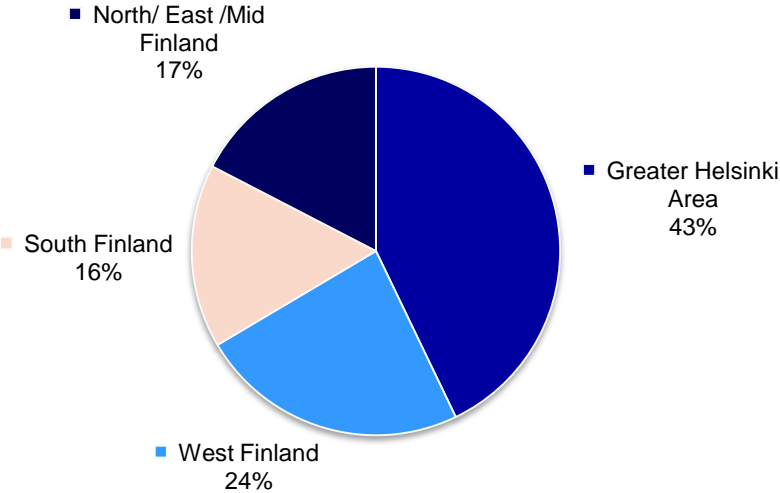
Cover pool key characteristics (2)

Q2 2018

Cover pool balance by loan category



Cover pool balance by region



Loan To Value (LTV)

Continuous distribution where each loan can exist in multiple buckets

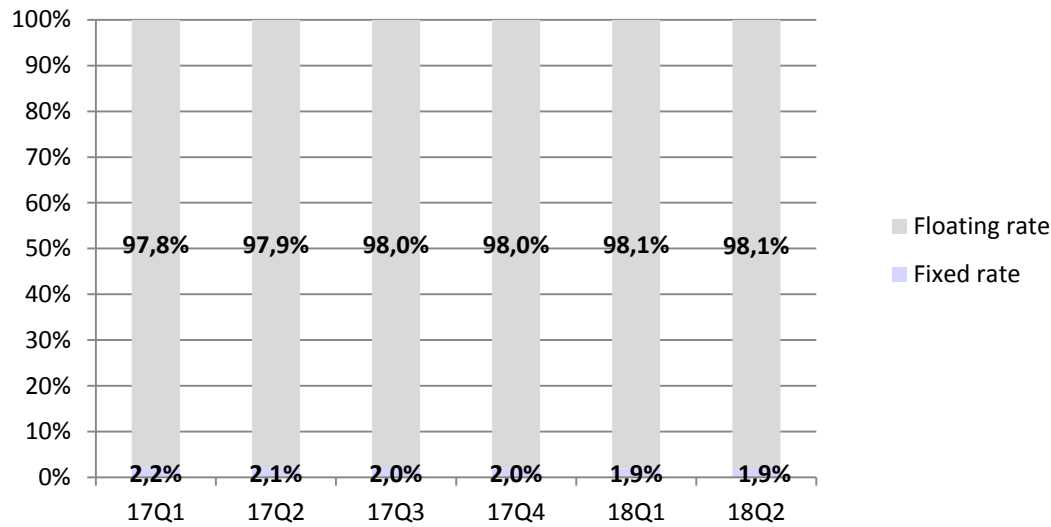
Q2 2018

Weighted Average LTV – Unindexed		50.2%	
LTV buckets	Nominal (EURm)	% Residential Loans	
>0 - <=40 %	15 309	76,84%	
>40 - <=50 %	2 102	10,55%	
>50 - <=60 %	1 535	7,71%	
>60 - <=70 %	976	4,90%	
Total	19 922	100%	
Weighted Average LTV - Indexed		48.9%	
LTV buckets	Nominal (EURm)	% Residential Loans	
>0 - <=40 %	15 555	78,08%	
>40 - <=50 %	2 024	10,16%	
>50 - <=60 %	1 445	7,25%	
>60 - <=70 %	898	4,51%	
Total	19 922	100%	

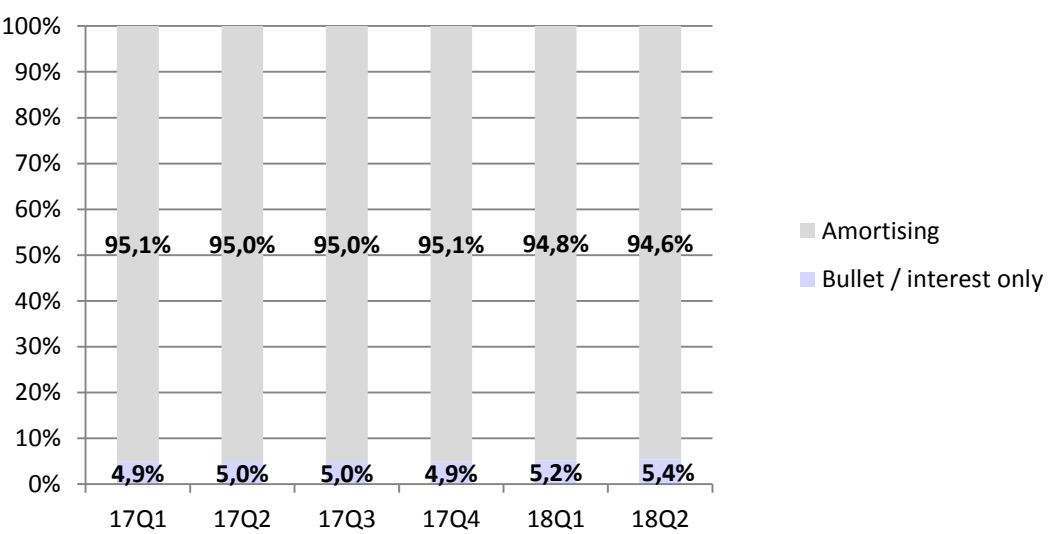
Loan structure

Q2 2018

Rate type



Repayment



Underwriting criteria

Q2 2018

- Residential mortgage loans
 - Nordea's credit decision is based on the borrower's repayment capacity and collateral is always taken
 - Collateral must be in the form of mortgages in real estate or in shares in housing companies
 - Repayment ability of borrowers is calculated using stressed scenarios
 - Credit bureau check is always conducted (Suomen Asiakastieto)
 - Individual valuation of property based on market value
 - Repayment schedules ranging from 20 to 35 years
- Multi-family residential mortgage loans
 - Borrowers with strong EBITDA/debt and cash flow based on e.g. long-term high quality lease contracts and adequate interest rate hedging
 - Individual credit decision based on credit policy and rating
 - An evaluation of all property-related commitments is performed in the ordinary annual review against a background of quality issues/risk factors regarding the property itself, the lease, the management, the long-term cash flow and -strength of balance sheet/gearing. The analysis focuses on the repayment capacity
 - Individual valuation of property based on market value

Finnish covered bond framework

Q2 2018

- Legal framework
 - Finnish Covered Bond Act (statute 688/2010)
- Registration
 - Collateral assets remain on the balance sheet of the issuer
 - Covered bonds, collateral and relevant derivative contracts are entered in a separate register
- Limit on LTV ratio – based on the current value
 - 70% for housing loans (residential property)
 - 60% for commercial loans (commercial property)
- Matching cover requirements
 - Total value of the cover pool must be greater than the aggregate outstanding principal amount of the covered bonds
 - Net present value of the cover pool must be at least 2% above the net present value of the liabilities under the covered bonds
- Liquidity requirements
 - Average maturity of the covered bonds must not exceed the average maturity of the loans entered in the register
 - Total amount of interest accrued from the cover pool assets, during any 12-month period, must be sufficient to cover the total amount payable under covered bonds and derivatives transactions during the same period

Finnish covered bond framework (2)

Q2 2018

- Bankruptcy remoteness and preferential claim
 - Isolation of registered collateral assets, registered derivatives from all other assets and liabilities of the insolvent issuer
 - Holders of covered bonds together with counterparties of registered derivatives and bankruptcy liquidity loans in bankruptcy would rank pari passu and have a preferential claim to the cover pool (subject to a maximum LTV ratio of 70% for residential loans and 60% for commercial loans)
- Post-bankruptcy procedures
 - A bankruptcy administrator is appointed by the court (administration of estate) and a supervisor is appointed by the Finnish FSA (protection of covered bond creditors' rights)
 - The cover pool, derivatives and covered bonds to be kept separated from the bankruptcy estate as long as stipulated matching and liquidity requirements are met
 - Covered bond creditors and counterparties of registered derivatives would rank pari passu and have a preferential claim on the proceeds of the liquidation of the cover pool

Nordea Mortgage Bank – outstanding benchmark covered bonds

Q2 2018

Breakdown by ISIN				
ISIN	Currency	Amount (EURm)	Maturity	Coupon
XS0965104978	EUR	1 500	2018-08-28	1,375
XS1014673849	EUR	1 500	2019-01-14	1,25
XS0778465228	EUR	1 500	2019-05-03	2,25
XS0874351728	EUR	1 250	2020-01-15	1,375
XS1204134909	EUR	1 000	2020-06-17	0,125
XS0591428445	EUR	1 000	2021-02-10	4
XS1554271590	EUR	1 500	2022-01-24	0,025
XS1308350237	EUR	1 250	2022-10-19	0,625
XS1784067529	EUR	1 250	2023-02-28	0,25
XS1522968277	EUR	1 000	2023-11-21	0,25
XS1132790442	EUR	1 000	2024-11-05	1
XS1825134742	EUR	1 000	2025-05-23	0,625
XS1204140971	EUR	1 000	2027-03-17	0,625
XS1784071042	EUR	750	2033-02-28	1,375
Total		16 500		

Nordea Eiendoms kreditt

Nordea Eiendoms kreditt – overview

Q2 2018

- A 100% owned subsidiary of Nordea Bank AB
- The purpose of the Issuer is to acquire and provide residential mortgage loans and finance its activities mainly through issuance of covered bonds
- Loans in Nordea Eiendoms kreditt (NE) are originated by Nordea Bank AB, Norwegian branch and subsequently transferred to NE
 - Collateral must be in the form of mortgages in residential real estate or in shares in housing cooperatives
 - At the time of transfer, the loans are not in default, i.e. payments of installments and interest are not overdue at the time of transfer
- Approx. 14% market share of outstanding covered issuance in Norwegian market
- Cost-effective loan origination and service through Nordea Bank's nationwide Norwegian branch network and internet
- Covered bonds rated Aaa by Moody's

Cover pool key characteristics

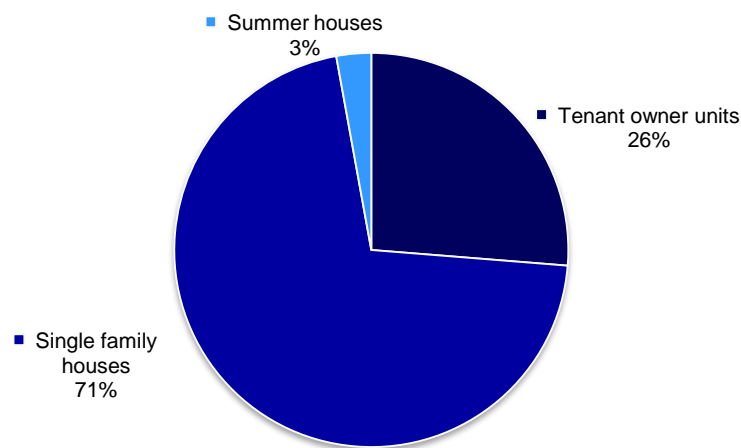
Q2 2018

Cover pool summary	
Pool notional	NOK 109.8bn
Outstanding Covered Bonds	NOK 87.1bn
Cover pool content	Mortgage loans secured by Norwegian residential collateral
Geographic distribution	Throughout Norway with concentration to urban areas
Asset distribution	100% residential
Weighted average LTV	49.3% (indexed, calculated per property)
Average loan size	NOK 1.5m
Over Collateralisation (OC)	26.1%, (2% legal requirement)
Rate type	Floating 98.3%, Fixed 1.7%
Amortisation	Bullet/ interest only 33.0%, Amortizing 67.0%
Pool type	Dynamic
Loans originated by	Nordea Bank AB, Norway Branch

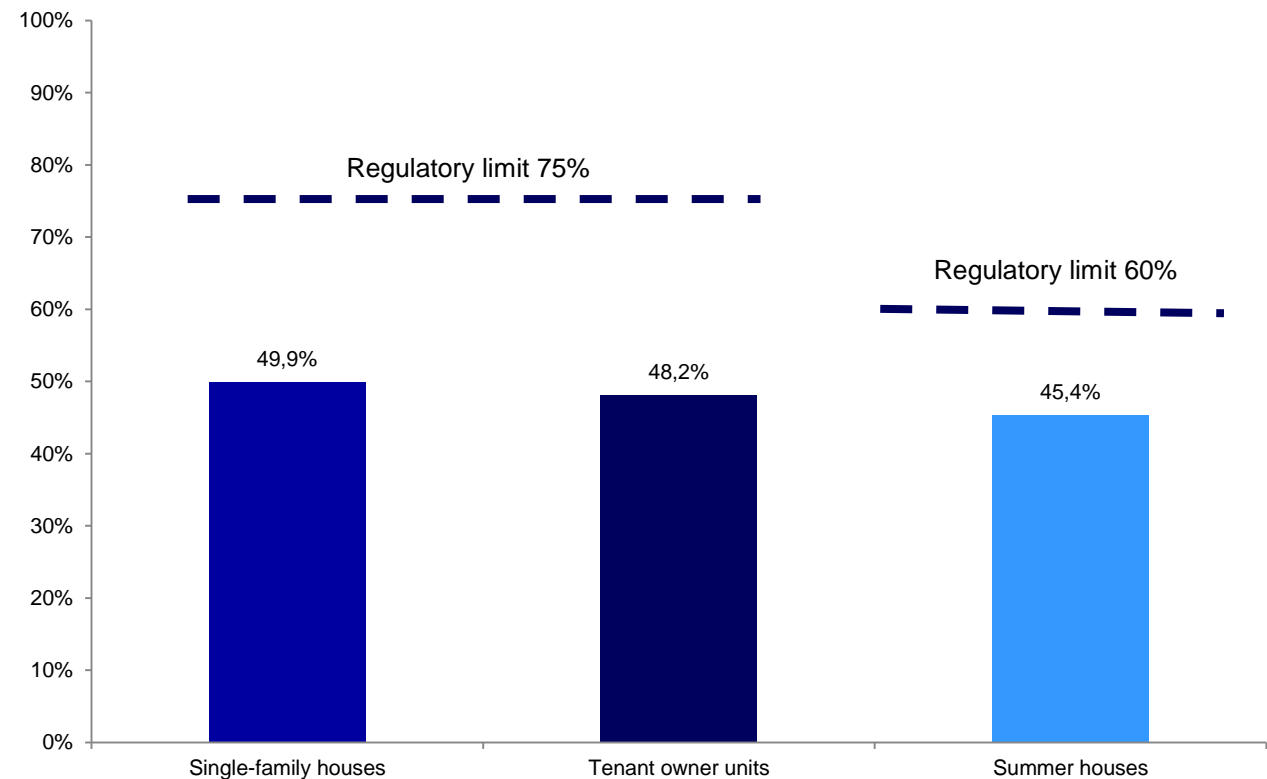
Cover pool key characteristics (2)

Q2 2018

Cover pool balance by loan category

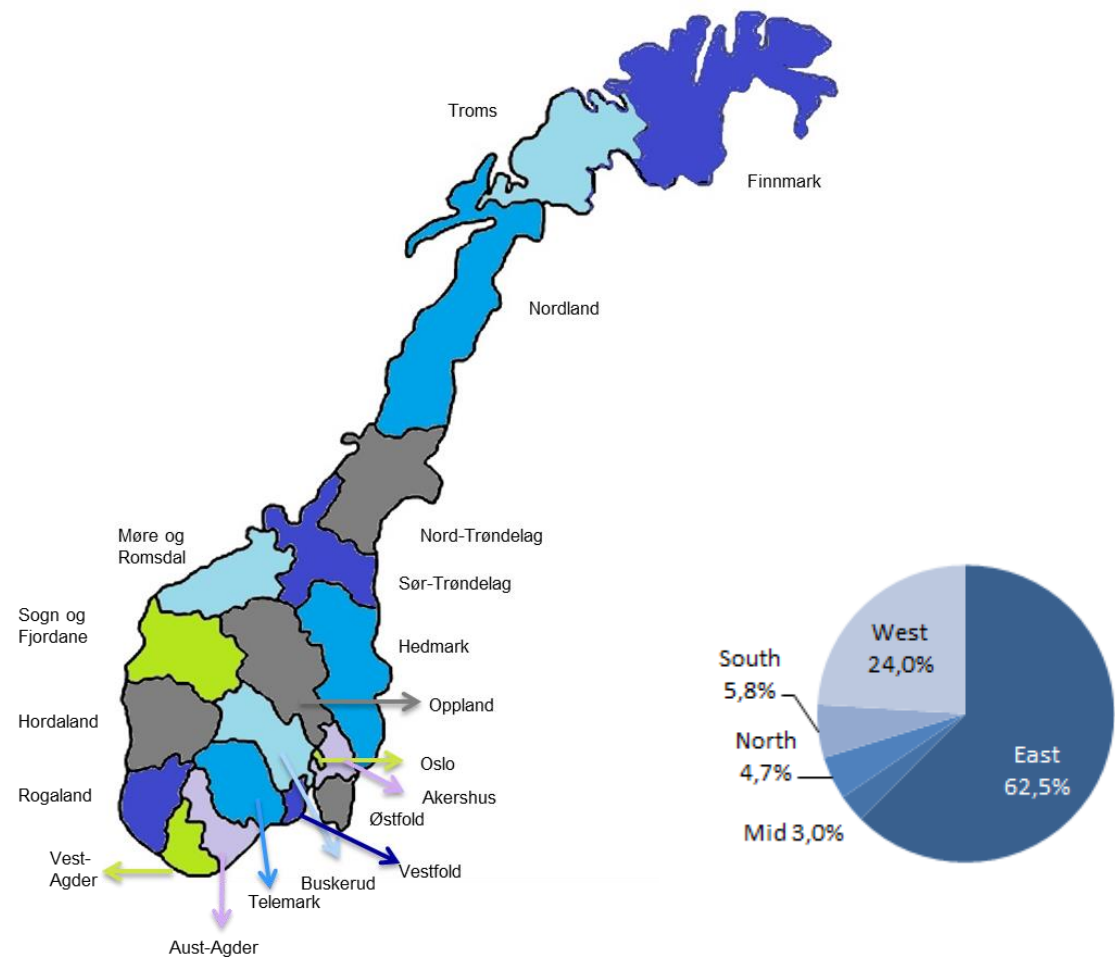


Weighted Average LTV – Indexed



Cover pool – geographic distribution

Q2 2018



Fylke	Loan balance	Region
Akershus	17,27 %	East
Aust-Agder	1,56 %	South
Buskerud	4,20 %	East
Finnmark	0,46 %	North
Hedmark	1,93 %	East
Hordland	11,00 %	West
Møre og Romsdal	7,53 %	West
Nordland	2,00 %	North
Oppland	3,69 %	East
Oslo	23,23 %	East
Rogaland	4,35 %	West
Sogn og Fjordane	1,11 %	West
Svalbard	0,00 %	North
Telemark	1,18 %	East
Troms	2,24 %	North
Trøndelag	3,03 %	Mid
Vest-Agder	4,24 %	South
Vestfold	3,55 %	East
Østfold	7,44 %	East

Loan to Value (LTV)

Each loan is reported in the highest bucket

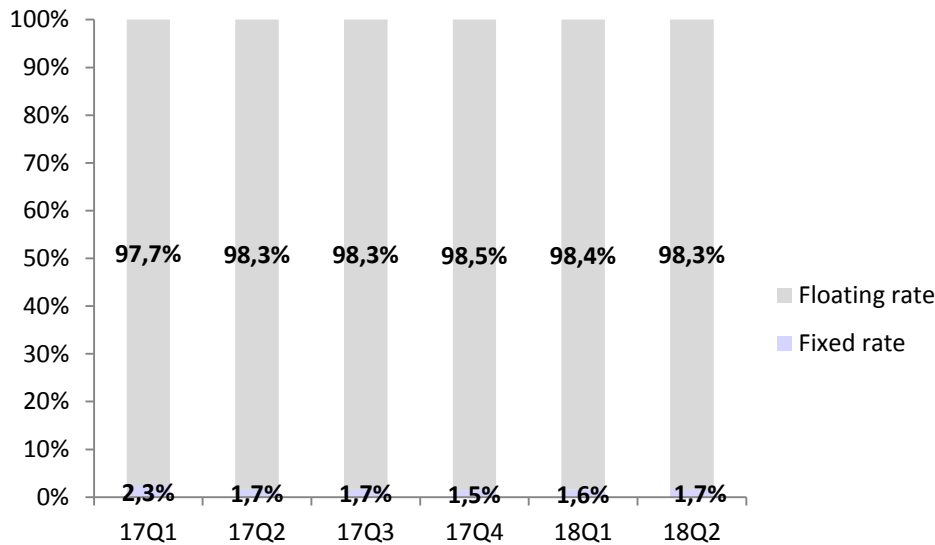
Q2 2018

Weighted Average LTV – Unindexed		50.3%	
LTV buckets		Nominal (NOKm)	% Residential Loans
>0 - <=40 %		30 684	27,94%
>40 - <=50 %		18 218	16,59%
>50 - <=60 %		23 440	21,35%
>60 - <=70 %		21 441	19,52%
>70 - <=80 %		16 033	14,60%
Total		109 816	100%
Weighted Average LTV - Indexed		49.3%	
LTV buckets		Nominal (NOKm)	% Residential Loans
>0 - <=40 %		32 256	29,37%
>40 - <=50 %		18 952	17,26%
>50 - <=60 %		23 779	21,65%
>60 - <=70 %		21 014	19,14%
>70 - <=80 %		13 815	12,58%
Total		109 816	100%

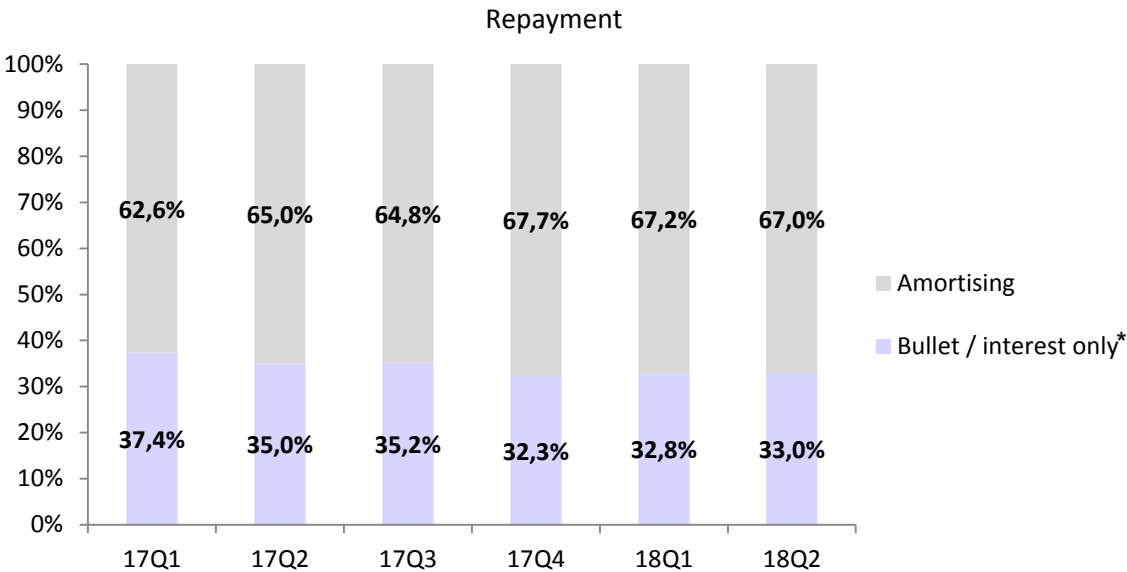
Loan structure

Q2 2018

Rate type



Repayment



Underwriting criteria

Q2 2018

Affordability

- Customers ability to service its commitment out of its cash flow/income is critical
- Repayment ability of borrowers is calculated using stressed scenarios. Customers must manage 5 percentage points increase on interest rate on all debt
- Scoring of retail customers

Payment history

- Credit bureau check is always conducted. Potential external payment remarks are revealed

Collateral

- Information from Norwegian official property register in order to secure correct real estate ownership and priority
- Nordea accepts four sources of real estate valuations:
 - a) Written statement from external authorized valuer
 - b) Last sales price (within 6 months)
 - c) Use of external evaluating system “Eiendomsverdi” (used by most banks and real estate agents in Norway)
 - d) Written statement from (external) real estate agent

Norwegian covered bond framework

Q2 2018

- Legal framework
 - Norwegian Financial Institutions Act (2007)
- Registration and independent inspector
 - A mortgage credit institution shall for each cover pool establish a register of loans, interest rate contracts and foreign exchange contracts, substitute assets and covered bonds
 - The institution shall put forward an independent inspector who shall be appointed by the FSA “Finanstilsynet”
- Limit on LTV ratio – based on the current value
 - 75% for housing loans (residential property)
 - 60% for commercial loans (commercial property)
- Matching cover requirements
 - The value of the cover pool shall at all times exceed the value of covered bonds with a preferential claim over the pool and account shall be taken of the mortgage credit institution’s derivative contracts
- Liquidity requirements
 - The mortgage credit institution shall ensure that the payment flows from the cover pool enable the mortgage credit institution to honour its payment obligations towards holders of covered bonds and counterparties to derivative contracts at any and all times

Covered bonds – outstanding volumes

Q2 2018

Breakdown by ISIN				
ISIN	Currency	Amount (NOKm)	Maturity	Coupon (%)
NO0010647241	NOK	12 195	2019-06-19	FRN
NO0010692767	NOK	2 380	2019-06-19	3,05
NO0010703531	NOK	13 015	2020-06-17	FRN
NO0010741903	NOK	114	2020-06-17	1,75
NO0010729817	NOK	11 000	2021-06-16	FRN
NO0010584345	NOK	9 383	2021-06-16	4,25
NO0010758931	NOK	4 615	2022-06-15	1,08
NO0010759632	NOK	12 000	2022-06-15	FRN
NO0010819717	NOK	8 370	2023-06-21	FRN
NO0010593064	NOK	550	2025-06-18	4,8
NO0010766827	NOK	500	2031-06-18	1,75
NO0010812084	NOK	300	2043-06-17	2,20
NO0010821986	NOK	300	2048-05-04	2,60
XS1210746134	GBP	1 526	2020-03-30	FRN
XS1342698047	GBP	6 518	2019-01-14	FRN
XS1487838291	GBP	133	2021-09-09	FRN
XS1837099339	GBP	3270	2023-06-18	FRN
XS1451306036	EUR	938	2031-07-15	0,74
Total		87 107		

Nordea Hypotek

Cover pool key characteristics

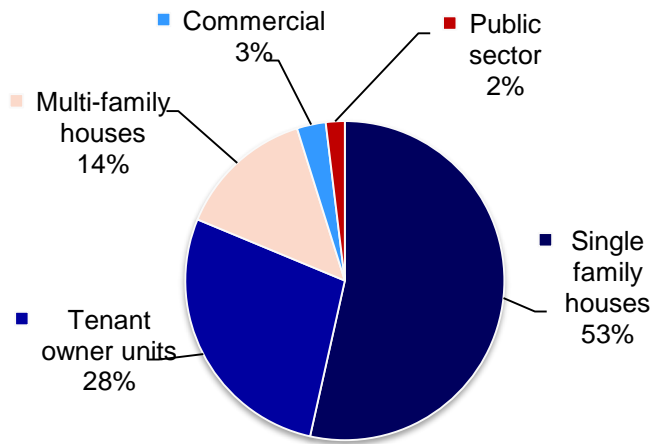
Q2 2018

Cover pool summary	
Loans in cover pool	SEK 522.8bn
Outstanding covered bonds	SEK 312.5bn
Cover pool content	Mortgage loans secured by residential or commercial property. Loans to public sector
Geographic distribution	Throughout Sweden with concentration to urban areas
Asset distribution	95.2% residential, 2.9% commercial, 1.9% public sector
Weighted average LTV*	50.4% (indexed)
Average loans size*	SEK 577k
Over collateralization, OC	67%
Rate type	Floating 79.8%, Fixed 20.2%
Amortization	Bullet/ interest only 24.9%, Amortizing 75.1%
Pool type	Dynamic
Loans originated by	Nordea Bank AB

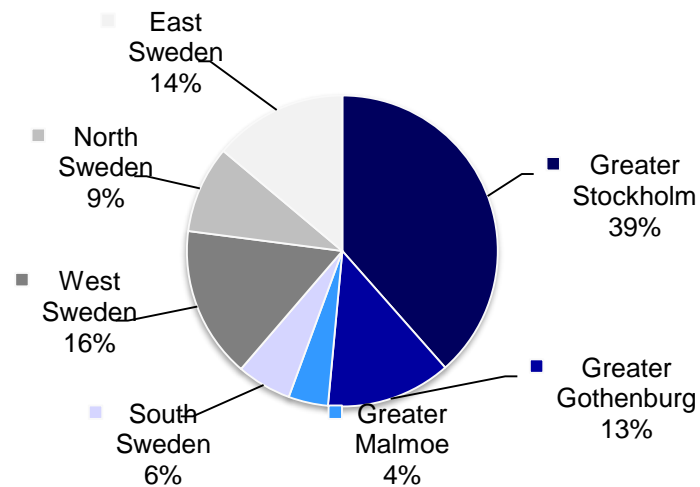
Cover pool key characteristics (2)

Q2 2018

Cover pool balance by loan category



Cover pool balance by region*



Loan To Value* (LTV)

Q2 2018

Weighted Average LTV – Unindexed		57.7%	
LTV buckets	Nominal (SEKm)	% Residential Loans	
>0 - <=40 %	350 628	70,49%	
>40 - <=50 %	57 929	11,65%	
>50 - <=60 %	45 389	9,12%	
>60 - <=70 %	33 017	6,64%	
>70 - <=80 %	10 469	2,10%	
Total	497 431	100%	
Weighted Average LTV - Indexed		50.4%	
LTV buckets	Nominal (SEKm)	% Residential Loans	
>0 - <=40 %	385 716	77,54%	
>40 - <=50 %	52 380	10,53%	
>50 - <=60 %	34 486	6,93%	
>60 - <=70 %	19 441	3,91%	
>70 - <=80 %	5 409	1,09%	
Total	497 431	100%	

Nordea Kredit

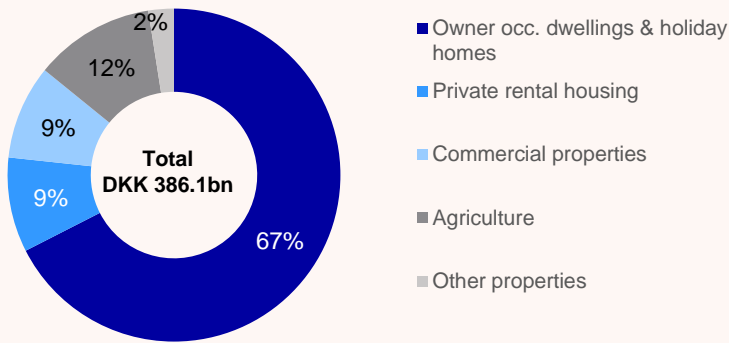
In brief

Profile		Portfolio															
Founded	1993	Mortgage loans, nom. value (Q2 2018)	DKK 386.1bn														
Number of employees (FTEs) (H1 2018)	109	Market share (Q2 2018)	14.2%														
Profit before tax (H1 2018)	DKK 873m	Portfolio by type of loan:															
Cost-income ratio (H1 2018)	11.8%	<table><tr><th>Loan Type</th><th>Percentage</th></tr><tr><td>Fixed</td><td>41%</td></tr><tr><td>ARM</td><td>32%</td></tr><tr><td>Floating rate</td><td>27%</td></tr></table> <table><tr><th>Bond Type</th><th>Percentage</th></tr><tr><td>IO</td><td>46%</td></tr><tr><td>Amortizing</td><td>54%</td></tr></table>		Loan Type	Percentage	Fixed	41%	ARM	32%	Floating rate	27%	Bond Type	Percentage	IO	46%	Amortizing	54%
Loan Type	Percentage																
Fixed	41%																
ARM	32%																
Floating rate	27%																
Bond Type	Percentage																
IO	46%																
Amortizing	54%																
Capital ratio (of which Tier 1) (Q2 2018)	32% (28.9%)																
100% owned by Nordea Bank AB																	
All covered mortgage bonds and mortgage bonds are ECBC labelled																	
More information at nordeakredit.dk																	
Asset quality		Rating of bonds															
LTV overall average (Q2 2018)	60.4%	Moody's	Aaa														
Arrears (Owner occupied dwellings and holiday homes) ¹	0.17%	Standard & Poor's	AAA														

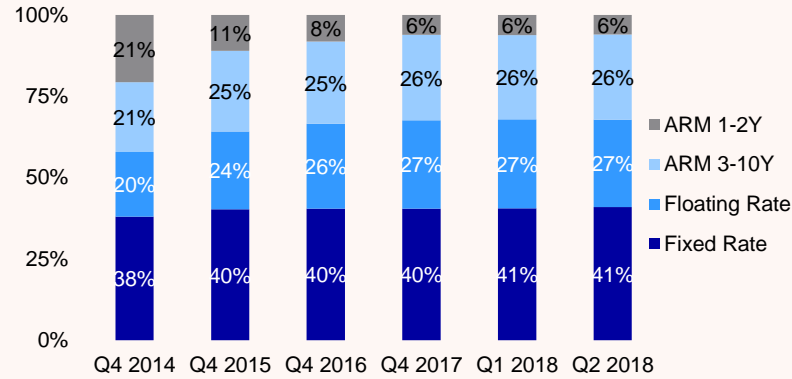
¹⁾ Arrears as a percentage of the Q1, 2018 scheduled payments – 3½ months after due date

Loan portfolio and market share

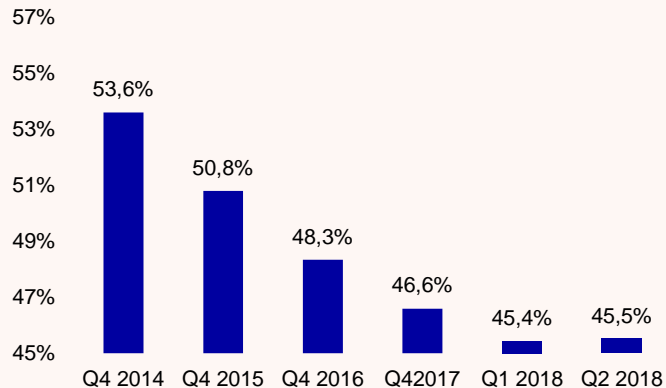
Loan portfolio by property category



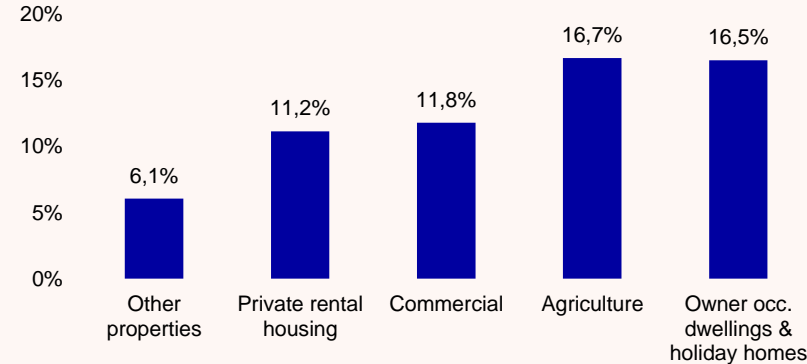
Portfolio by loan type



Share of interest-only mortgages

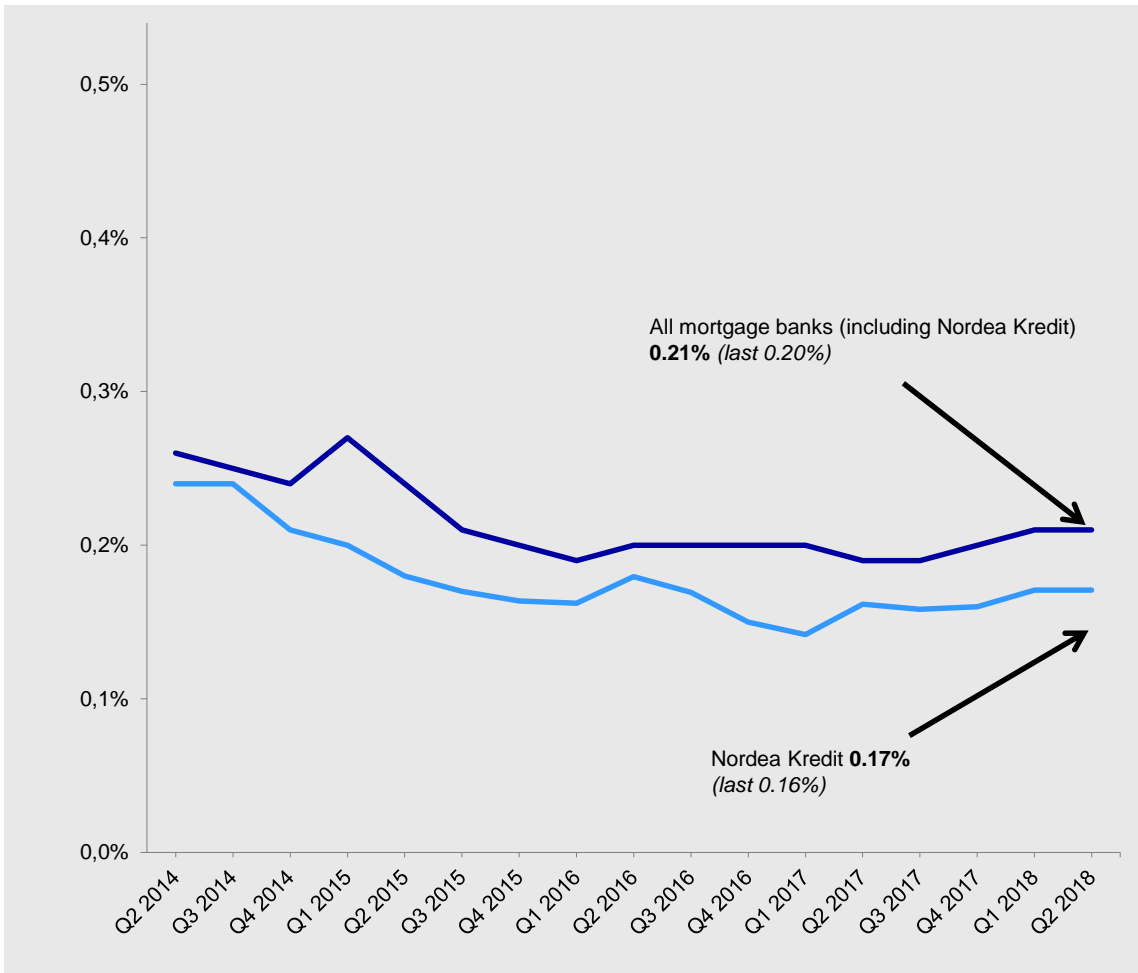


Market share¹ – 14.2% overall

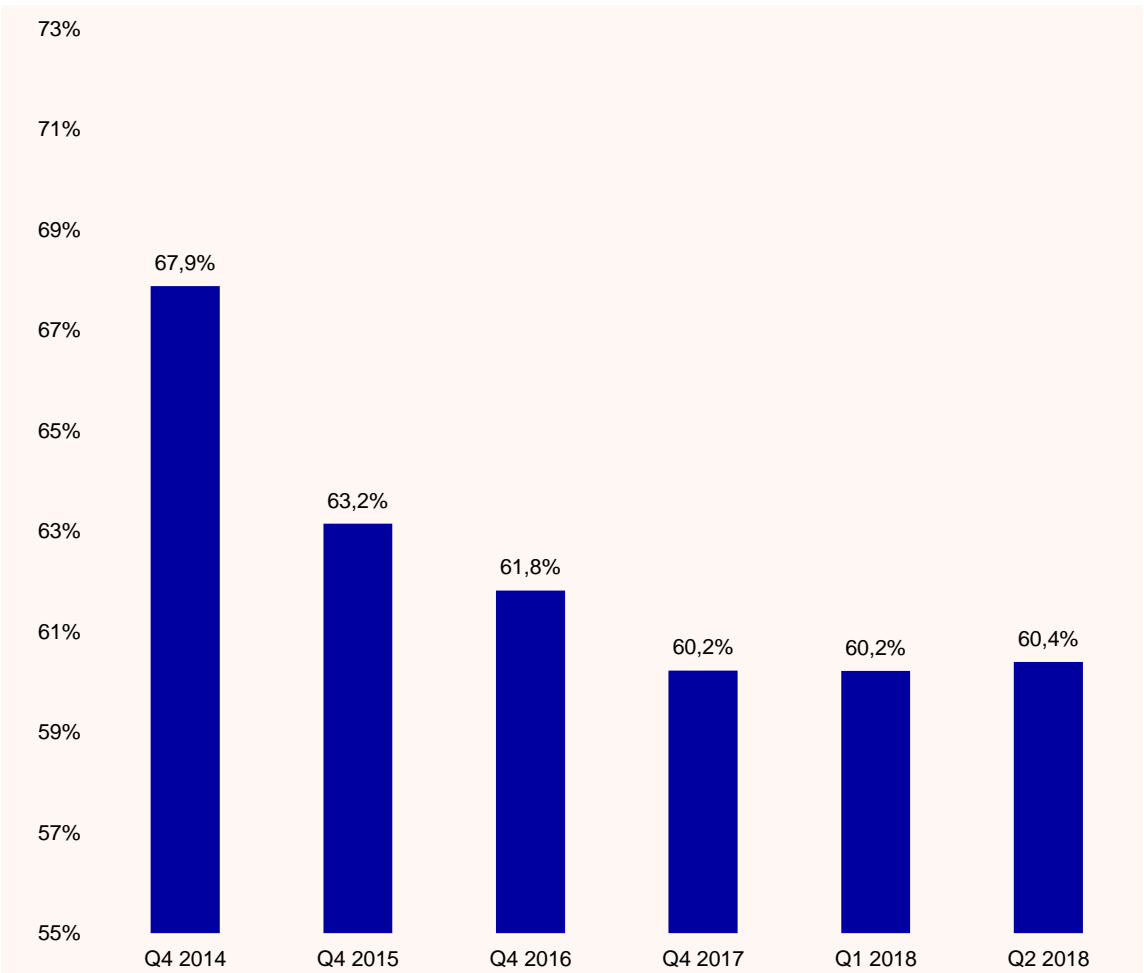


Asset quality

Arrears (Owner occupied dwellings and holiday homes)¹



Loan-to-value (LTV) overall average



¹⁾ Arrears as a percentage of the Q1, 2018 scheduled payments – 3½ months after due date

Appendix

Status on our transformation

Re-domiciliation	<ul style="list-style-type: none">• ECB has granted banking licence to Nordea Bank Abp• The merger is planned to be effected 1 October 2018
Simplification	<ul style="list-style-type: none">• 750,000 household customer accounts in Finland have migrated onto the new core banking platform• New savings and deposit accounts being opened on the new core banking platform• All SEPA Credit Transfer Interbank payments now running on the new Global Payment Engine• Reduced IT complexity; 190 data warehouse applications closed down
Digital & innovating	<ul style="list-style-type: none">• Growing our Robotics family – giving better and faster service for customers• Apple Pay – pay with your mobile device• Open Banking – gives customers more choices• We Trade – reduces the financial risk of conducting cross border trades• Nordea Wallet – customers can easier see all transactions and plan their private economy better• Nordea Connect – new payment solution that improves the online buying experience• New Mobile App – more customer-friendly app

Pro forma following re-domiciliation to Finland planned for 1 Oct – Nordea Bank Abp

Pro forma income statement Jan-Jun 2018

	Nordea Bank AB	Pro Forma Nordea Bank Abp
EURm		
Operating income		
Interest income	1 987	1 987
Interest expense	-918	-918
Net interest income	1 069	1 069
Fee and commission income	1 142	1 142
Fee and commission expense	-195	-195
Net fee and commission income	947	947
Net gains/losses on items at fair value	497	489
Dividends	105	105
Other operating income	285	285
Total operating income	2 903	2 895
Operating expenses		
Staff costs	-1 329	-1 306
Other expenses	-622	-622
Depr/amortisation and impairment charges	-150	-150
Total operating expenses	-2 101	-2 078
Profit before loan losses	802	817
Loan losses	-68	-68
Impairment of securities held as financial non-current assets	0	0
Operating profit	734	749
Taxes	-183	-186
Net profit for the period	551	562

Pro forma balance sheet 2018-06-30

	Nordea Bank AB	Pro Forma Nordea Bank Abp
EURm		
Assets		
Cash and balances with central banks	33 101	33 101
Treasury bills	16 694	16 694
Loans to credit institutions	65 617	65 617
Loans and receivables to the public	161 065	161 065
Interest-bearing securities	46 421	46 421
Financial instruments pledged as collateral	14 382	14 382
Shares	7 312	7 312
Derivatives	43 936	43 936
Fair value changes of the hedged items in portfolio hedge of interest rate risk	63	63
Investments in group undertakings	12 512	12 512
Investments in associated undertakings and joint ventures	1 039	1 039
Participating interest in other companies	26	26
Intangible assets	2 209	2 209
Property and equipment	370	370
Deferred tax assets	81	81
Current tax assets	308	308
Retirement benefit assets	235	272
Other assets	19 542	19 542
Prepaid expenses and accrued income	1 250	1 250
Total assets	426 163	426 200
Liabilities		
Deposits by credit institutions and central banks	61 677	61 677
Deposits and borrowing from the public	182 806	182 806
Debt securities in issue	69 865	69 865
Derivatives	45 643	45 643
Fair value changes of the hedge items in pf hedge of interest rate risk	404	404
Current tax liabilities	321	321
Other liabilities	26 781	26 781
Accrued expenses and prepaid income	1 225	1 225
Deferred tax liabilities	28	38
Provisions	384	384
Retirement benefit obligation	254	245
Subordinated liabilities	8 574	8 574
Total liabilities	397 962	397 963
Total equity	28 201	28 237
Total liabilities and equity	426 163	426 200

Pro forma following re-domiciliation to Finland planned for 1 Oct – Nordea Group

Pro forma income statement Jan-Jun 2018

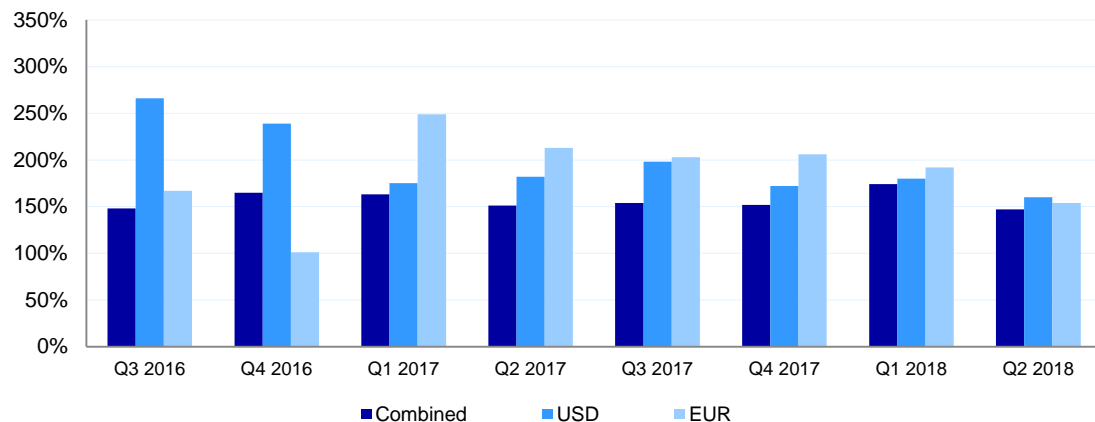
Pro Forma		
EURm		
Operating income		
Interest income	3 546	3 546
Interest expense	-1 420	-1 420
Net interest income	2 126	2 126
Fee and commission income	1 971	1 971
Fee and commission expense	-401	-401
Net fee and commission income	1 570	1 570
Net gains/losses on items at fair value	701	701
Profit from associated undertakings and JVs accounted for under the equity method	61	61
Other operating income	398	398
Total operating income	4 856	4 856
Operating expenses		
Staff costs	-1 528	-1 528
Other expenses	-686	-686
Depr/amortisation and impairment charges	-145	-145
Total operating expenses	-2 359	-2 359
Profit before loan losses	2 497	2 497
Loan losses	-99	-99
Operating profit	2 398	2 398
Taxes	-493	-493
Net profit for the period	1 905	1 905

Pro forma balance sheet 2018-06-30

	Pro Forma	
EURm		
Assets		
Cash and balances with central banks	33 690	33 690
Loans to central banks	6 732	6 732
Loans to credit institutions	13 351	13 351
Loans to the public	314 813	314 813
Interest-bearing securities	74 987	74 987
Financial instruments pledged as collateral	8 898	8 898
Shares	15 568	15 568
Assets in pooled schemes and unit-linked investment contract	26 335	26 335
Derivatives	43 719	43 719
Fair value changes of hedged items in portfolio hedge of interest rate risk	165	165
Investments in associated undertakings and joint ventures	1 577	1 577
Intangible assets	4 064	4 064
Property and equipment	594	594
Investment property	1 615	1 615
Deferred tax assets	119	119
Current tax assets	363	363
Retirement benefit assets	265	265
Other assets	20 237	20 237
Prepaid expenses and accrued income	1 507	1 507
Assets held for sale	1 454	1 454
Total assets	570 053	570 053
Liabilities		
Deposits by credit institutions	50 145	50 145
Deposits and borrowings from the public	176 491	176 491
Deposits in pooled schemes and unit-linked investment contracts	26 904	26 904
Liabilities to policyholders	19 241	19 241
Debt securities in issue	177 865	177 865
Derivatives	44 519	44 519
Fair value changes of hedged items in portfolio hedge of interest rate risk	1 272	1 272
Current tax liabilities	613	613
Other liabilities	27 394	27 394
Accrued expenses and prepaid income	1 581	1 581
Deferred tax liabilities	589	589
Provisions	314	314
Retirement benefit obligations	276	276
Subordinated liabilities	8 573	8 573
Liabilities held for sale	2 331	2 331
Total liabilities	538 108	538 108
Total equity	31 945	31 945
Total liabilities and equity	570 053	570 053

Liquidity Coverage Ratio

Liquidity Coverage Ratio



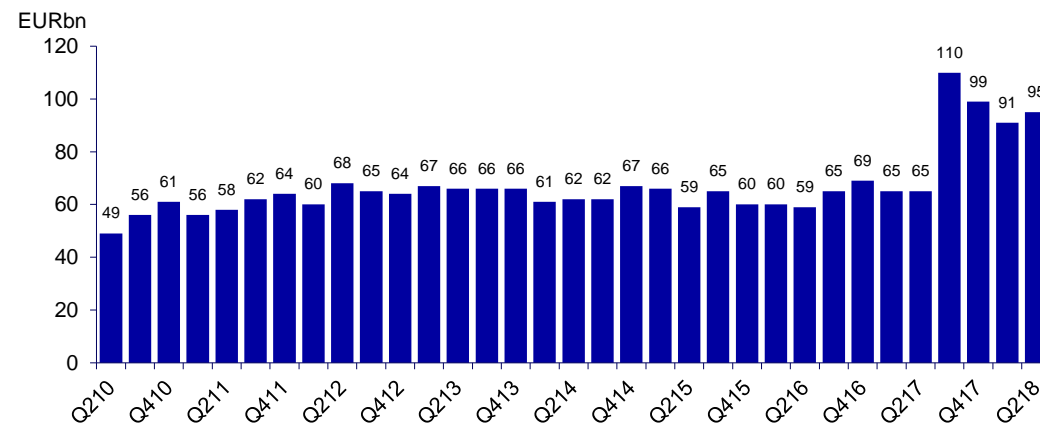
LCR subcomponents*, EURm

	Combined	USD	EUR
Total high-quality liquid assets (HQLA)	92,511	30,588	15,060
Liquid assets level 1	88,872	30,182	14,134
Liquid assets level 2	3,639	406	926
Cap on level 2	0	0	0
Total cash outflows	80,697	57,037	39,115
Retail deposits & deposits from small business customers	5,857	89	1,777
Unsecured wholesale funding	56,666	24,358	9,965
Secured wholesale funding	2,768	359	892
Additional requirements	11,683	31,789	25,495
Other funding obligations	3,723	443	986
Total cash inflows	17,570	37,862	29,337
Secured lending (e.g. reverse repos)	2,889	851	433
Inflows from fully performing exposures	4,605	628	1,242
Other cash inflows	10,076	36,383	35,152
Limit on inflows	0	0	-7,490
Liquidity coverage ratio (%)	147%	160%	154%

Comments

- EBA Delegated Act LCR in force starting from October 2016
 - LCR of 147%
 - LCR compliant in USD and EUR
- Compliance is reached by high quality liquidity buffer and management of short-term cash flows
- Nordea Liquidity Buffer EUR 95bn, which includes the cash and central bank balances
 - New liquidity buffer method introduced in July 2017

Time series – liquidity buffer



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