



Nordea

Debt investor presentation
Q3 2017

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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1. Nordea in brief

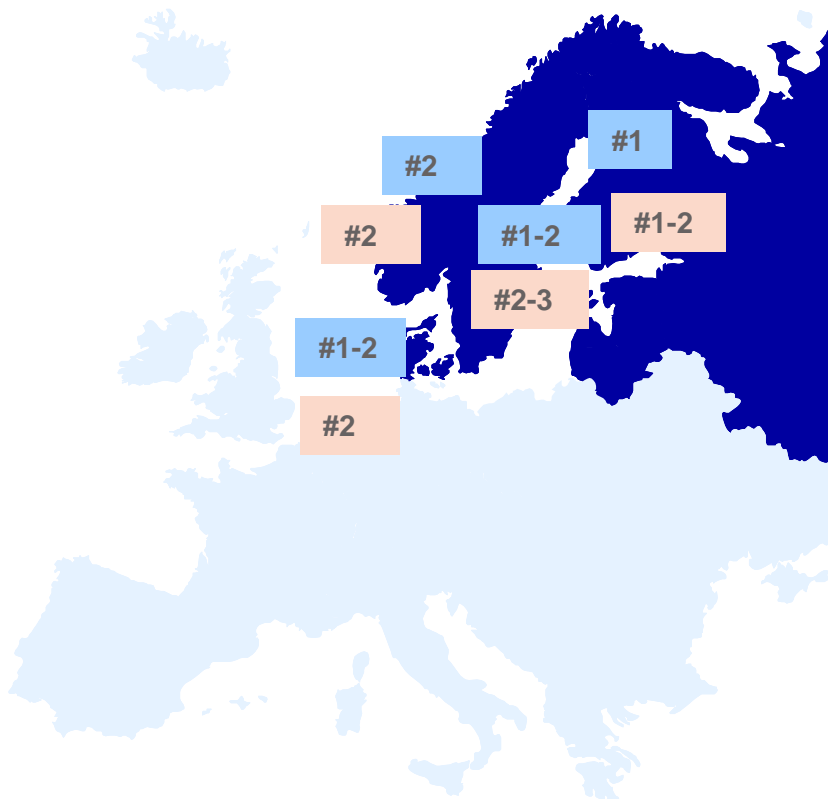
The largest financial services group in the Nordics

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
- 540 000 corporate customers, incl. Nordic Top 500
- Approx. 600 branch office locations
- Enhanced digitalisation of the business for customers

Financial strength

- EUR 10bn in full year income (2016)
- EUR 615bn of assets (Q3 2017)
- EUR 32.3bn in equity capital (Q3 2017)
- CET1 ratio 19.2% (Q3 2017)

AA level credit ratings

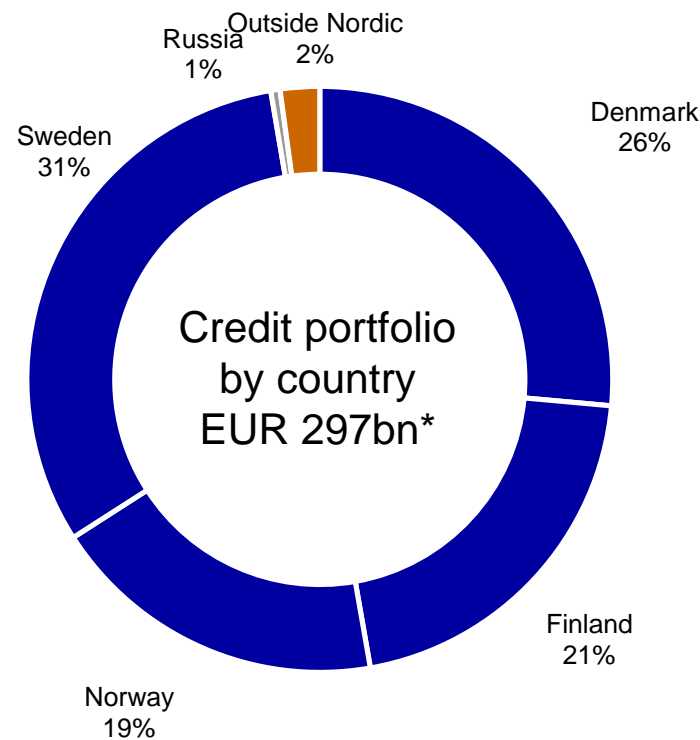
- Moody's Aa3 (stable outlook)
- S&P AA- (stable outlook)
- Fitch AA- (stable outlook)

EUR 46.3bn in market cap

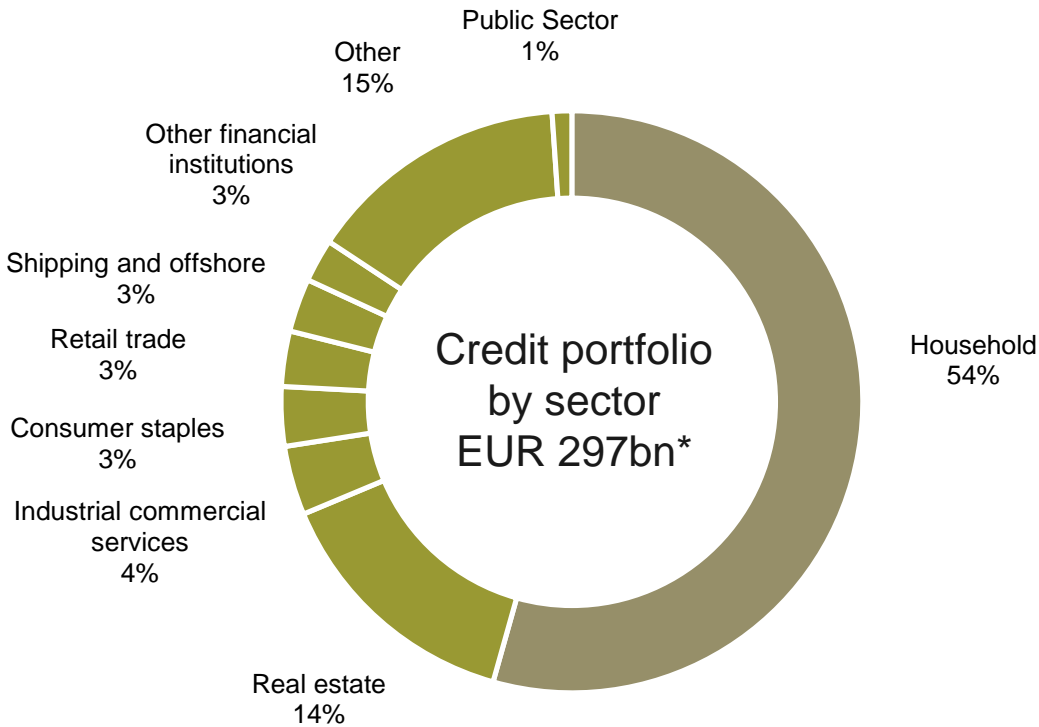
- One of the largest Nordic corporations
- A top-10 universal bank in Europe

Nordea is the most diversified bank in the Nordics

A Nordic-centric portfolio (97%)



Lending: 46% Corporate and 54% Household



Re-domiciliation summary

Why is Nordea re-domiciling?

- Nordea's pan-Nordic structure gives us special needs
- Logical move to be supervised within the banking union given our size and business model
- Nordea's four home markets are all part of the single European market
- Being domiciled within the banking union is in the best interest of our customers, shareholders and employees

Impact of re-domiciliation

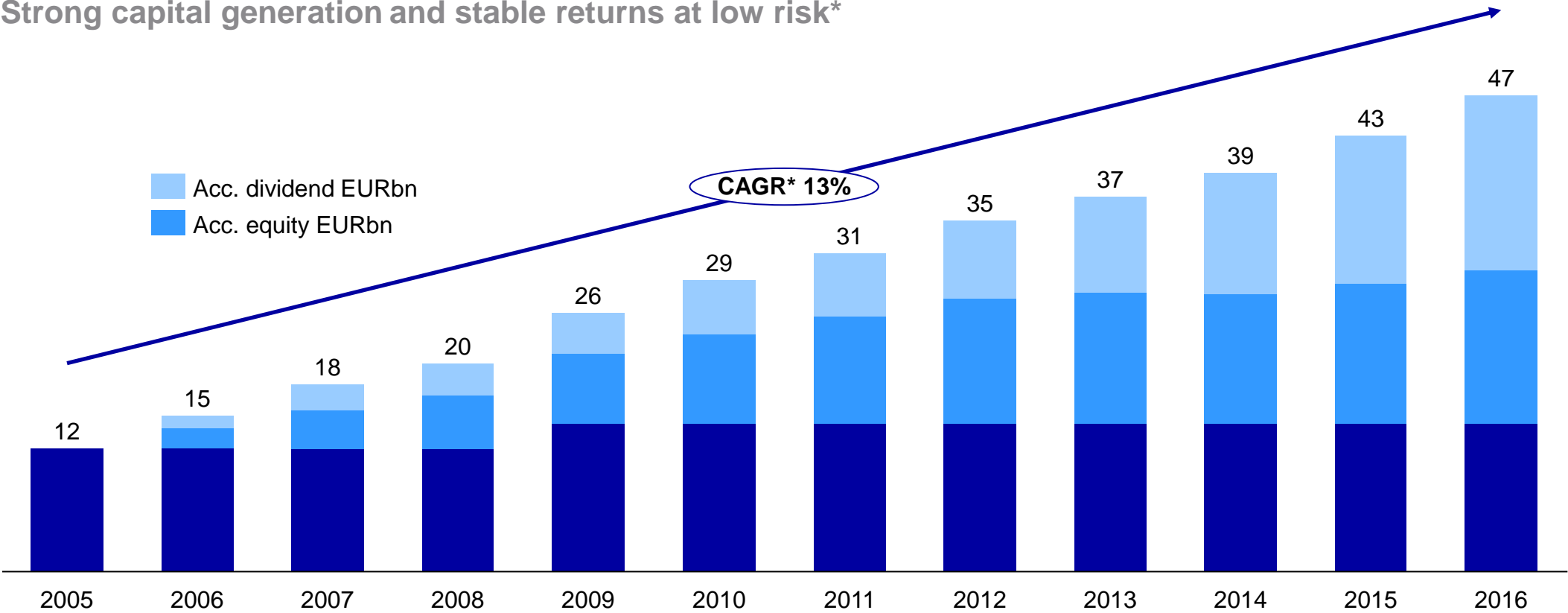
- Nordea's focus is to maintain its AA rating and continue to develop our customer offering
- Nordea will still have four home markets – we will remain strongly committed to all of them
- Nordea intends to maintain its capital and dividend policy
- Nordea will continue to be one of the major tax payers in all four countries
- Nordea will focus on delivering value for all our customers

Timeline and process

- The re-domiciliation is intended to be carried out by way of a “downstream cross-border” merger through which Nordea Bank AB (publ) will be merged into a newly established Finnish subsidiary
- Tentatively the re-domiciliation will be effective by 1 October 2018
- The Nordea share will remain listed at the stock exchanges of Stockholm, Helsinki and Copenhagen

Strong Nordea track record

Strong capital generation and stable returns at low risk*

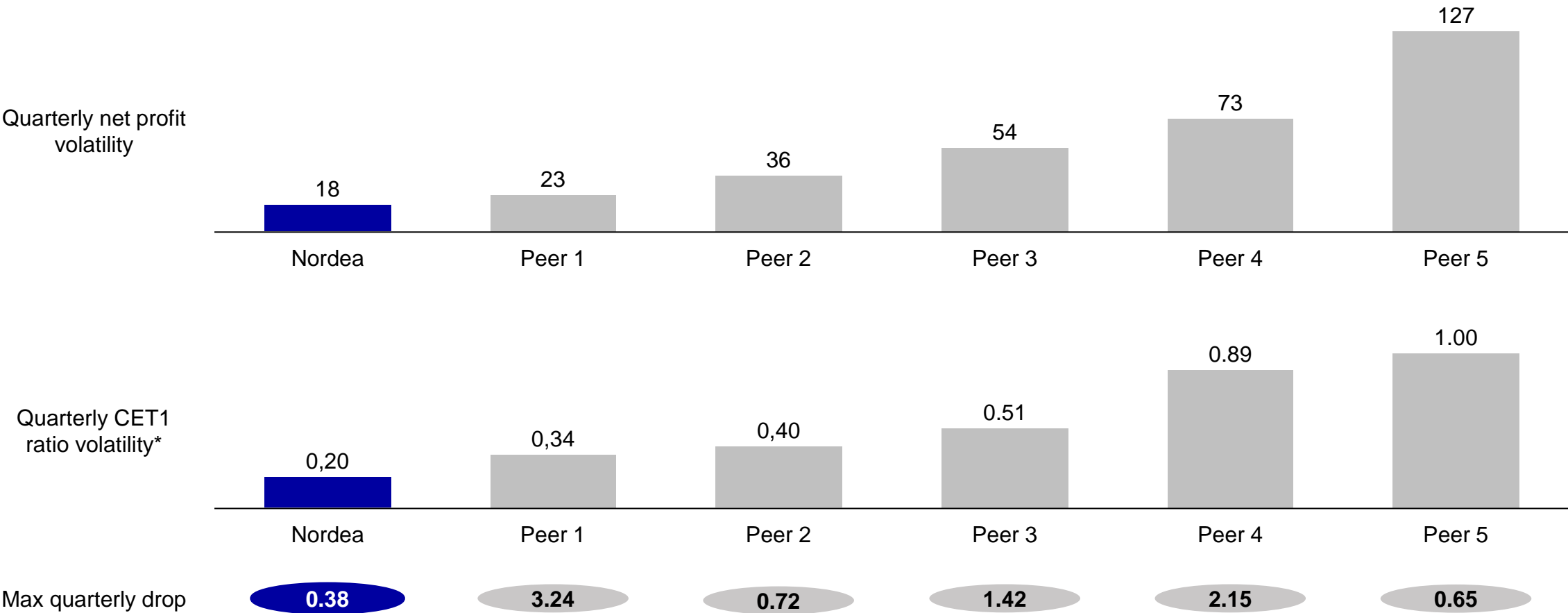


2005	
CET1 ratio (%)	5.9**

Q317	
CET1 ratio (%)	19.2
Leverage ratio (%)	4.9

The most stable bank in the Nordics (2006-2016)

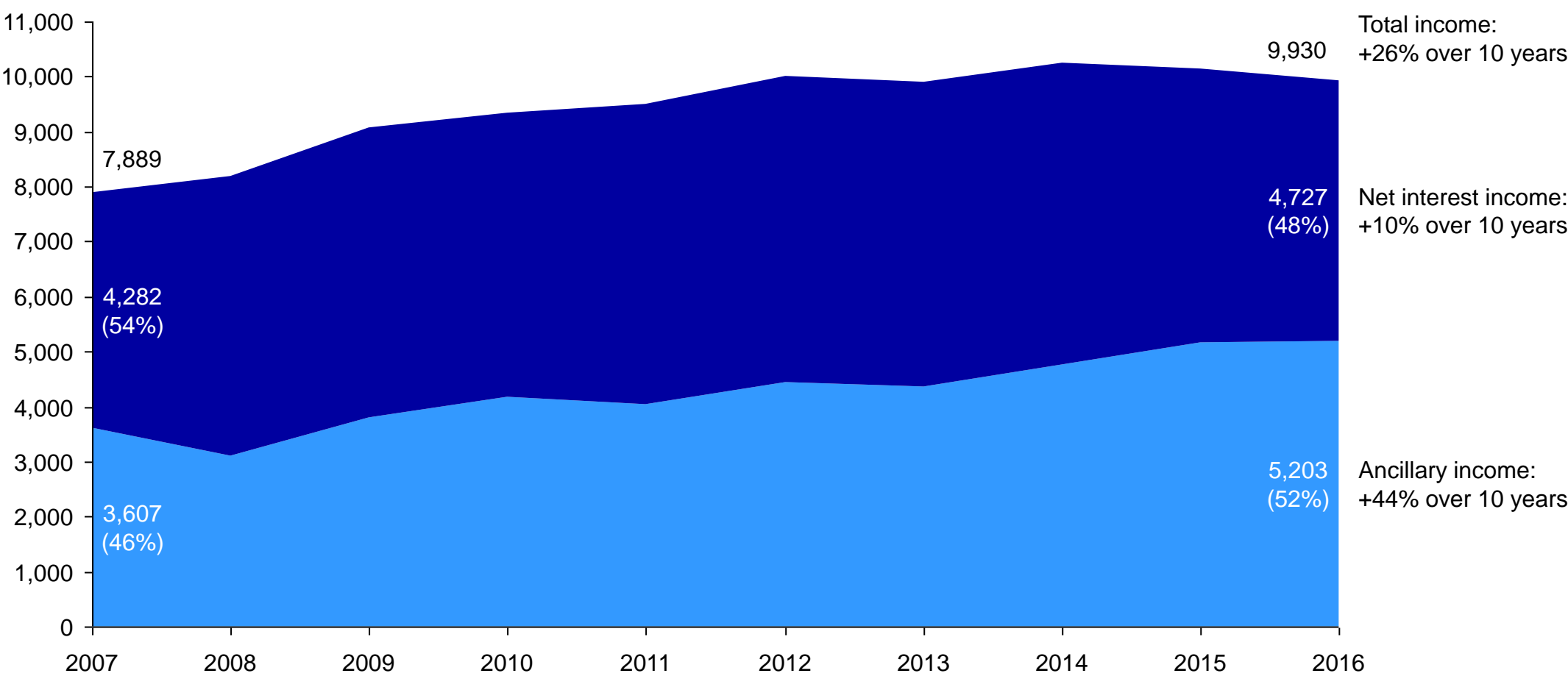
Nordea and peers 2006 – 2016, %



9 * 2006-2016. Calculated as quarter on quarter volatility in CET1 ratio, adjusted so that the volatility effect of the instances in which the CET1 ratio increases between the quarters are excluded

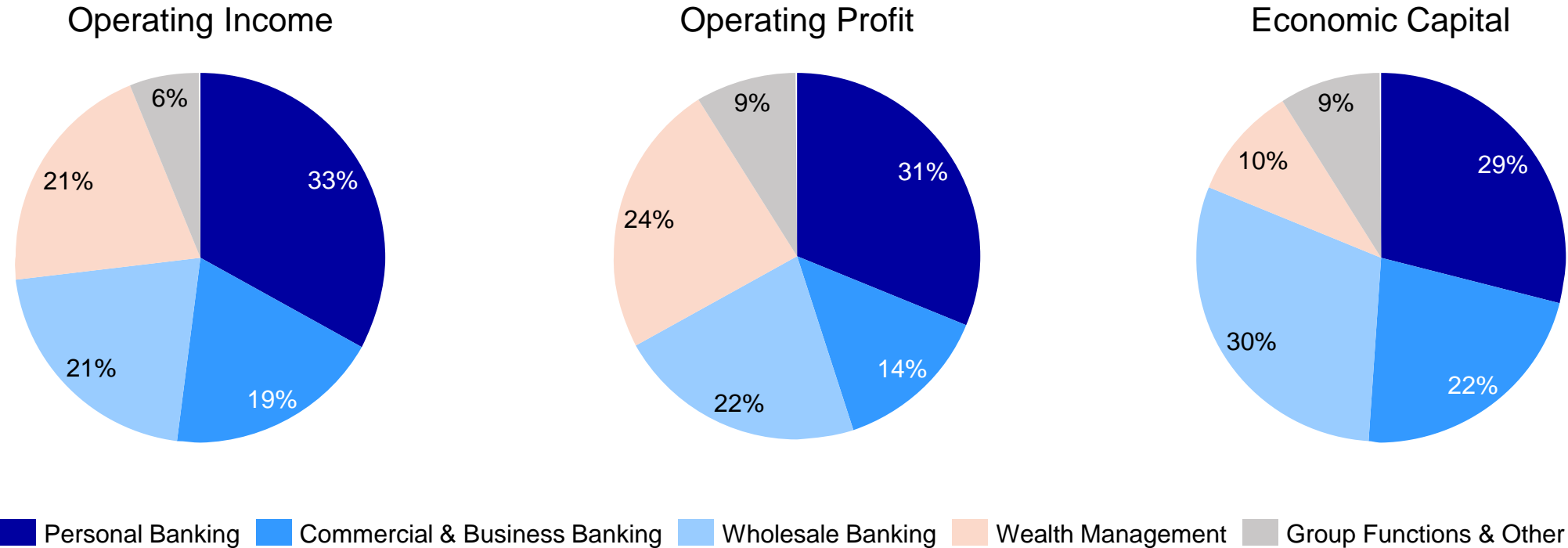
Changed revenue structure

Nordea's focus on ancillary income offset pressure on net interest income



Well mixed profit generation

Business Area contribution in YtD 2017



2. Financial results highlights

Executive summary

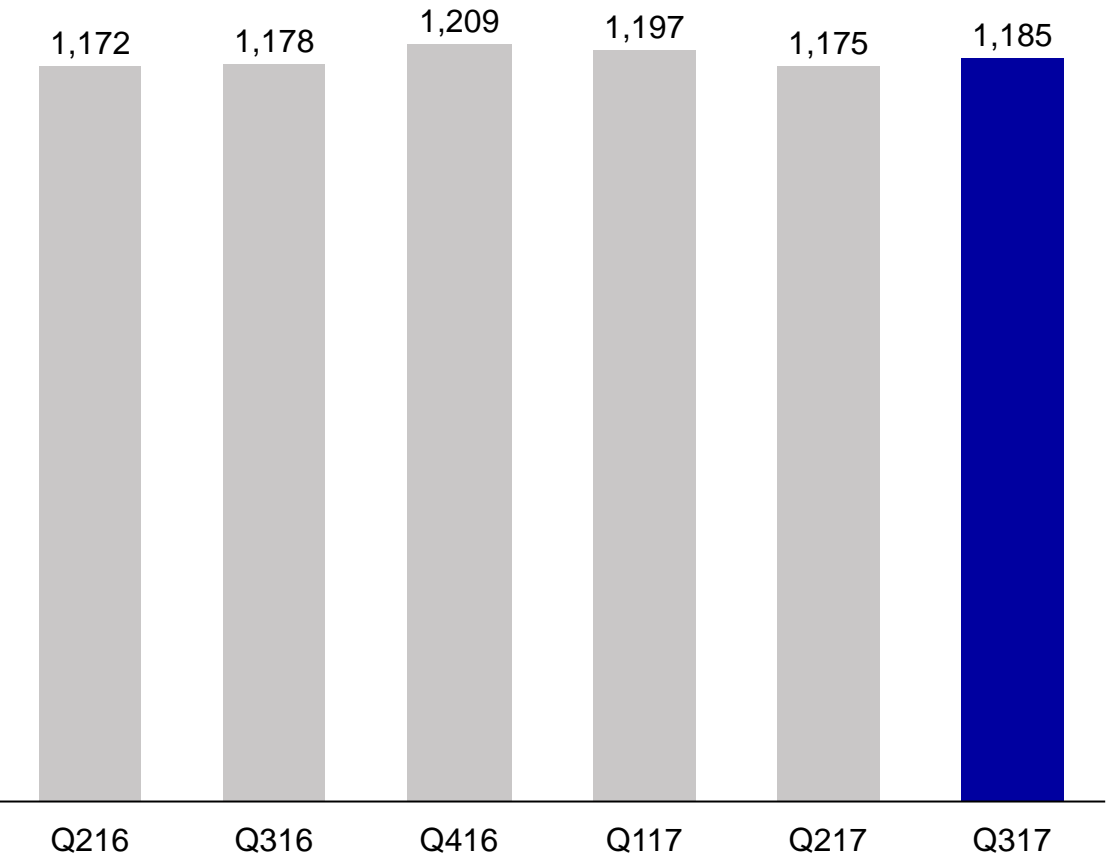
- Solid economic environment
 - Stable lending and deposit margins
 - Seasonally lower transaction levels in Q3
 - Low demand on capital market products coming from low volatility
- Credit quality improves as expected
- CET1 ratio maintained at 19.2%
 - Management buffer at all-time-high at 180bps
- Group transformation enters the next phase
 - So far focus on investments in technology and build-up of capabilities in compliance and risk management
 - Investments start to deliver – time to enter the next phase of the transformation
 - Structurally lower costs and increased efficiency
- Cost base of approx. EUR4.9bn in 2018 – to come down to below EUR4.8bn in 2021

Q3 2017 Group financial highlights

		Q3/17 vs. Q3/16*	Q3/17 vs. Q2/17*
Income	<ul style="list-style-type: none"> Total revenues Net Interest Income Fee and Commission Income Net Fair Value 	<ul style="list-style-type: none"> -4% +1% +3% -26% 	<ul style="list-style-type: none"> -1% +1% -4% -1%
Costs	<ul style="list-style-type: none"> Total expenses Staff costs 	<ul style="list-style-type: none"> +2% +2% 	<ul style="list-style-type: none"> -7% -5%
Credit quality	<ul style="list-style-type: none"> Loan loss level Impaired loans 	<ul style="list-style-type: none"> 10 (16) bps 174 bps (163 bps) 	<ul style="list-style-type: none"> 10 (13) bps Unchanged
Key ratios	<ul style="list-style-type: none"> CET1 ratio ROE C/I 	<ul style="list-style-type: none"> 19.2% (17.9%) 10.5% (11.6%) 51% (48%) 	<ul style="list-style-type: none"> 19.2% (19.2%) 10.5% (9.5%) 51% (54%)

Net Interest Income

6 quarters development

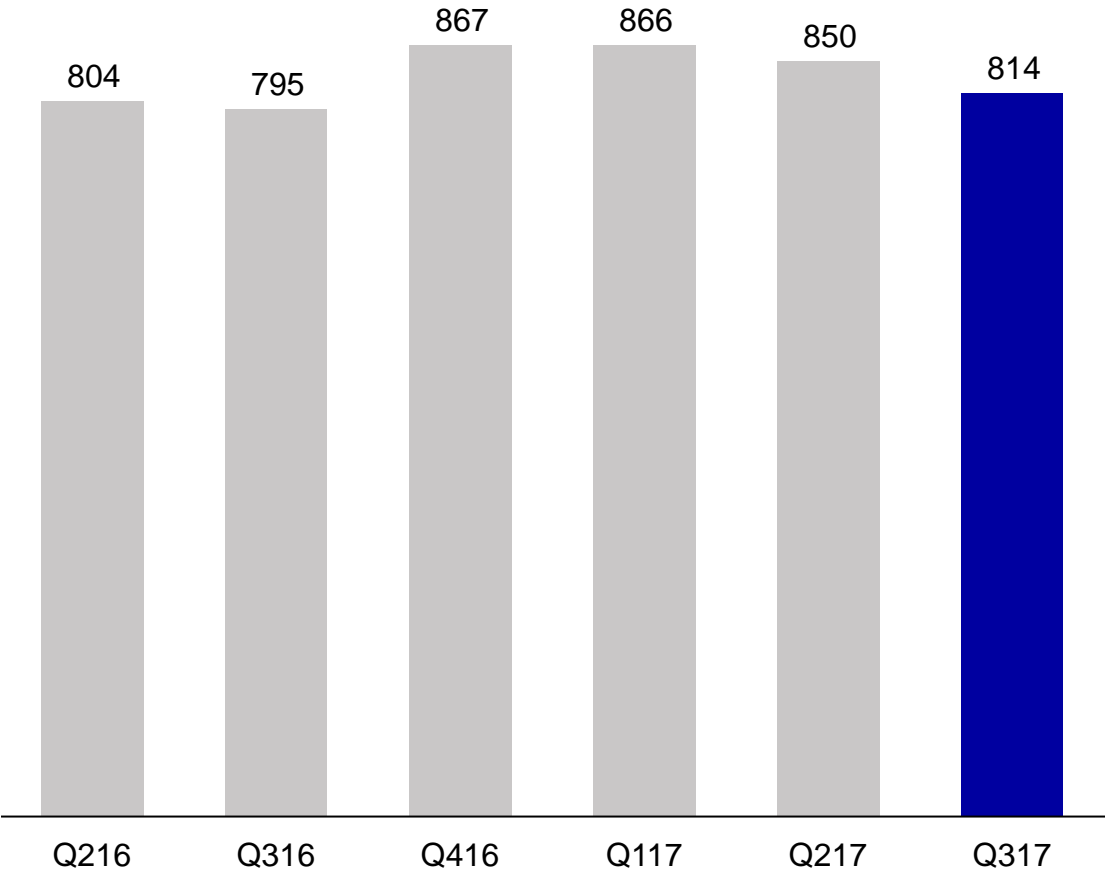


QoQ trend

- +3% q-o-q in Personal Banking from lower funding costs
- Unchanged in Commercial and Business Banking
- Lower in Wholesale Banking on lower volumes in Russia and Shipping, Oil and Offshore

Net Fee and Commission Income

6 quarters development

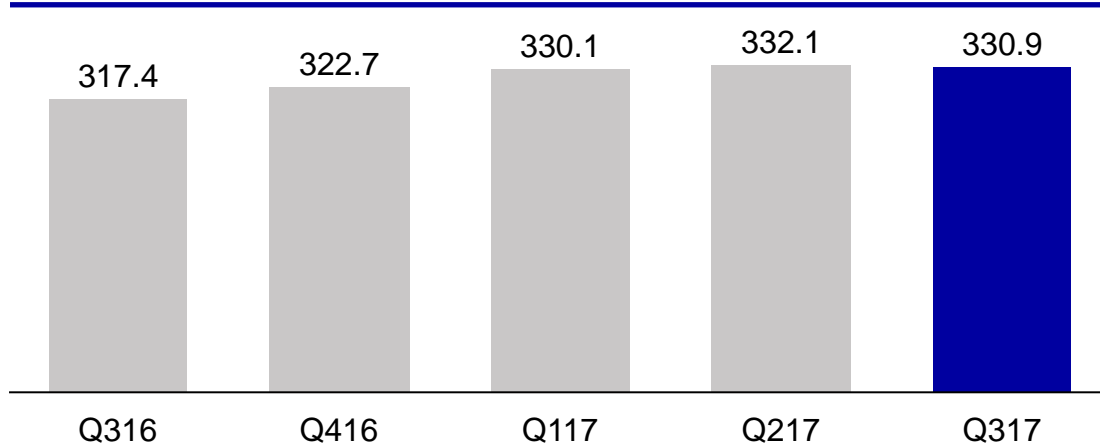


QoQ trend

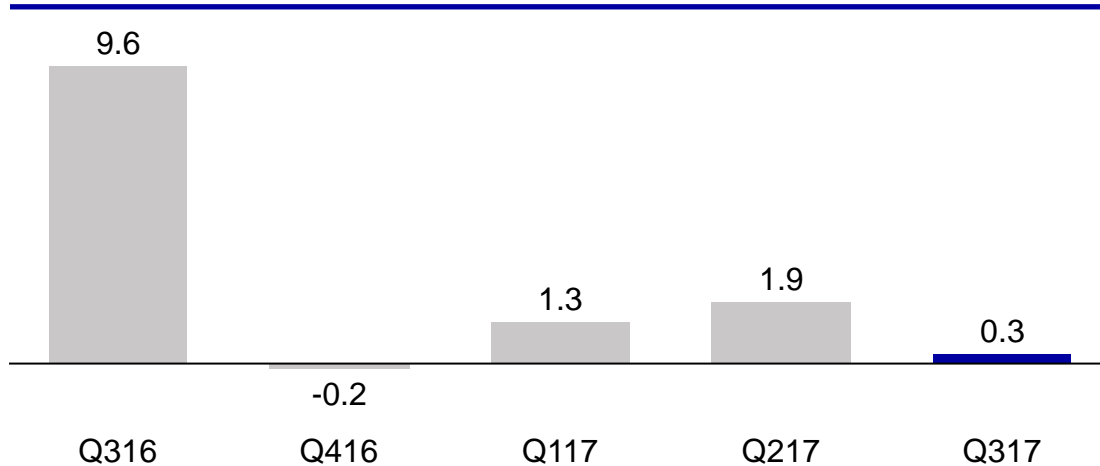
- Underlying AuM grew by 0.3% in Q3
- Seasonally lower transaction levels
- Lower fees from payments and cards

Wealth Management with stable performance

AuM development, EURbn



Net flow, EURbn

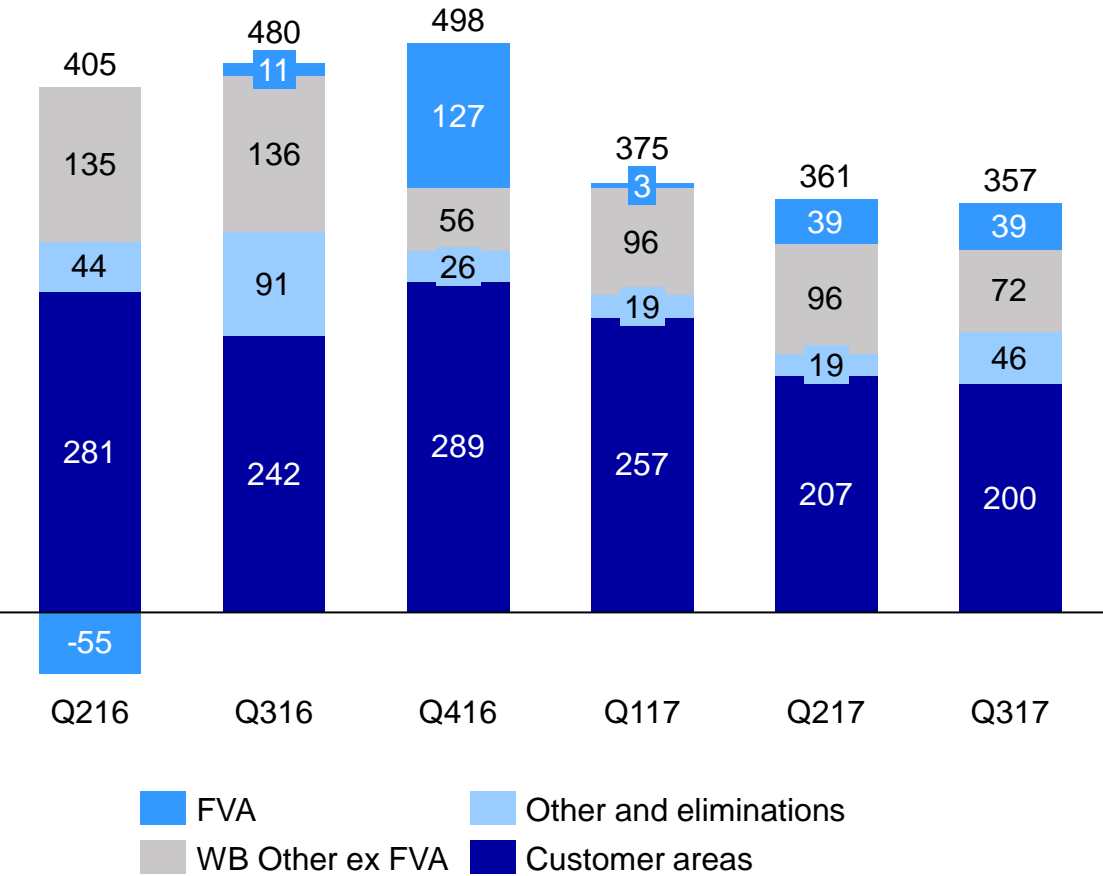


QoQ trend

- Slight decrease in Q3 AuM (-0.4%) due to structural changes (Luminor in the Baltics, sale of Life in Poland)
- Continued solid flows from international institutional clients (+19% YTD)
- Wholesale distribution outflows following soft closure of Stable Return Fund
- Captive channels affected by compliance and regulatory preparation as well as re-organisation of units across Nordea
- 88% of composites outperformed benchmark over a 3-year period

Net Fair Value

6 quarters development

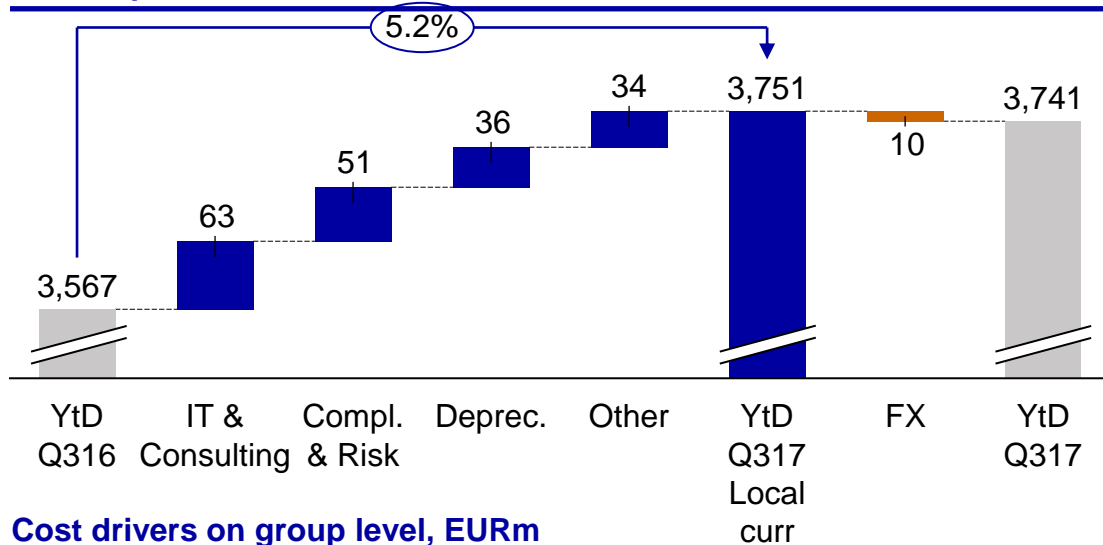


QoQ trend

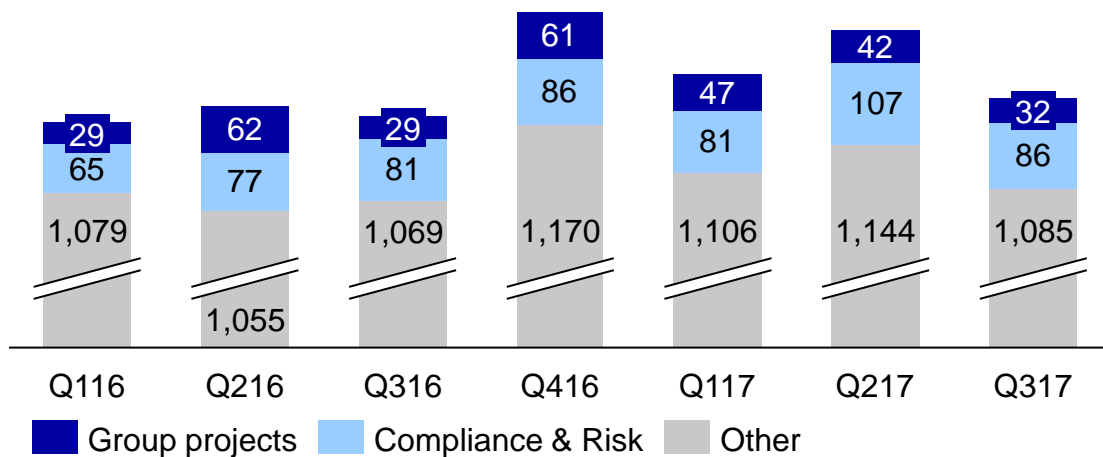
- Lower income in customer-driven capital markets activities due to low volatility
- Positive impact of Fair Value adjustment of EUR 39m

Costs

Total expenses, EURm



Cost drivers on group level, EURm

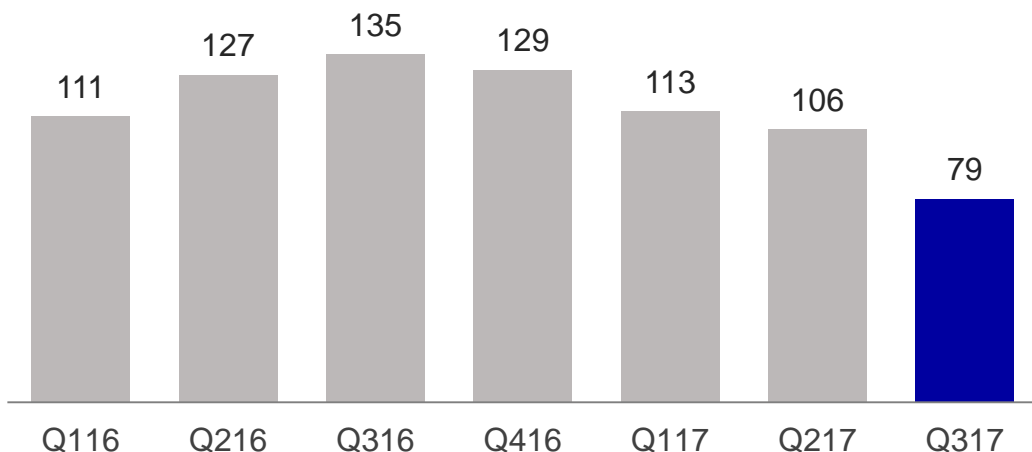


Comments

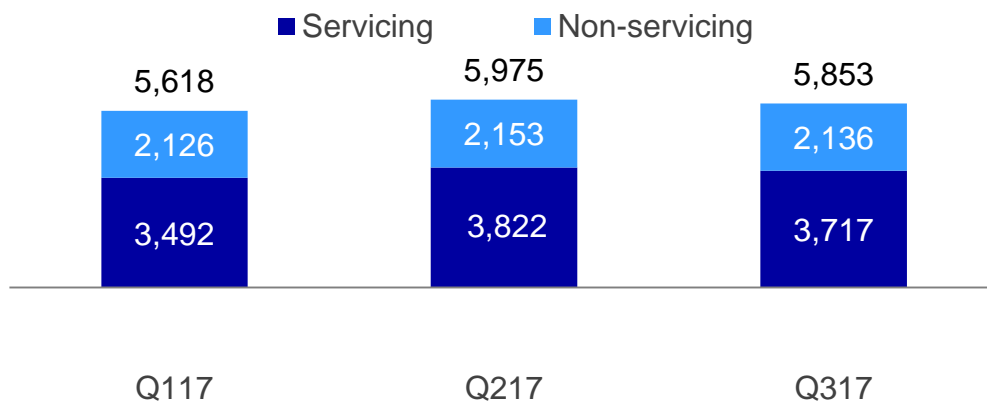
- YtD Q3 +5% in local currencies
- High activity in our simplification and transformation projects
- Number of employees up by 2% y-o-y, mainly driven by IT and compliance

Improved asset quality

Total net loan losses, EURm



Impaired loans, EURm



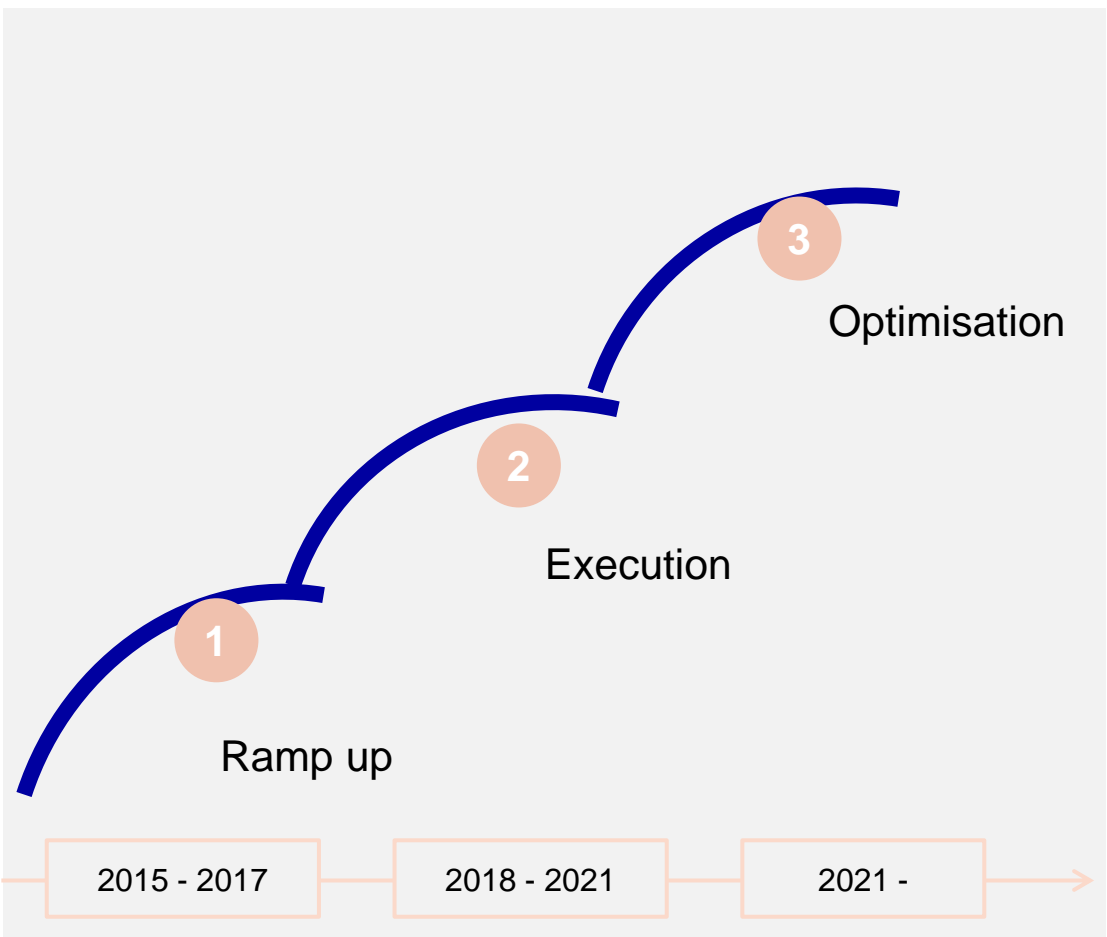
Comments

- Q3 net loan loss ratio 10 bps (Q2 13 bps)
 - Net loan losses in Q3 mainly related to corporate customers in Denmark, Norway and countries outside the Nordics
 - Largest individual loan loss related to Oil and Offshore and Manufacturing
 - Collective reversals driven by identified individual provisions and positive rating migration in the retail portfolio
- Net loan loss outlook
 - Loan loss expectation for the coming quarters is that it will be below long-term average of 16 bps
- Impaired loans gross decreased by 2%
 - Mainly related to private customers in DK and a few corporate customers in manufacturing industry

3. Group transformation

We are ready to take the next step in our transformational journey

Illustrative timeline



Success factors

Ramp up (2015 – 2017)

- 1** { Ambitious investments to build the foundation
Fast and agile
Efficient and scalable
Resilient & compliant

Execution (2018 – 2021)

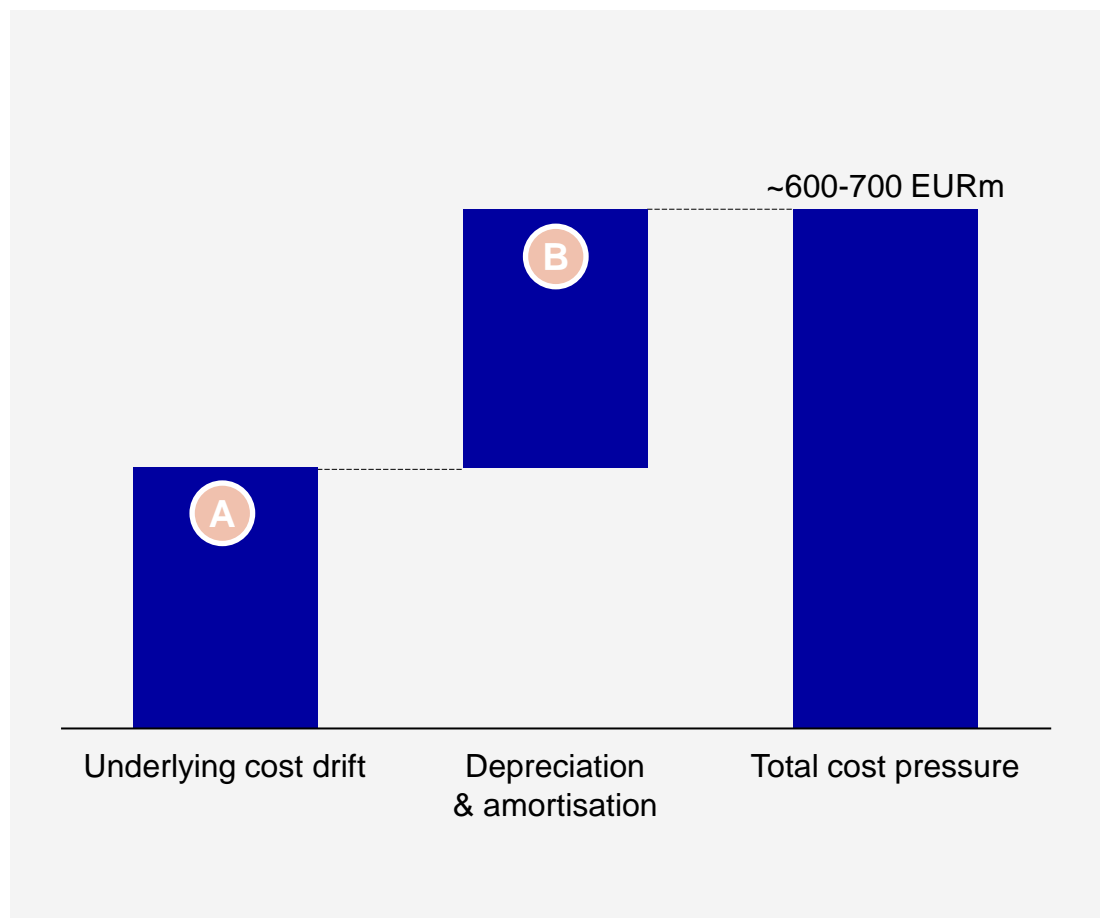
- 2** { Distribution/channels/service model
Credit processes and products
IT and operations
Key support functions

Optimisation (2021 -)

- 3** { Future relationship bank
   

Recent investments will push up near term costs

Underlying cost pressure 2018-21



Underlying cost drift

- A Increasing running expenses for IT systems following the substantial development agenda/digital transformation and compliance
- A Annual underlying salary increases and inflation in non-staff expenses

Depreciations and amortization

- B Increasing depreciations & amortisations following substantial investment in IT infrastructure / solution platforms

Cost savings of around EUR 900m expected through transformation

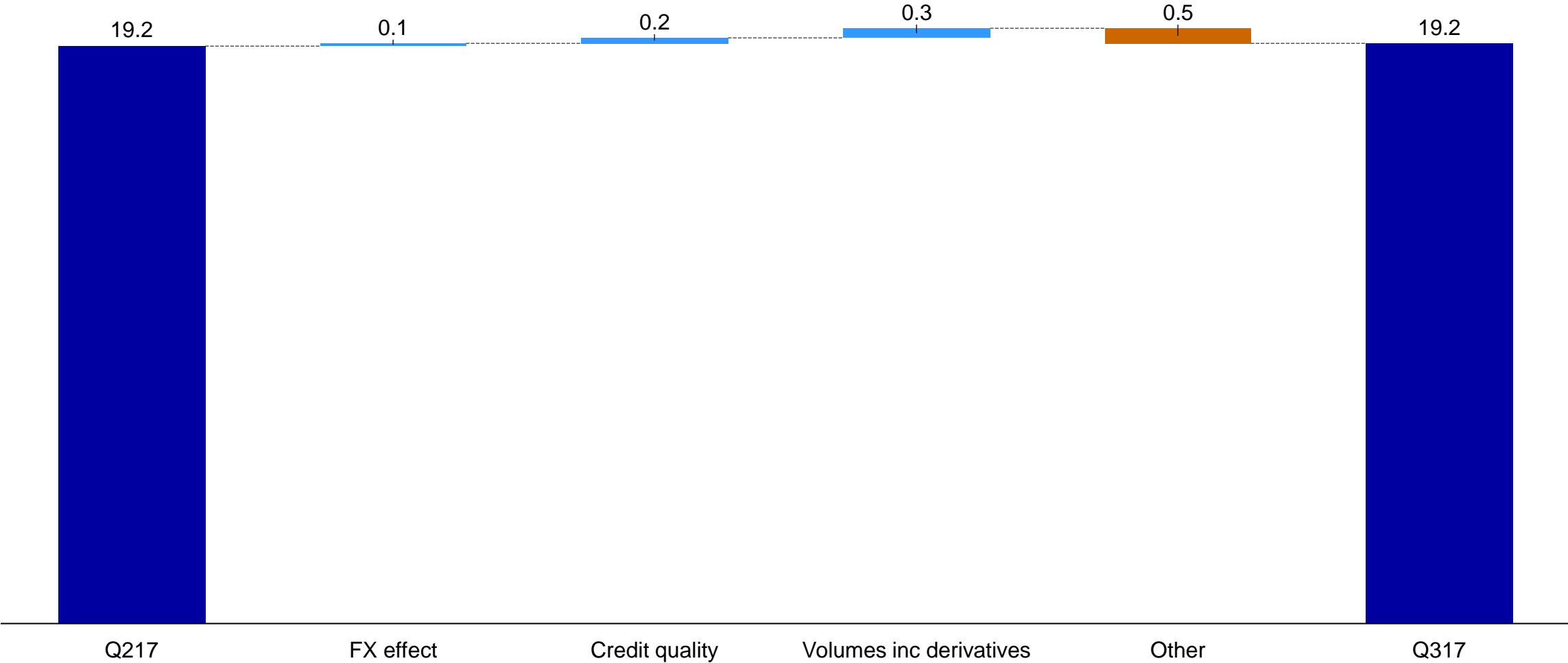
		Estimated gross savings effects*
Distribution channels/ service model	<ul style="list-style-type: none"> • Ramp up speed of migration to digital (mobile), remote meetings, and closing down branches • Segmentation and stronger Nordic coordination of client coverage and build-up of global competence centres 	~ 30% (~EUR 250m)
Credit processes & products	<ul style="list-style-type: none"> • Implementation of pre-approved credit limits and automated credit decisions • Functional centralisation to achieve scale and enhanced capacity • Implementation of common standards for risk assessments • Strict product prioritisation, production location (in-house, outsourced or white labelled) and centralise workforce/processes to improve efficiency 	~ 15% (~EUR 150m)
Information technology & operations	<ul style="list-style-type: none"> • Higher degree of centralisation and nearshoring/outsourcing and shared platforms • Automatisatation and Robotics • Reduce complexity and establish future technological platform 	~ 45% (~EUR 400m)
Key support functions	<ul style="list-style-type: none"> • Optimised service model for People (i.e. Learning), Finance and consolidation of support staff • Higher degree of nearshoring in relevant areas • Streamlining sourcing strategy 	~ 10% (~EUR 100m)

Financial outlook

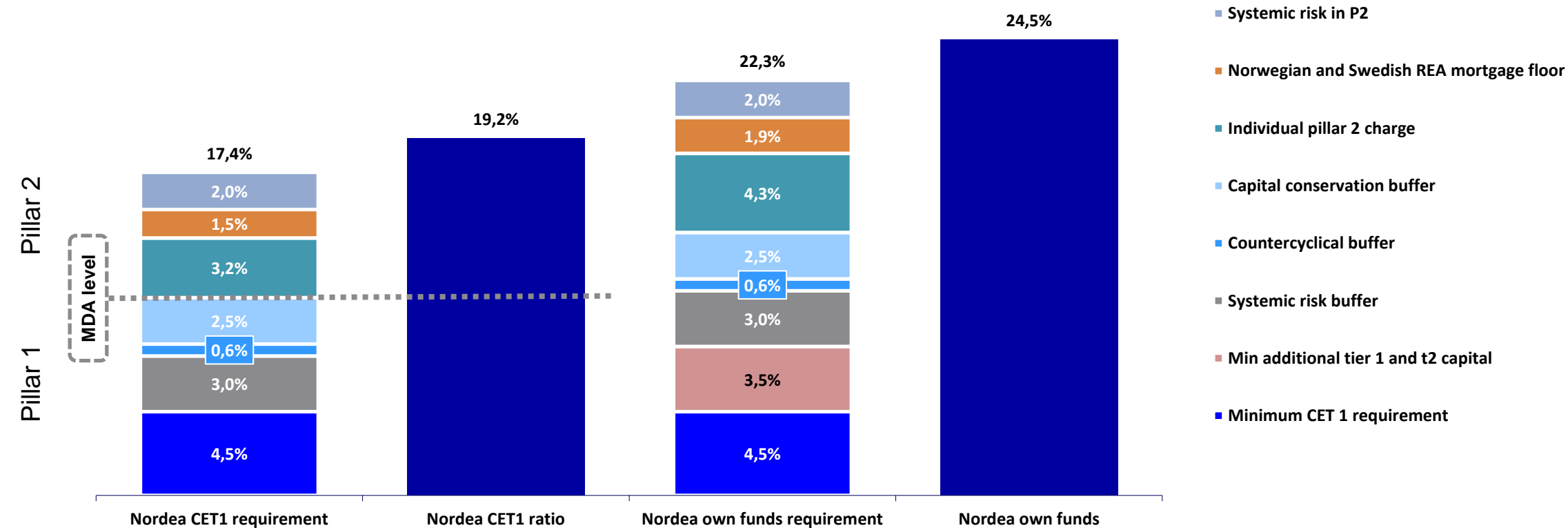
Income	Expected to grow with nominal Nordic GDP
Costs	Costs up 3-5% in 2017 vs 2016 excl. transformation costs of EUR 100-150m Cost base incl. transformation costs approx. EUR 4.9bn in 2018 Target of total costs incl. transformation costs < EUR 4.8bn in 2021
Capital	Continued significant CET1 accumulation Robust outlook for delivering on our dividend policy
RoE	Continued improvement of RoE Target to be above the Nordic peer average

4. Capital

Common Equity Tier 1 ratio development Q317 vs. Q217



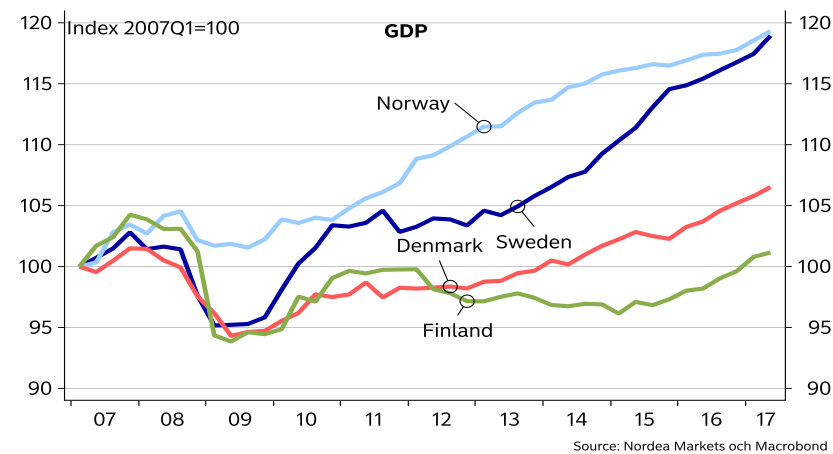
Nordea estimated CET1 and own funds requirement Q3 2017*



5. Macro

Prospering Nordic economies

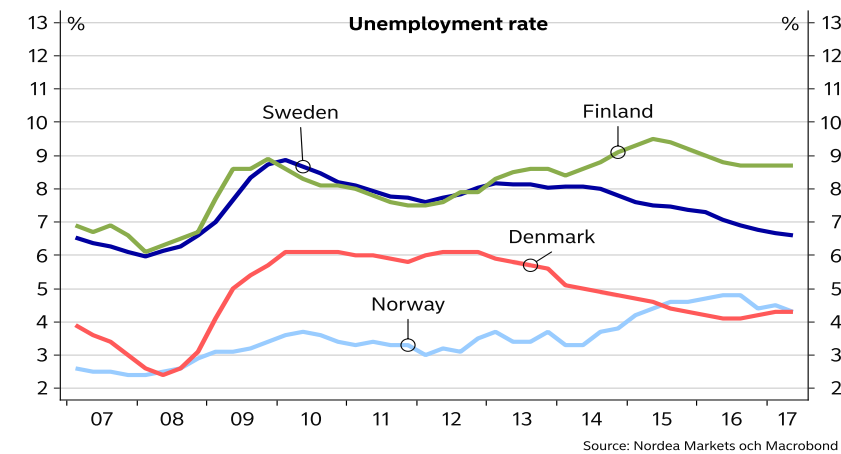
GDP development



Comments

- The Nordics are enjoying an economic tailwind. While the synchronized global recovery raise exports, the accommodative monetary polices supports domestic demand
- Short-term survey indicators remains upbeat, which suggests growth will be held up also going forward

Unemployment rate



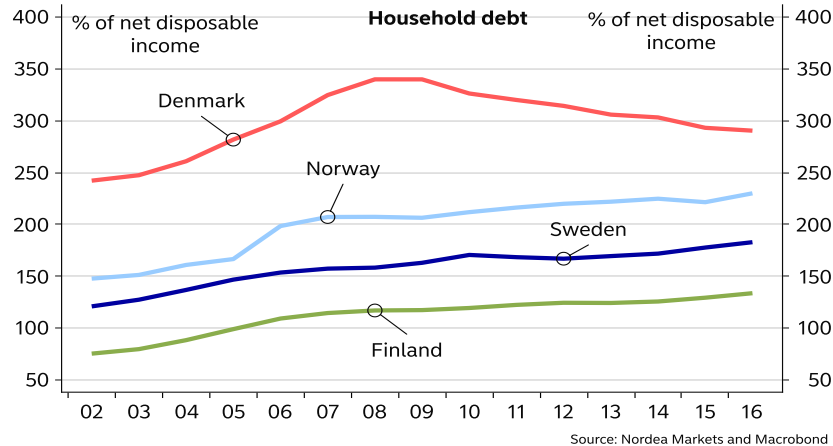
GDP forecast, %

Country	2014	2015	2016	2017E	2018E
Denmark	1.7	1.6	1.7	2.2	2.0
Finland	-0.6	0.0	1.9	3.0	2.0
Norway	2.2	1.4	1.0	1.9	2.6
Sweden	2.7	3.8	2.9	3.3	2.6

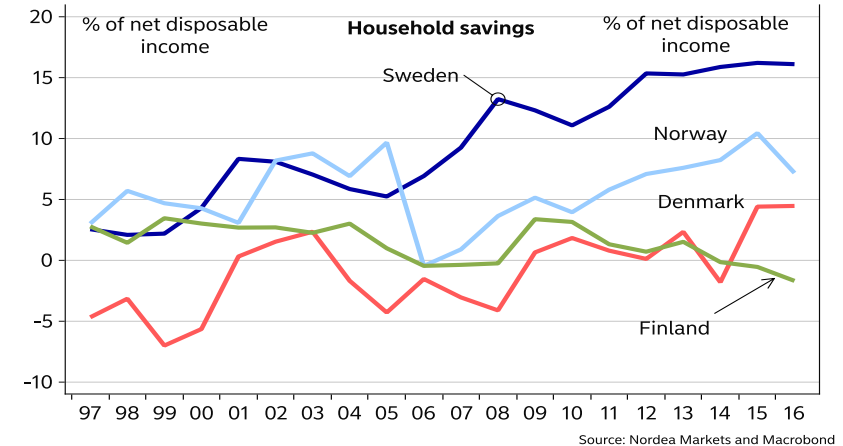
Source: Nordea Economic Outlook, September 2017

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

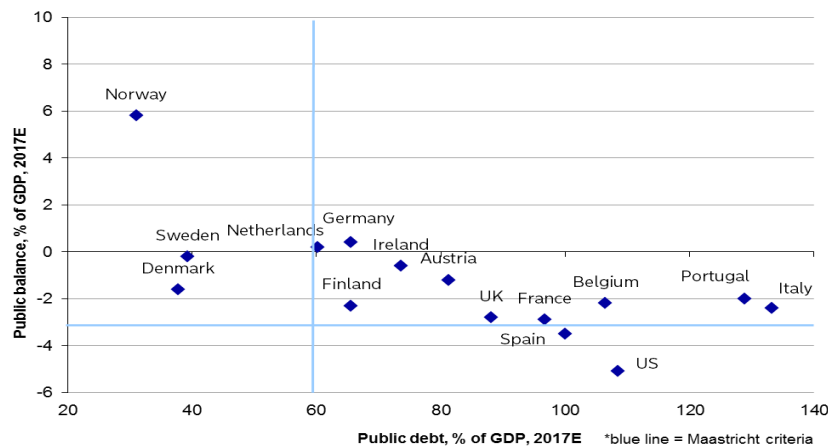
Household debt



Household savings



Public balance/debt, % of GDP, 2017E

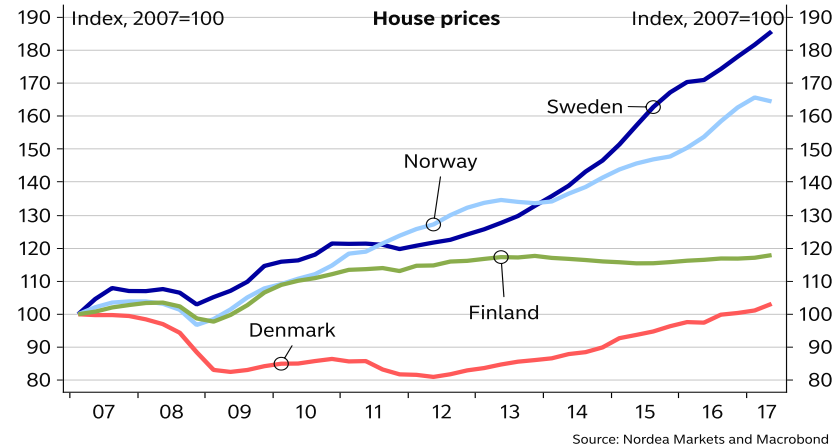


Comments

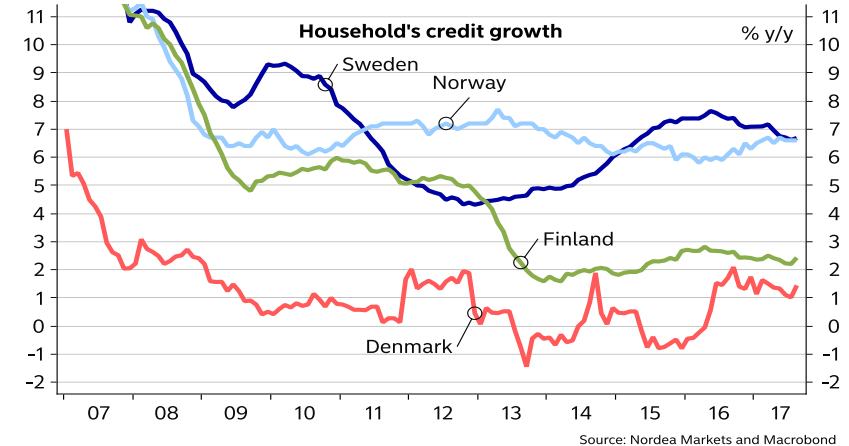
- In all countries, apart from Denmark, household debt continues to rise somewhat faster than income. Meanwhile, households' savings rates remain at high levels, apart from Finland where savings have declined somewhat in recent years
- The Nordic public finances are robust due to overall the economic 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

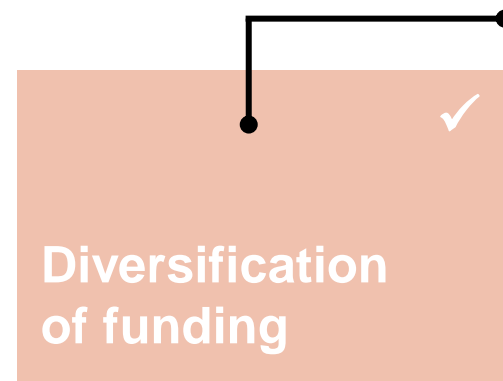
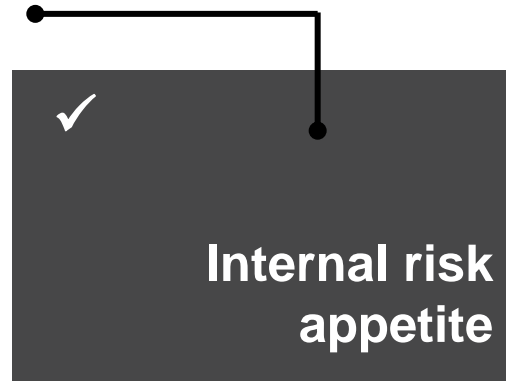
- Recent months have shown some weaknesses on the Swedish and Norwegian housing markets, while prices continue to rise in Denmark and Finland
- In Sweden, house prices seem to have declined somewhat after the summer. This could be an effect of the marked rise in buildings seen in recent years. Going forward, we expect largely stagnant prices as mortgage rates, the most important determinant for prices, are expected to stay low
- In Norway, primarily in Oslo, house prices have been on a downward trend since the Spring. The development is primarily driven stricter lending requirements that were introduced January 1st 2017. We expect prices to drop some 5-10% further in Oslo before levelling out. The housing market has also cooled on a national level, but we see a limited risk of a significant decline in prices

6. Funding

Securing funding while maintaining a prudent risk level

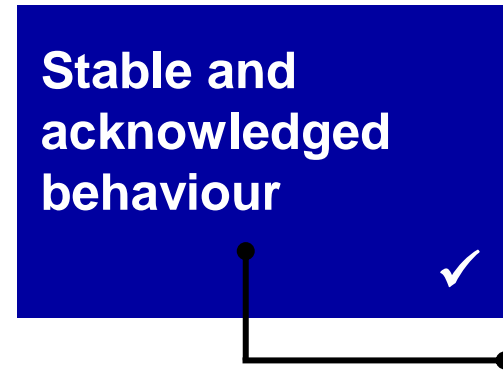
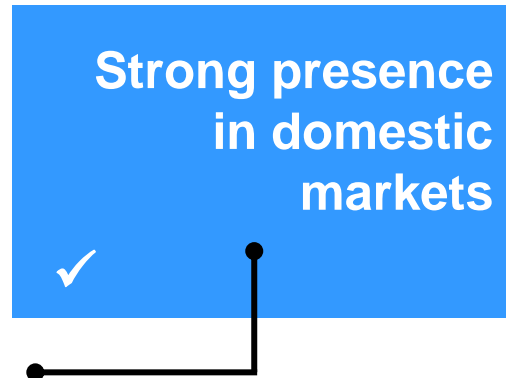
Funding and liquidity principles for Nordea Group

- 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

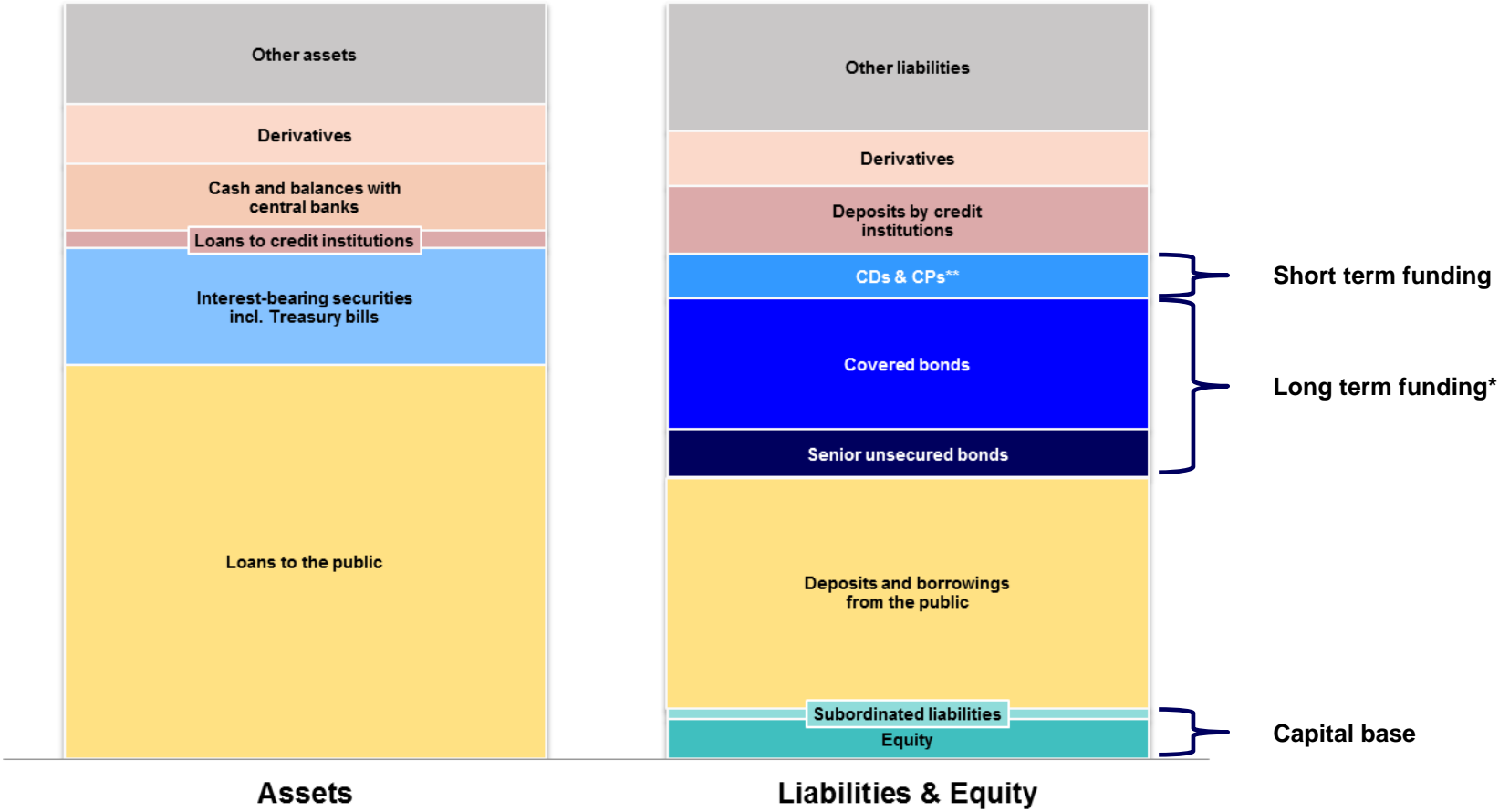


- Consistent, stable wholesale issuance strategy
- Knowing our investors
- Predictable and proactive – “staying in charge”

Continuously optimising cost of funding within market constraints

Diversified balance sheet

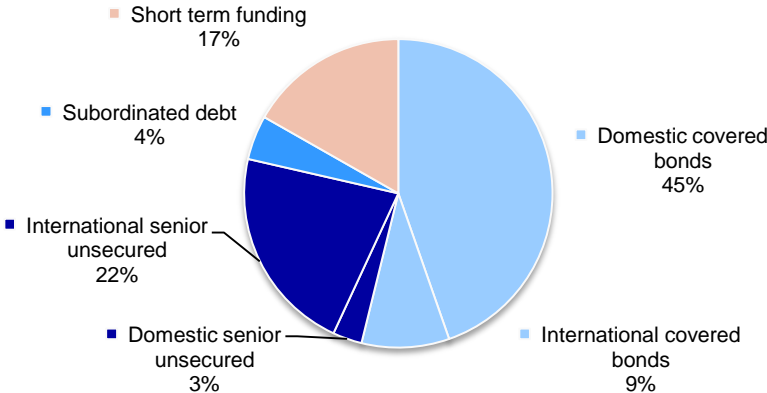
Total assets EUR 615bn



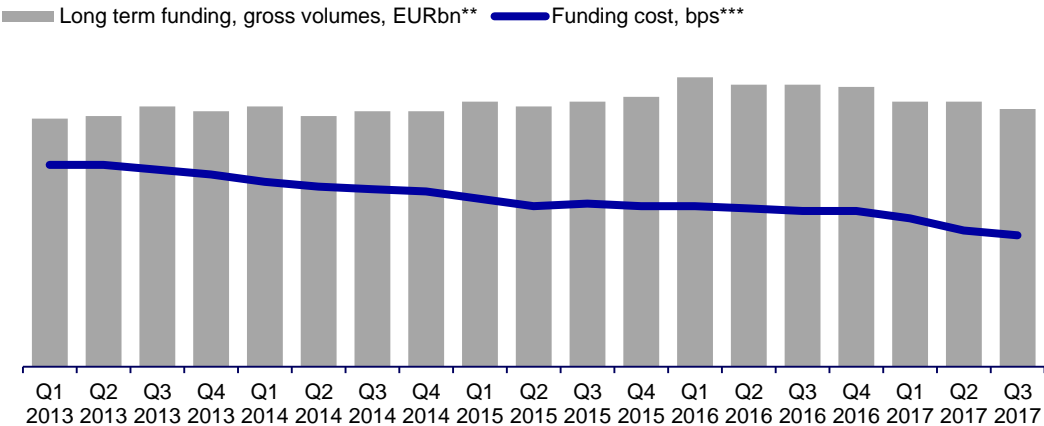
* excluding subordinated debt
** including CDs with original maturity >1.5y that otherwise are considered part of long term funding

Solid funding operations

Long- and short term funding, gross volumes, EUR 204bn

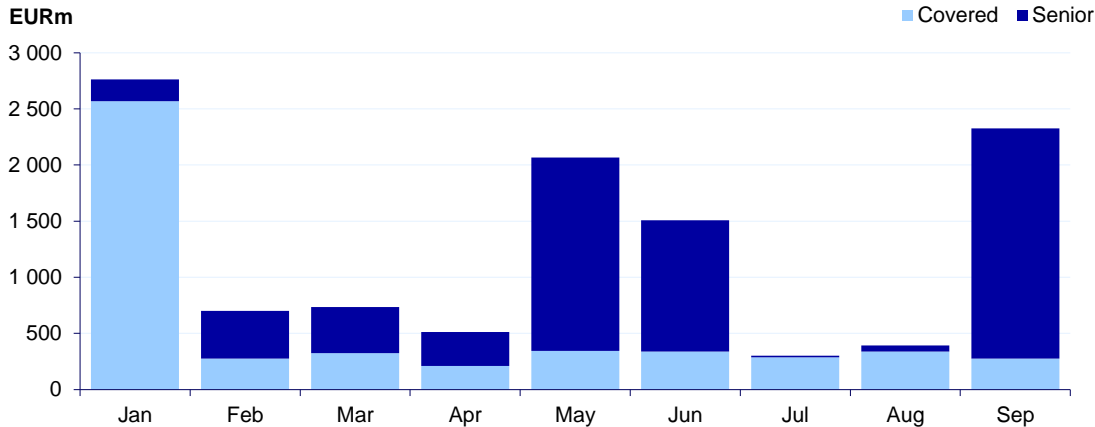


Long term funding costs trending down*

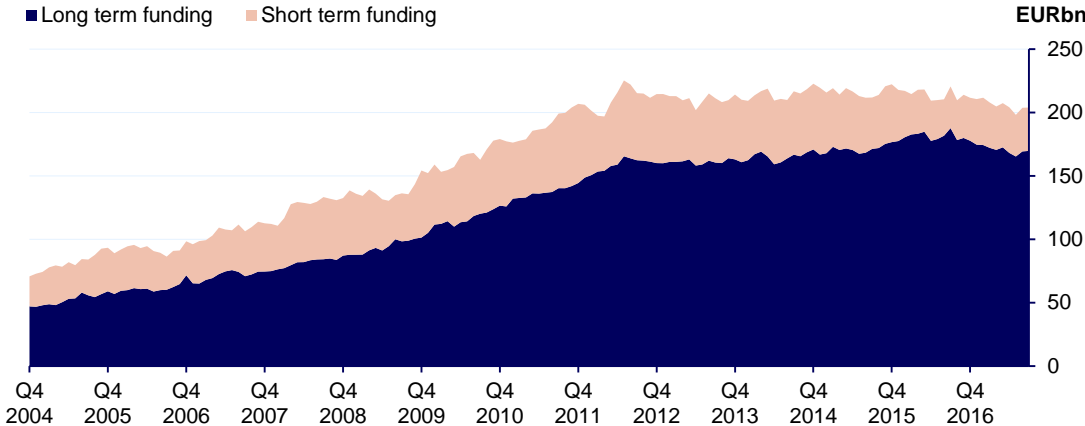


* Senior unsecured and covered bonds (excluding Nordea Kredit and subordinated debt)
 ** Seasonal effects in volumes due to redemptions
 *** Spread to Xibor

YTD long term issuance as of Q3 2017, gross volumes, EUR 11.3bn****



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



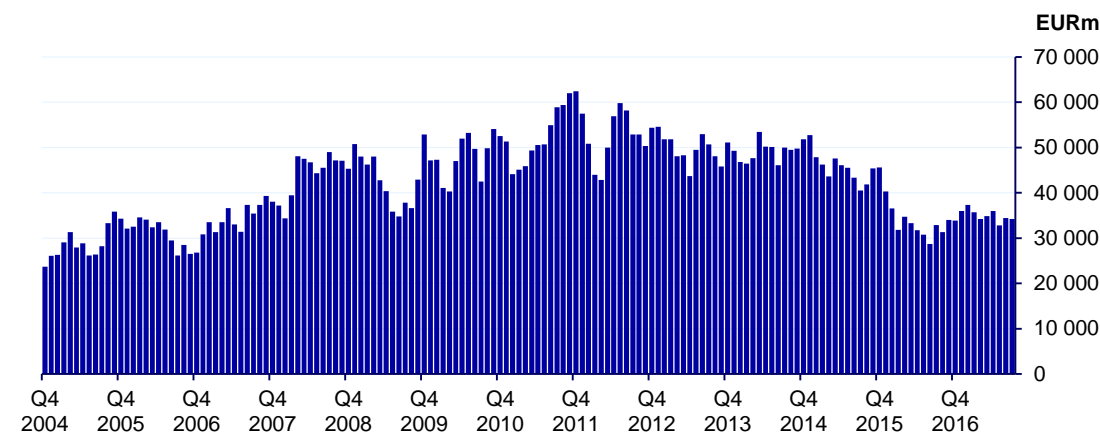
**** Excluding Nordea Kredit
 ***** As of Q3 2017 81% of total funding is long term, adjusted for internal holdings

Short term funding – well diversified

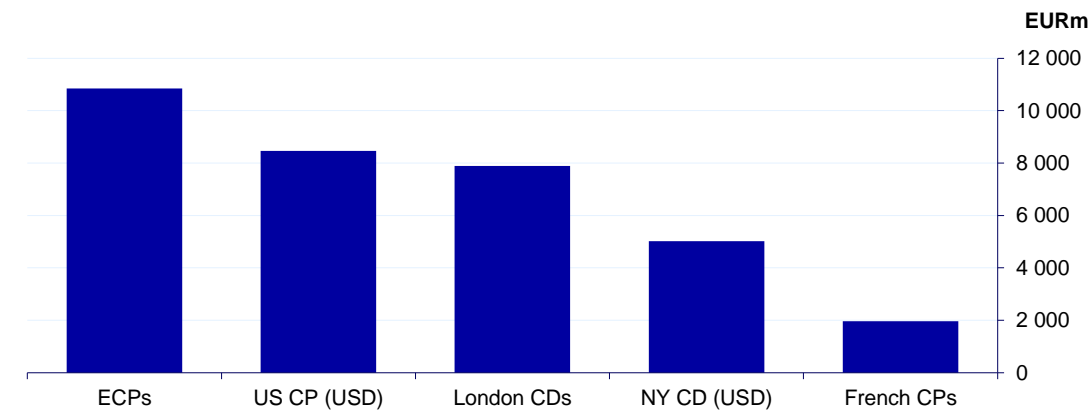
Comments

- Nordea continues to be very well perceived amongst investors – maintaining its high quality name
 - We continue to maintain good diversity globally of our investors from Asia to US
- Nordea has been able to maintain the volume and duration of its short dated programs both in the US and the European market
- The diversification between US & European issuance has been around 50/50 until end of September when US investors switched to only buying short dated papers in await of a US rate hike in December. Therefore the weight of US is temporarily a bit lower than 50% of the total
- Total outstanding of STF has been around EUR 35bn during Q3
- Pricing of short dated issuance remains competitive for the Group

Short term issuance

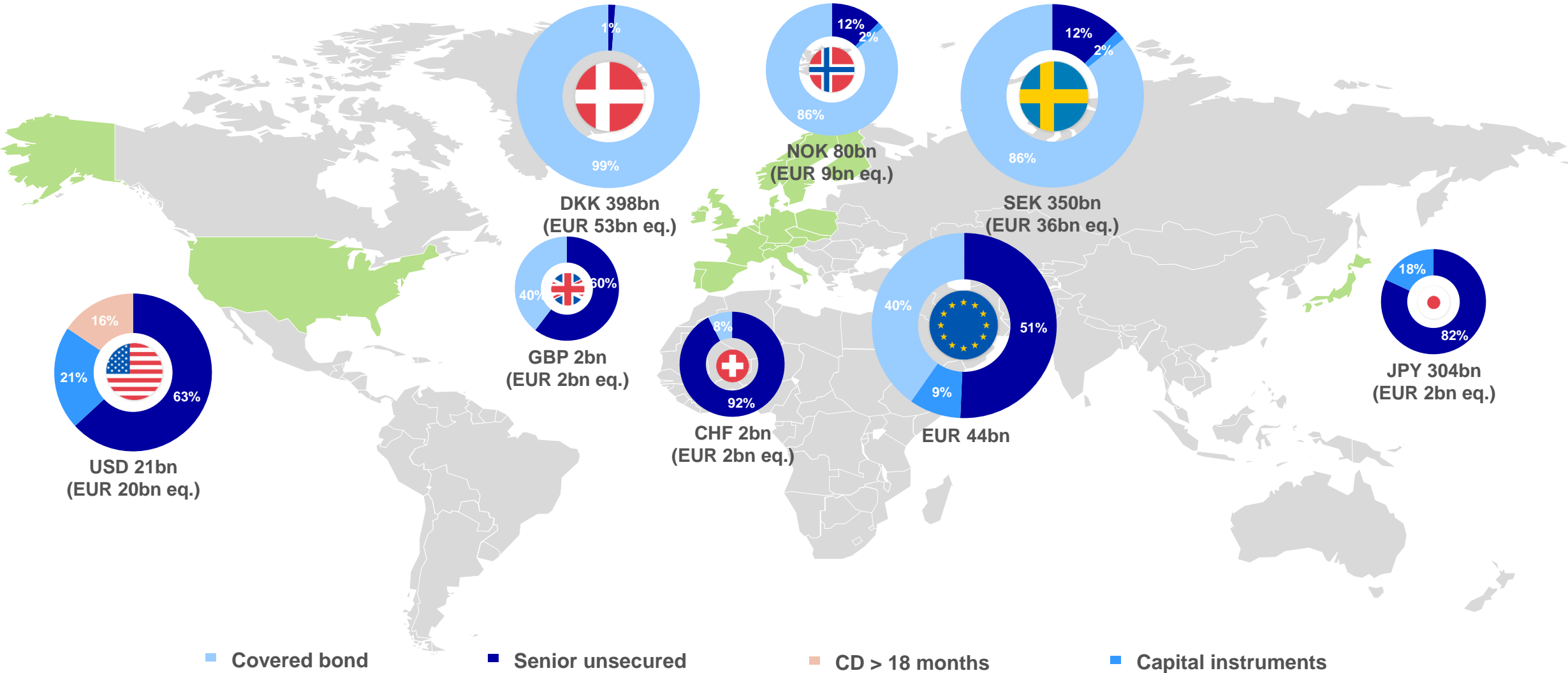


Split between programs



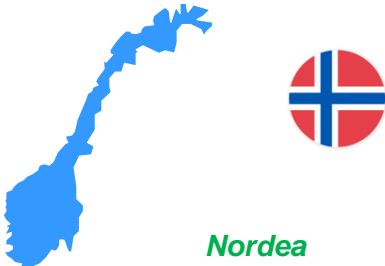
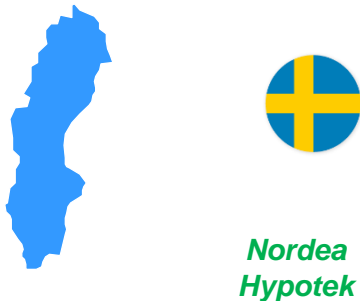

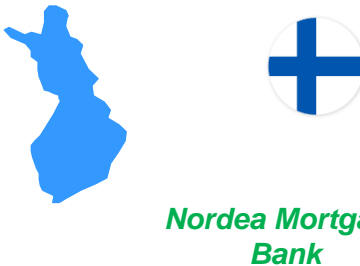
Nordea's global issuance platform

Outstanding long term funding volumes



Nordea covered bond operations

Covered bonds are an integral part of Nordea's long term funding operations








Four aligned covered bond issuers with complementary roles	 Nordea Eiendomskreditt	 Nordea Hypotek	 Nordea Kredit	 Nordea Mortgage Bank	
	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 13.0bn (eq.)	EUR 53.4bn (eq.)	Balance principle	EUR 20.6bn
	Covered bonds outstanding*	EUR 8.5bn (eq.)	EUR 31.8bn (eq.)	EUR 55.9bn (eq.)	EUR 15.4bn
	OC*	52%	68%	CC1/CC2 13%/9%	34%
	Issuance currencies	NOK, GBP, USD, CHF	SEK	DKK, EUR	EUR
	Rating (Moody's / S&P)	Aaa / -	Aaa / AAA	Aaa / AAA	Aaa / -

- Covered bond issuance in Scandinavian and international currencies
- ECBC Covered Bond Label on all Nordea covered bond issuance



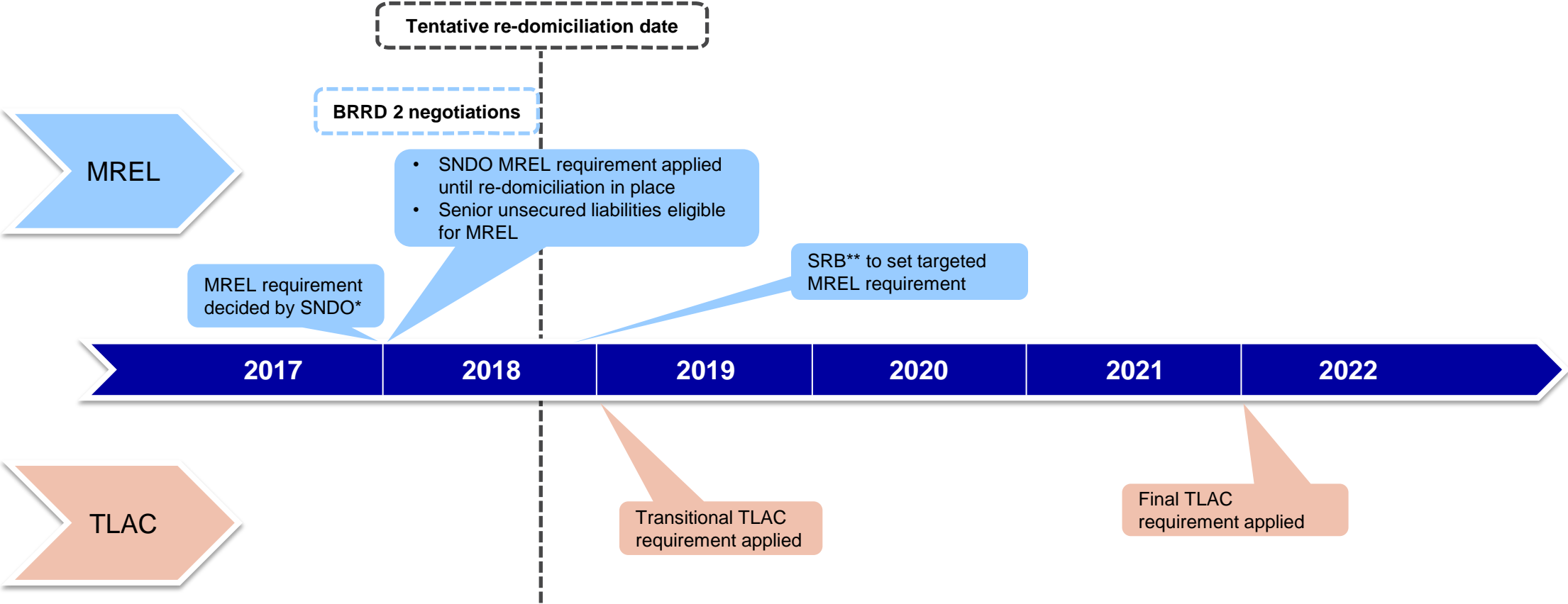
Nordea benchmark transactions the past 12 months

Nordea's inaugural Green bond issued in June 2017

	Issuer	Type	Currency	Amount (m)	Issue date	Maturity date	FRN / Fixed
	Nordea Bank AB	Senior	USD	750 250	30 Sep 2016 30 Sep 2016	30 Sep 2019 30 Sep 2019	Fixed FRN
	Nordea Mortgage Bank	Covered	EUR	1 000	21 Nov 2016	21 Nov 2023	Fixed
	Nordea Mortgage Bank	Covered	EUR	1 500	24 Jan 2017	24 Jan 2022	Fixed
	Nordea Bank AB	Senior	USD	1 000 750	31 May 2017 31 May 2017	29 May 2020 29 May 2020	Fixed FRN
	Nordea Bank AB	Senior	SEK	3 250 750	16 Jun 2017 16 Jun 2017	16 Jun 2020 16 Jun 2020	Fixed FRN
	Nordea Bank AB	Senior**	EUR	500	30 Jun 2017	30 Jun 2022	Fixed
	Nordea Bank AB	Senior	EUR EUR	1 000 1 000	27 Sep 2017 27 Sep 2017	27 Sep 2027 27 Sep 2021	Fixed FRN

MREL and TLAC

Dialogue with new regulators has been initiated

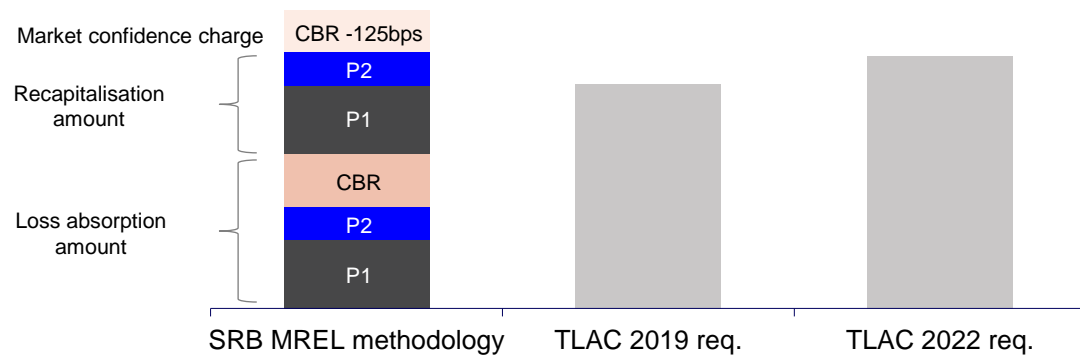


MREL

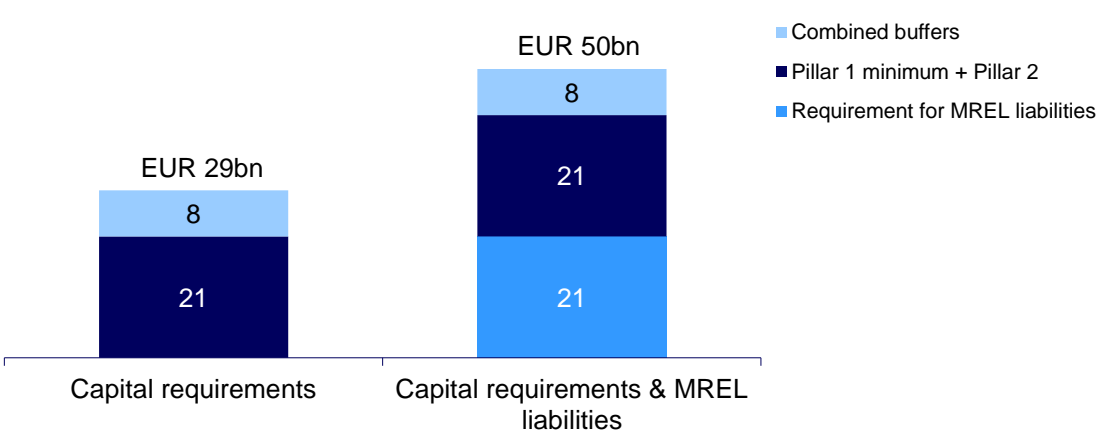
Comments

- Swedish requirement for subordinated MREL instruments for Nordea is 16.2% of REA, EUR 21bn as of Q3 2017, to be met from 2022
- MREL calibration in Finland uncertain, dependent on factors such as:
 - Results from dialogues with the SRB, and potentially other authorities
 - Nordea capital requirement components for MREL calibration to be decided by the ECB
- Nordea expects to meet TLAC requirement with existing capital plan

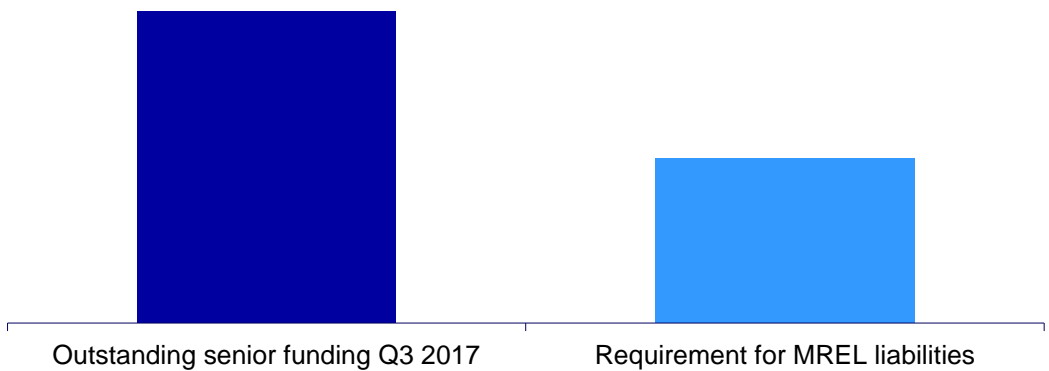
Illustration SRB MREL methodology and TLAC**



Final framework for Swedish MREL



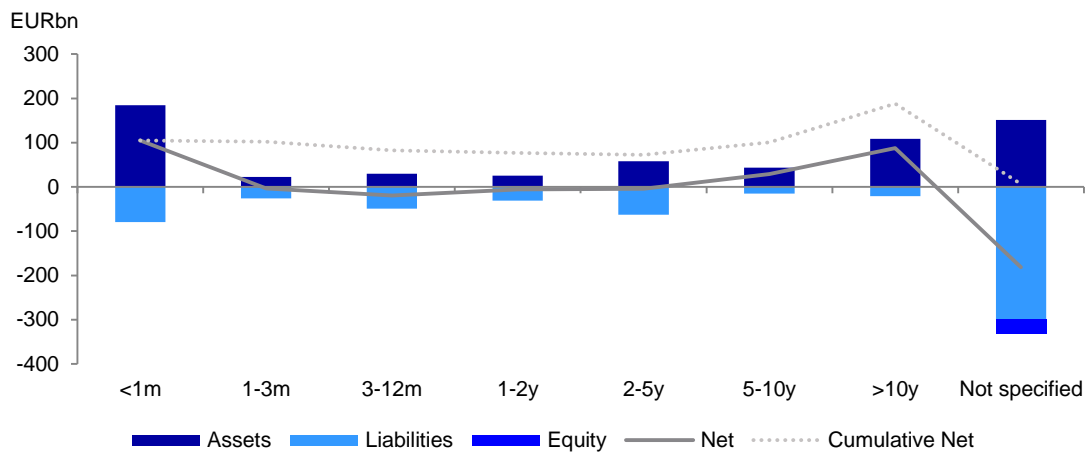
Large part of senior funding remaining after meeting MREL requirement*



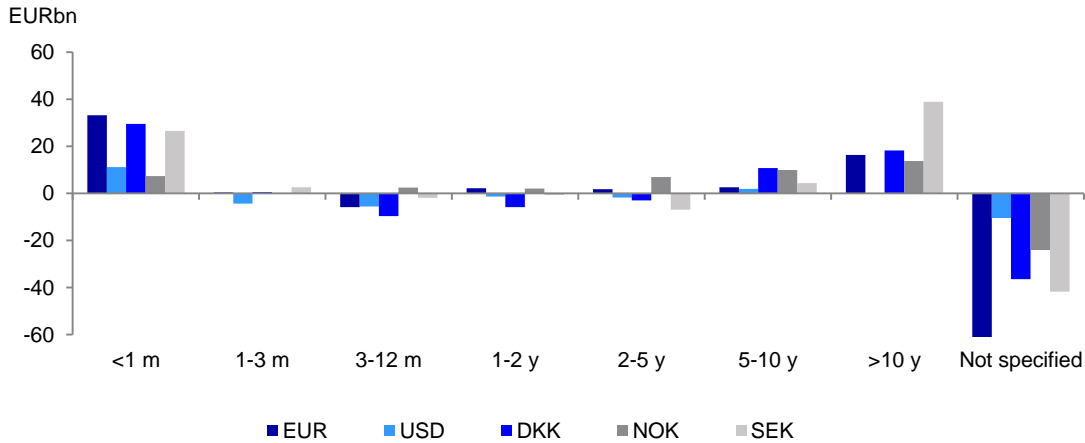
42 * Based on Q3 2017 balance sheet figures
** TLAC 2019 requirement = max of (16% + CBR, 6% leverage ratio exposure) TLAC 2022 requirement = max of (18% + CBR, 6.75% leverage ratio exposure)

Maturity profile

Maturity profile



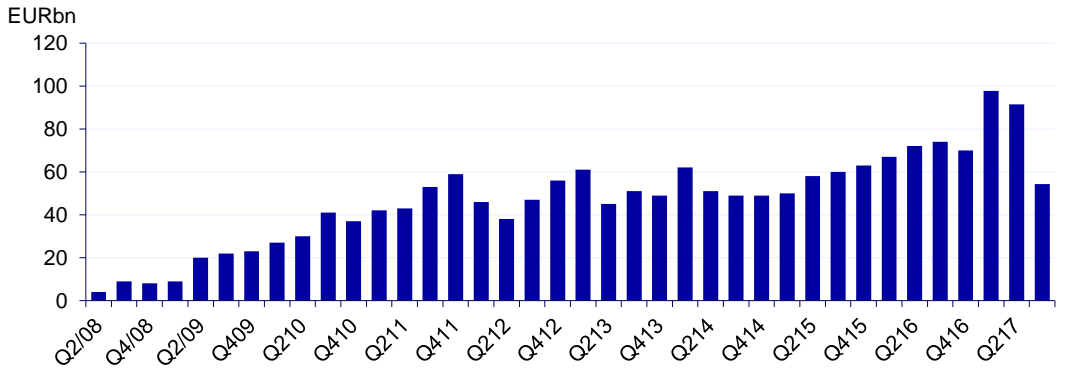
Maturity gap by currency



Comments

- The balance sheet maturity profile has during the last couple of years become more balanced by
 - Lengthening of issuance and focusing on asset maturities
- Resulting in a well balanced structure in assets and liabilities in general, as well as by currency
 - The structural liquidity risk is similar across all currencies
- Balance sheet considered to be well balanced also in foreign currencies
- Long-term liquidity risk is managed through own metric, Net Balance of Stable Funding (NBSF)

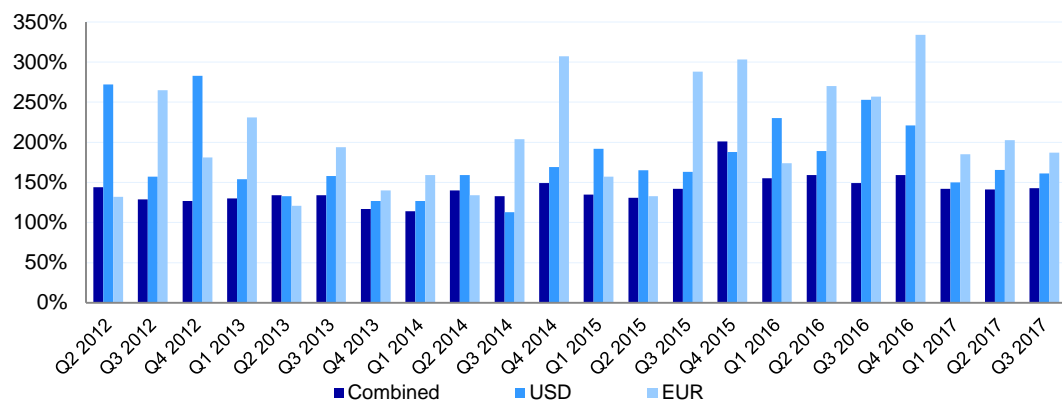
Net Balance of Stable Funding



NBSF is an internal metric, which measures the excess of stable liabilities against stable assets. The stability period was changed into 12 month (from 6 months) from the beginning of 2012. In Q3 2017 the data sourcing was updated and classifications now in line with the CRR.

Liquidity Coverage Ratio

Liquidity Coverage Ratio



Since Q4 2013 numbers calculated according to the new Swedish LCR rules

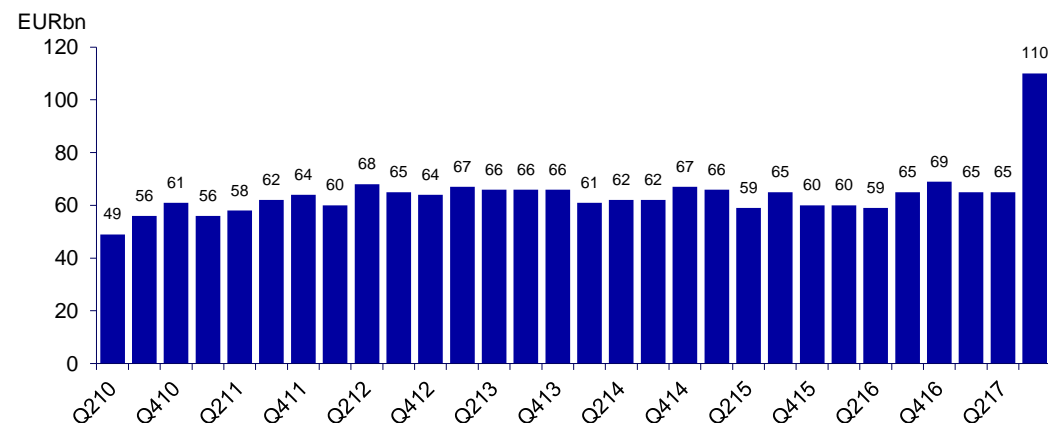
LCR subcomponents, EURbn

	Combined		USD		EUR	
	After factors	Before factors	After factors	Before factors	After factors	Before factors
Liquid assets level 1	79.4	79.4	30.8	30.8	35.3	35.3
Liquid assets level 2	26.4	31.0	1.5	1.8	1.8	2.2
Cap on level 2	0.0	0.0	0.0	0.0	0.0	0.0
A. Liquid assets total	105.8	110.5	32.3	32.6	37.1	37.4
Customer deposits	50.1	177.9	10.8	16.6	16.9	59.6
Market borrowing*	30.0	55.8	13.1	15.1	8.9	25.2
Other cash outflows**	19.1	56.1	0.9	5.7	3.8	15.4
B. Cash outflows total	99.1	289.9	24.8	37.3	29.7	100.2
Lending to non-financial customer	6.6	13.3	0.6	1.2	2.0	4.0
Other cash inflows	18.3	49.7	4.1	4.6	7.8	22.6
Limit on inflows	0.0	0.0	0.0	0.0	0.0	0.0
C. Total inflows	25.0	63.0	4.7	5.8	9.9	26.6
LCR Ratio [A/(B-C)]	143%		161%		187%	

Comments

- LCR limit in place as of Jan 2013
 - LCR of 143% (Swedish rules)
 - 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 110bn, which now includes the cash and central bank balances
 - New liquidity buffer method introduced in July 2017
- Asset encumbrance ratio: 28.7%***

Time series – liquidity buffer



44 * Corresponds to Chapter 4, Articles 10-13 in Swedish LCR regulation, containing e.g. portion of corporate deposits, market funding, repos and other secured funding

** Corresponds to Chapter 4, Articles 14-25, containing e.g. unutilised credit and liquidity facilities, collateral need for derivatives, derivative outflows

*** Asset encumbrance methodology aligned with EBA Asset Encumbrance definitions from Q4 2014

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