



Nordea

Fourth quarter and full year results 2017

Debt investor presentation

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.

Table of contents

1. Nordea in brief	4
2. Financial results highlights	10
3. Group transformation	21
4. Capital	25
5. Macro	28
6. Funding	32

1. Nordea in brief

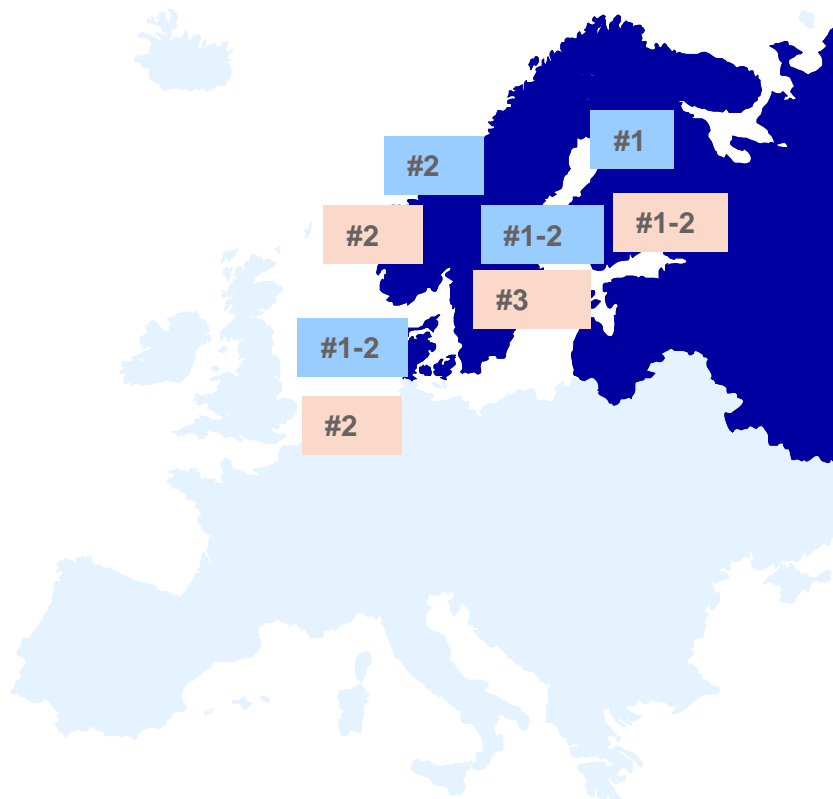
The largest financial services group in the Nordics

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
- 675 000 corporate customers, incl. Nordic Top 500
- Approx. 500 branch office locations
- Enhanced digitalisation of the business for customers

Financial strength

- EUR 9.5bn in full year income (2017)
- EUR 582bn of assets (FY 2017)
- EUR 33.3bn in equity capital (FY 2017)
- CET1 ratio 19.5% (Q4 2017)

AA level credit ratings

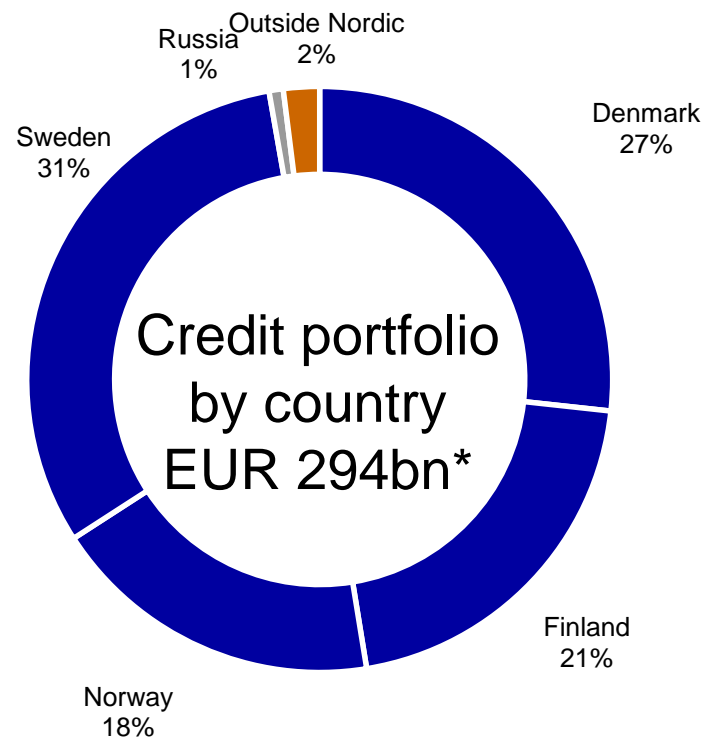
- Moody's Aa3 (stable outlook)
- S&P AA- (stable outlook)
- Fitch AA- (stable outlook)

EUR 41bn in market cap (Q4 2017)

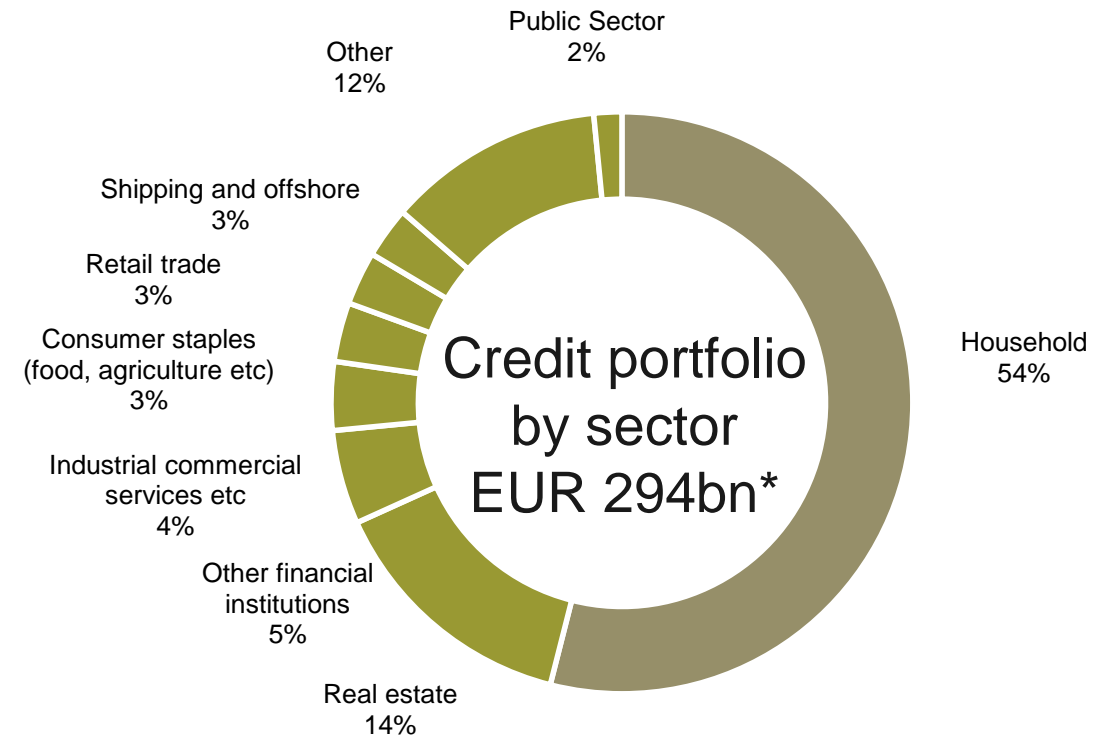
- One of the largest Nordic corporations
- A top-10 universal bank in Europe

Nordea is the most diversified bank in the Nordics

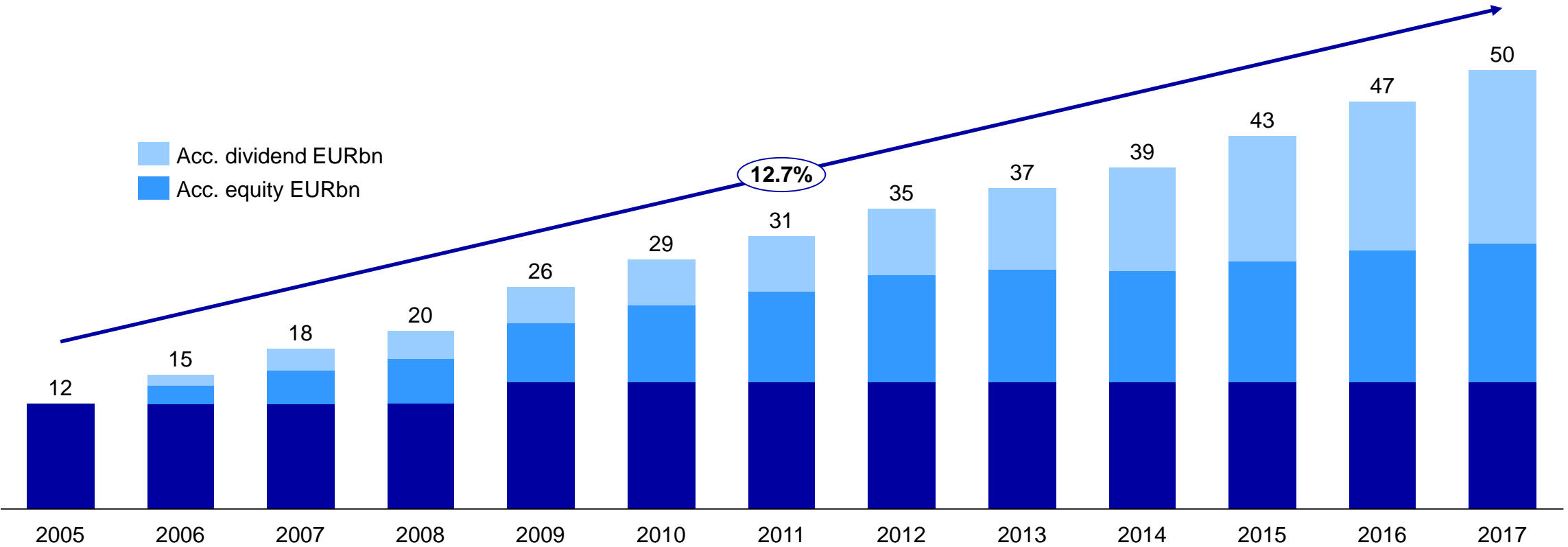
A Nordic-centric portfolio (98%)



Lending: 46% Corporate and 54% Household



Strong Nordea track record



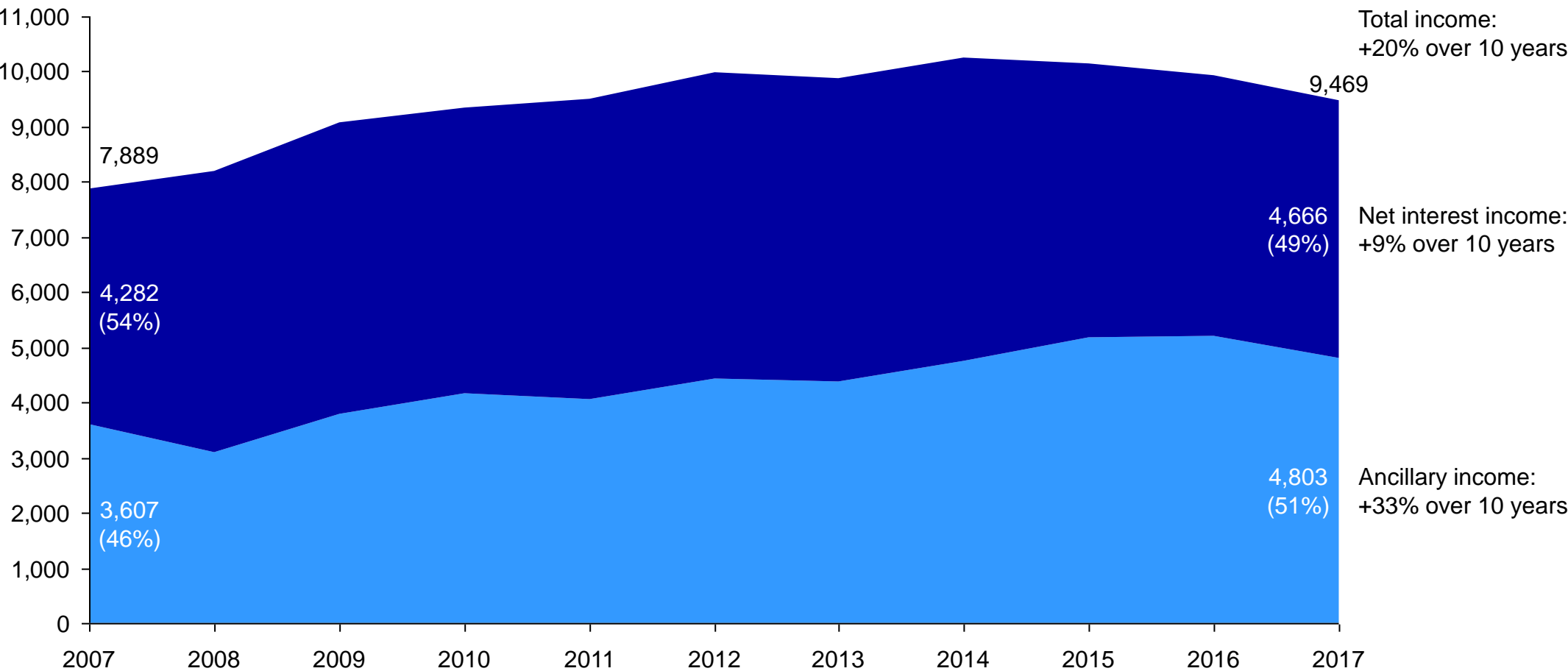
2005	
CET1 ratio (%)	5.9**

Q417	
CET1 ratio (%)	19.5
Leverage ratio (%)	5.2

7 * CAGR 2017 vs. 2005, adjusted for EUR 2.5bn rights issue in 2009. Equity columns represents end-of-period equity less dividends for the year. No assumption on reinvestment rate for paid out dividends
** Calculated as Tier 1 capital excl. hybrid loans

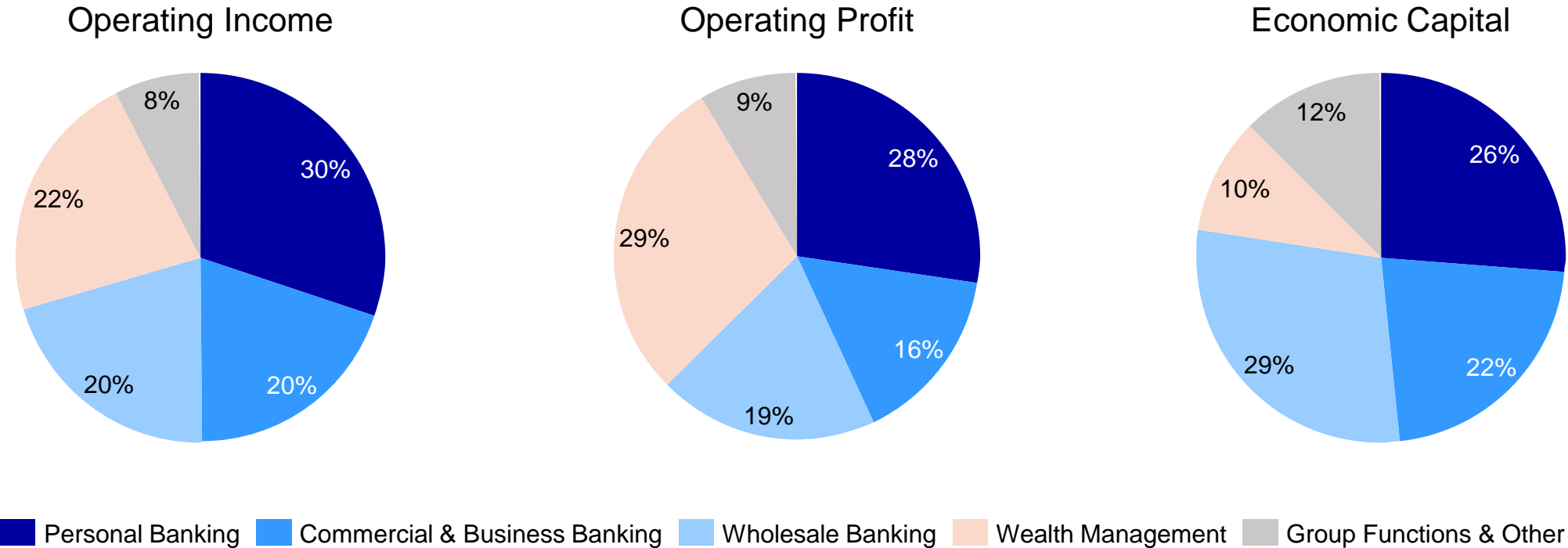
Changed revenue structure

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



Well mixed profit generation

Business Area contribution in FY 2017



2. Financial results highlights

Executive summary

- Stable economic environment with synchronised growth across the Nordics
 - Stable underlying margins and volumes
 - De-risking of the bank largely finalised in the quarter
 - Negative impact on revenues, but positive impact on credit quality
 - Ultra low volatility lowered revenues, especially in later part of 2017
- Firm start of execution phase in our transformation journey
 - Substantial decrease of costs Q417/Q416
- Cost targets reiterated, EUR 4.9bn cost base in 2018 gradually declining to below 4.8bn in 2021
 - Efficiency initiatives will substantially improve capital generation in coming years
- Credit quality continues to improve
- Strong capital generation with CET1 ratio at 19.5%
 - Management buffer at all-time-high at 189 bps
- The Board proposes a dividend of EUR 0.68 (EUR 0.65 in 2016) – in line with Nordea's dividend policy
- Unsatisfactory profit development H2 2017, however confident that profit starts growing in 2018

Q4 2017 Group financial highlights

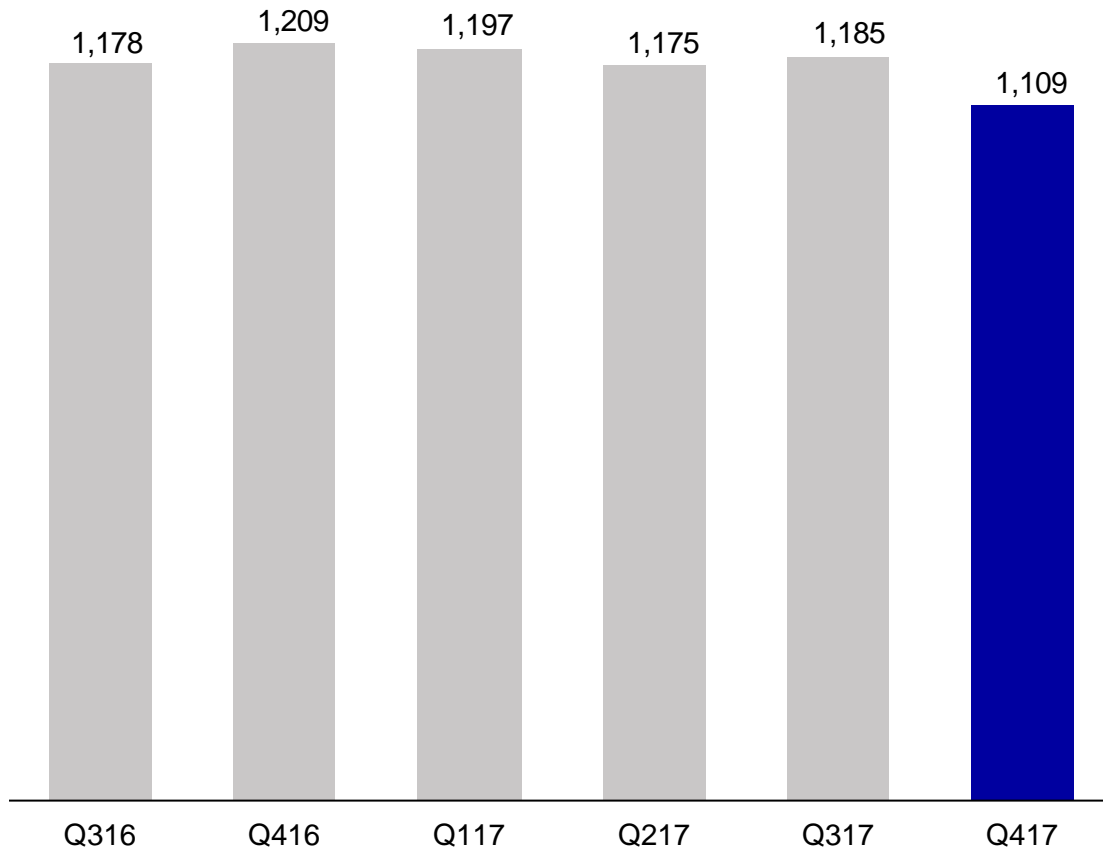
		Q4/17 vs. Q4/16*	2017 vs. 2016*
Income	• Total revenues	• -13%	• -3%
	• Net Interest Income	• -6%	• -1%
	• Fee and Commission Income	• -2%	• +5%
	• Net Fair Value	• -54%	• -22%
Costs	• Total expenses	• -7%	• +4.2%
Credit quality	• Loan loss level	• 9 (16) bps	• 12 (15) bps
	• Impaired loans	• 186 (163) bps	
Capital & dividend	• CET1 ratio	• 19.5 (18.4) %	
	• Management buffer	• 189 (101) bps	
	• Dividend	• EUR 0.68	

Nordea Group

EURm	Q417	Q317	Q416	FY17	FY16	Change FY17 vs FY16	Change FY17 vs FY16 Local curr
Net interest income	1,109	1,185	1,209	4,666	4,727	-1%	-1%
Net fee & commission income	839	814	867	3,369	3,238	4%	5%
Net fair value result	235	357	498	1,328	1,715	-23%	-22%
Total income	2,228	2,373	2,588	9,469	9,754	-3%	-3%
Total expenses	-1,361	-1,204	-1,319	-5,102	-4,886	4%	5%
Net loan losses	-71	-79	-129	-369	-502	-26%	-26%
Operating profit	796	1,090	1,140	3,998	4,366	-8%	-8%
Net profit	629	832	1,024	3,048	3,539	-14%	-14%
Return on equity (%)	7.7	10.5	12.9	9.5	11.5		
CET1 capital ratio (%)	19.5	19.2	18.4	19.5	18.4		
Cost/income ratio (%)	61	51	51	54	50		

Net Interest Income

6 quarters development

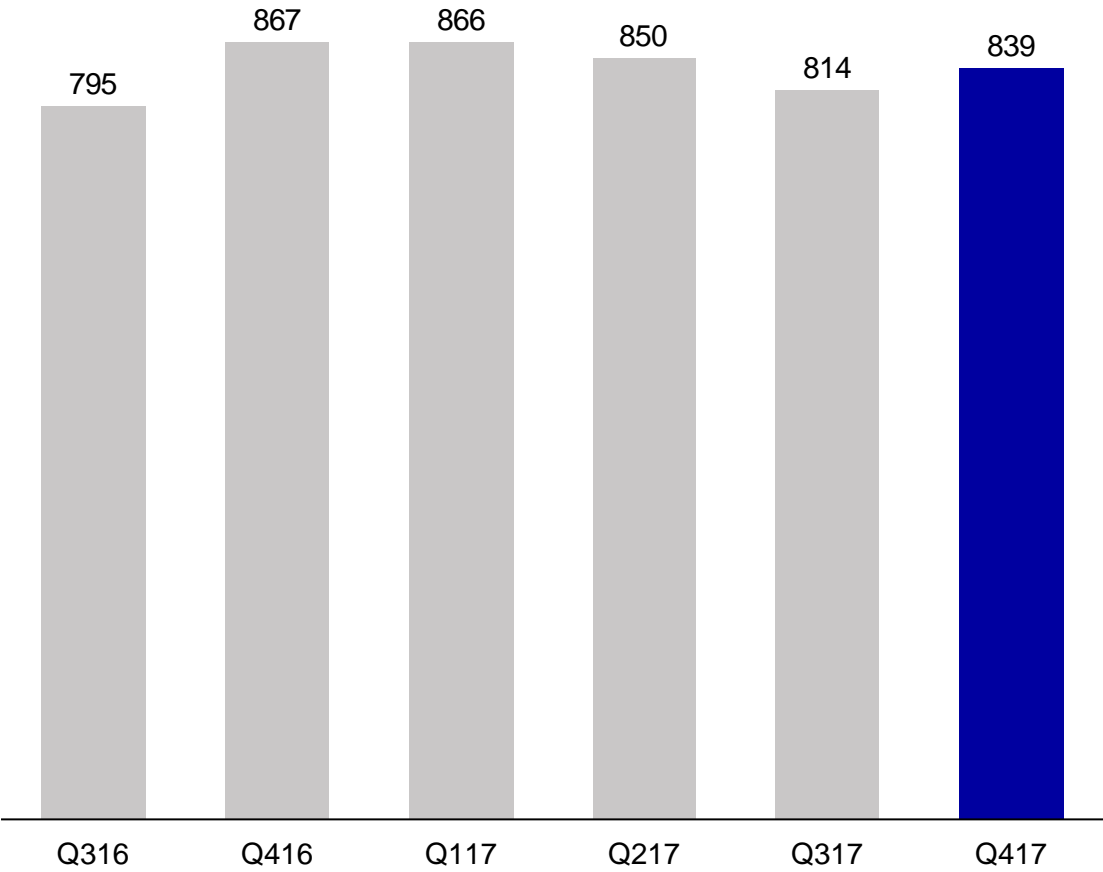


QoQ trend

- Lower Net Interest Income mainly driven by de-consolidation of the Baltic, de-risking in Russia and Shipping, Oil and Offshore as well as FX
- Nordic customer franchise has grown 5% Q417/Q116
- Margins and volumes largely unchanged
- Group Functions somewhat weaker than previous quarter

Net Fee and Commission Income

6 quarters development

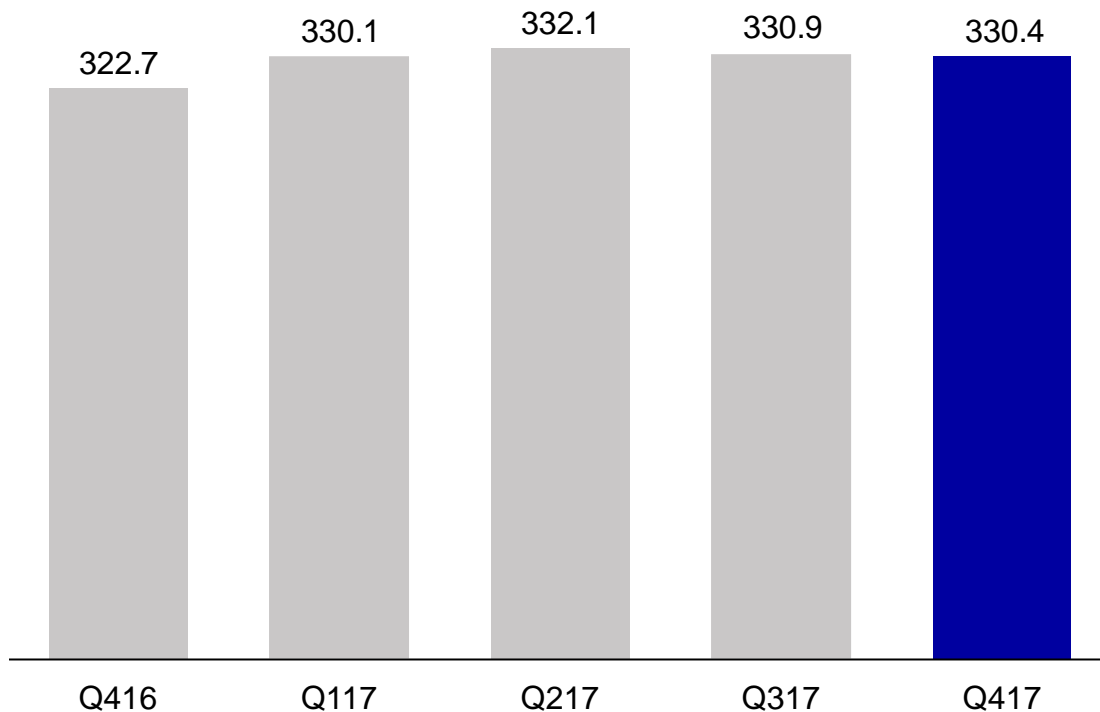


QoQ trend

- Increase in the quarter, mainly driven by asset management
- Lower in payments and cards, driven by higher year-end expenses
- High activity level in DCM and corporate finance

Wealth Management

AuM development, EURbn

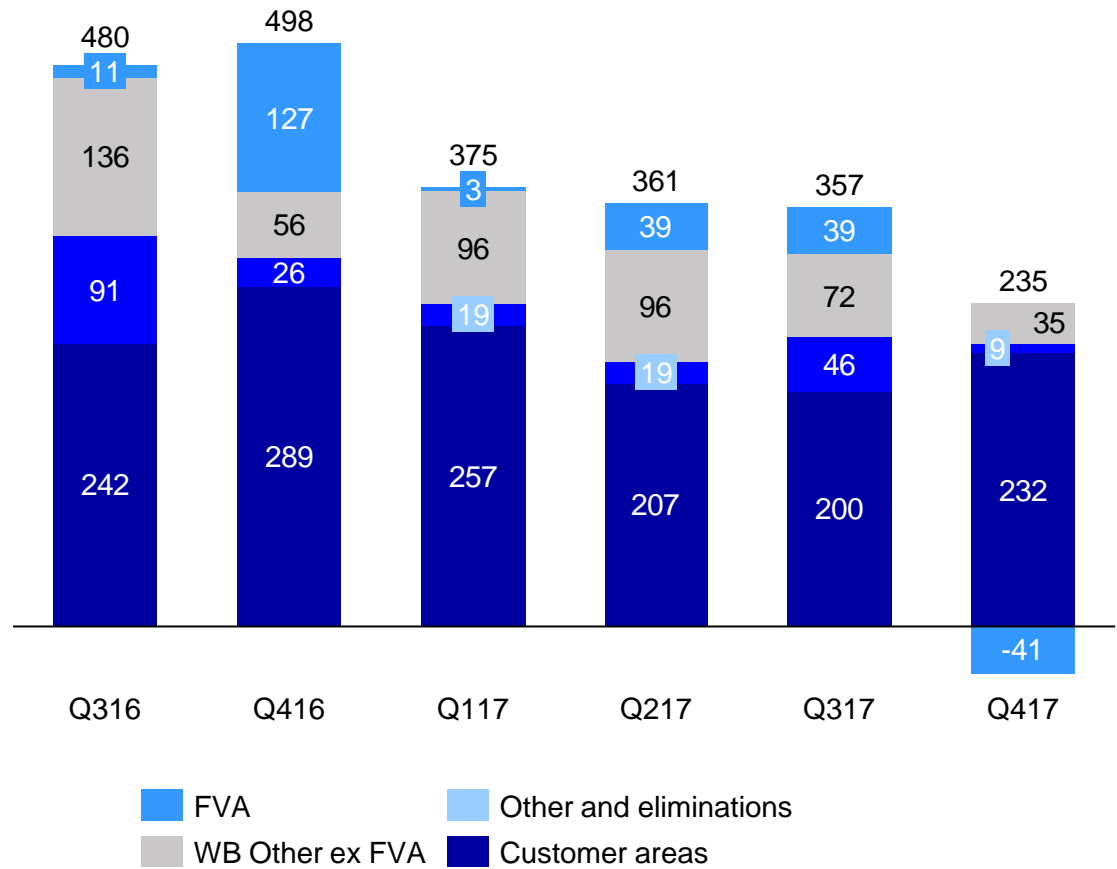


QoQ trend

- Largely unchanged AuM
- Flow is negatively impacted by structural changes (re-segmentation of customers and closure of Zurich branch)
- Continued solid flows from international institutional clients (+24% FY17)
- 92% of composites outperformed benchmark over a 3-year period

Net Fair Value

6 quarters development

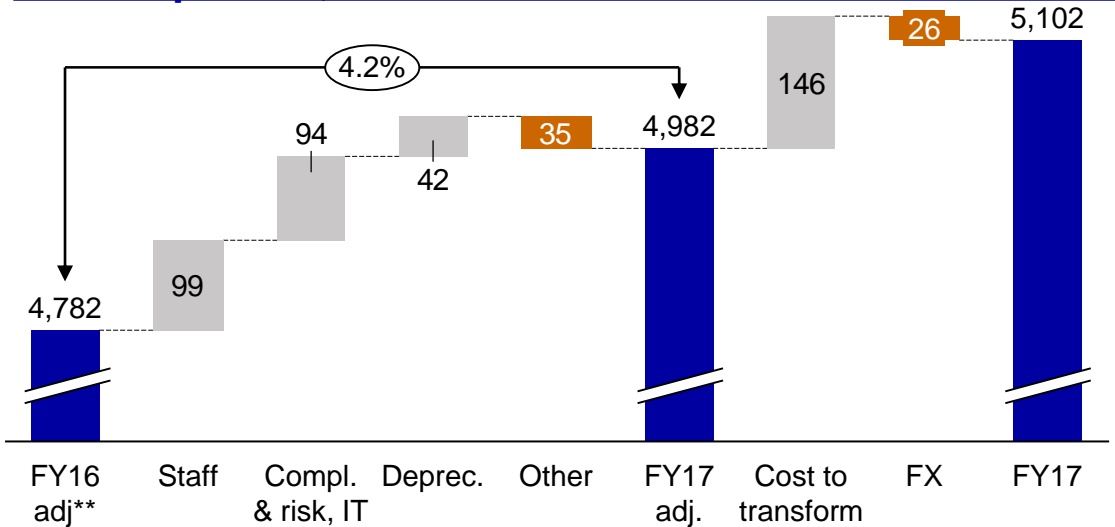


QoQ trend

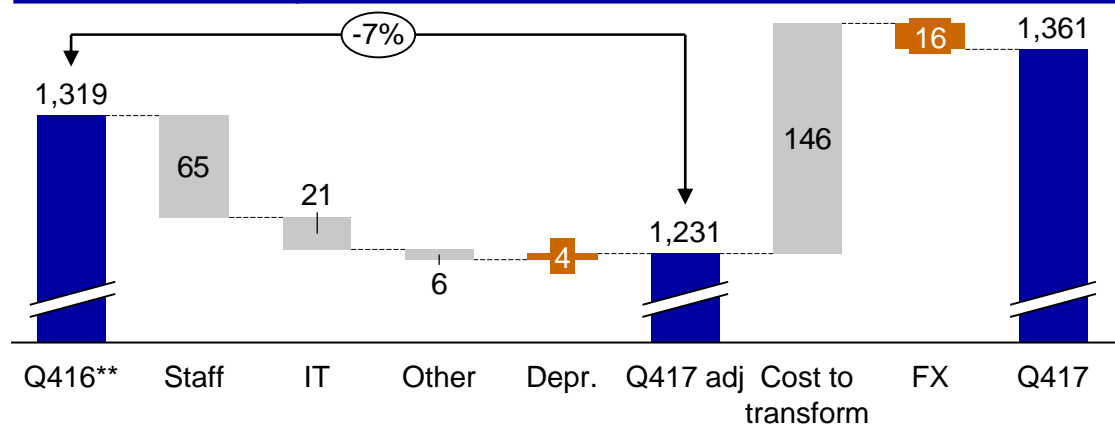
- Higher income in customer-driven capital markets activities
 - Markets negatively impacted by ultra-low volatility
- Negative impact of Fair Value Adjustment of EUR 80m q-o-q (impact from model adjustment EUR -48m)

Costs

Total expenses. EURm



Q417 vs Q416. EURm

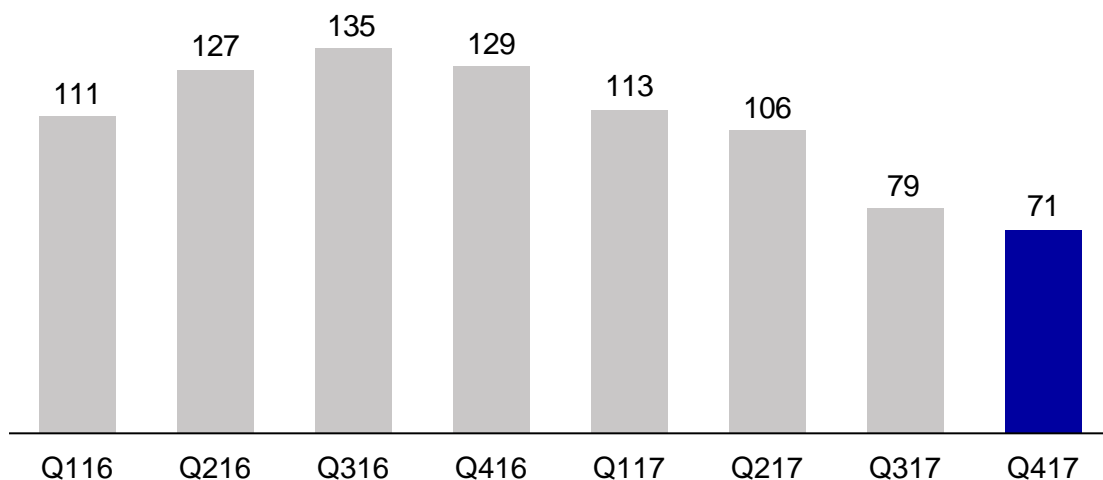


Comments

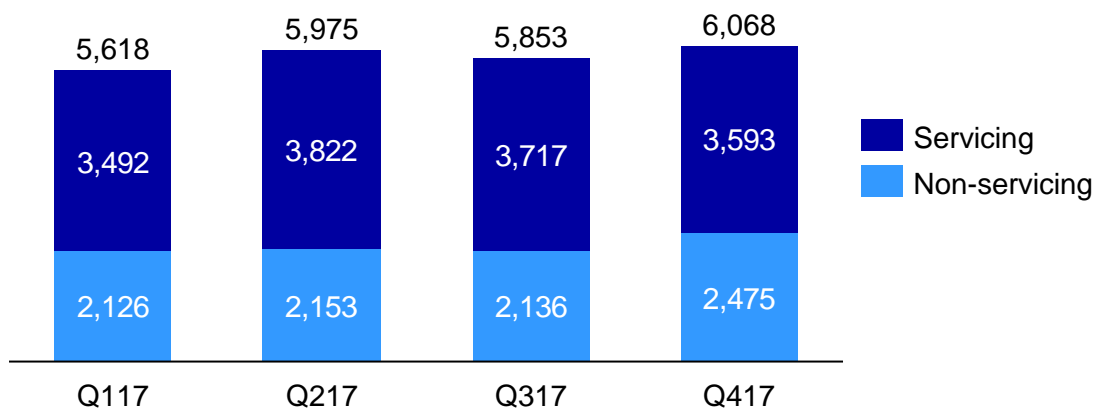
- Cost performance 2017 vs 2016 in line with target, +4.2%*
- Costs decline by 7%* in Q417 vs Q416
- Transformation costs of EUR 146m in Q4

Improved asset quality

Total net loan losses, EURm



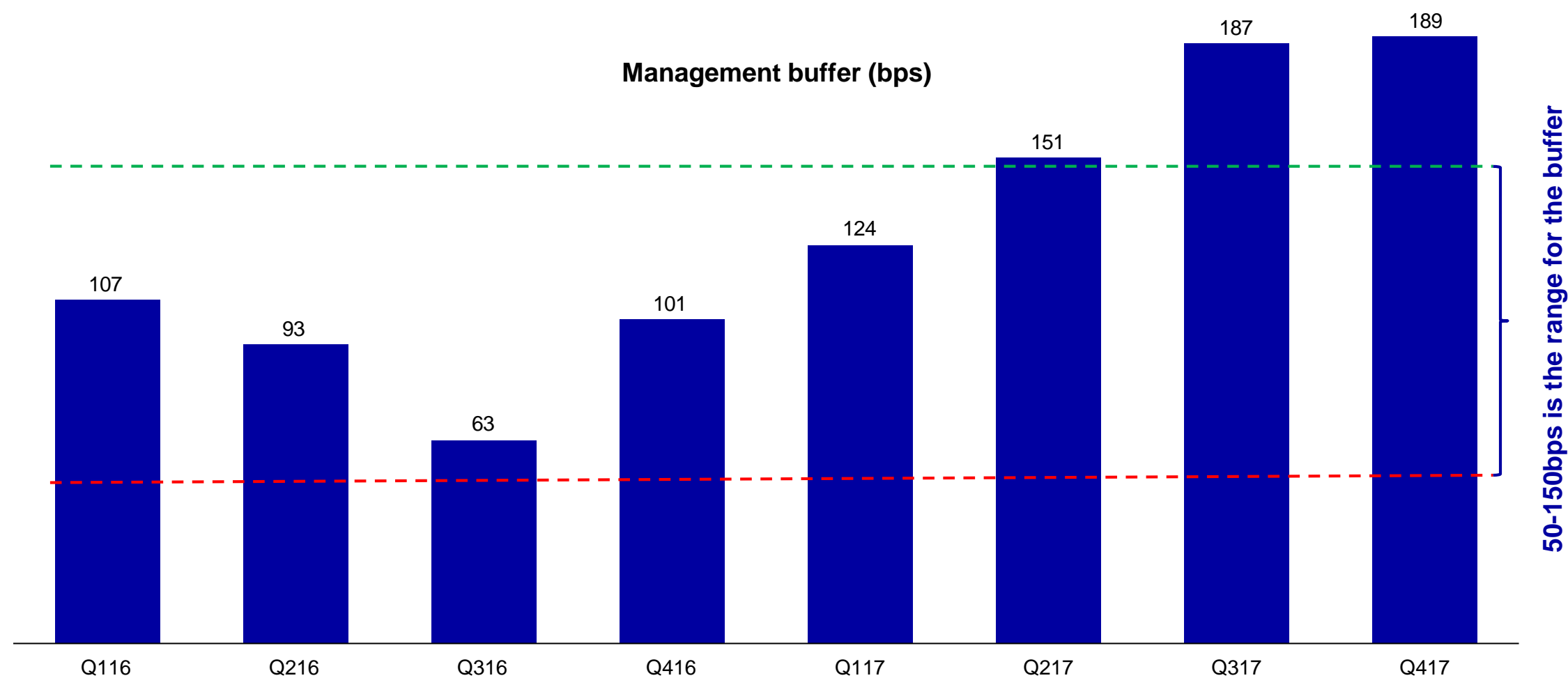
Impaired loans**, EURm



Comments

- Net loan loss ratio* for Q4 at 9 bps (Q3 10)
 - Mainly related to corporate customers spread out between Nordics and International units
 - Largest individual loan loss related to Oil and Offshore and Manufacturing
 - Collective reversals driven by previous general uncertainty now being individually identified and clarified
- Impaired loans
 - Gross increase 4%
 - Mainly related to few new impaired customers in Oil and Offshore and Manufacturing
- Net loan loss outlook
 - Loan losses are expected to be below long term average of 16 bps

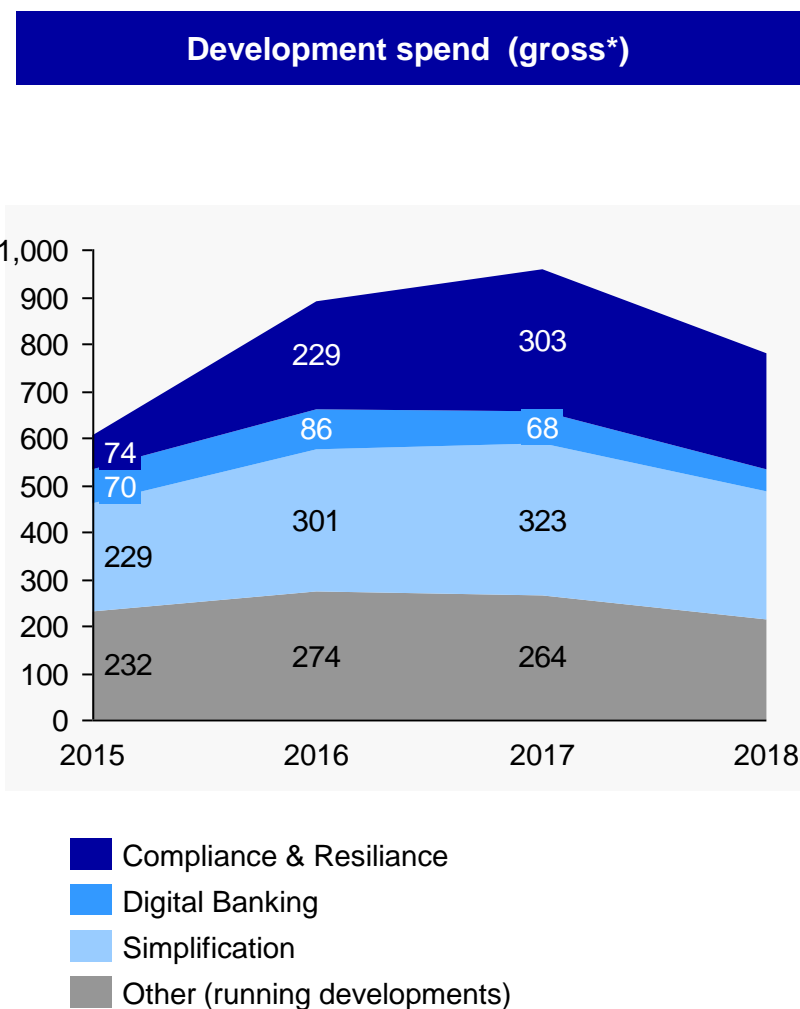
Strong improvement of management buffer



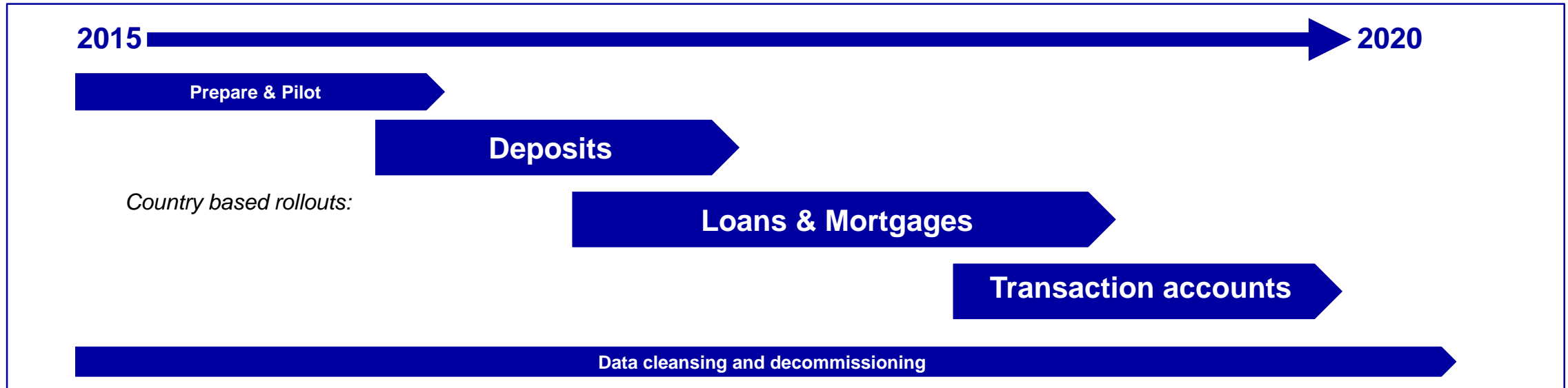
3. Group transformation

Ambitious ramp-up with large investments in Compliance and Resilience

Compliance & Operational risk	<ul style="list-style-type: none"> Capacity upgrade in 1st, 2nd and 3rd line Enforcing the crisis management governance and capabilities Comprehensive training and certifications of key staff
Financial Crime	<ul style="list-style-type: none"> Significant build up of group wide financial crime organization Global KYC and sanctions standards implemented Enterprise risk assessment framework delivered, full implementation 2018
Technology & Infrastructure	<ul style="list-style-type: none"> Enhanced information and cyber security strategy and response capabilities Full data-centre fail-over test Integrated end-2-end technology operations and support organisation
IT remediation	<ul style="list-style-type: none"> One pre-production site in Finland established Global enterprise identity & access rights management control system Roll-out of malware detection & global fraud monitoring across Nordic



Core Banking Platform enables simplification and new digital services

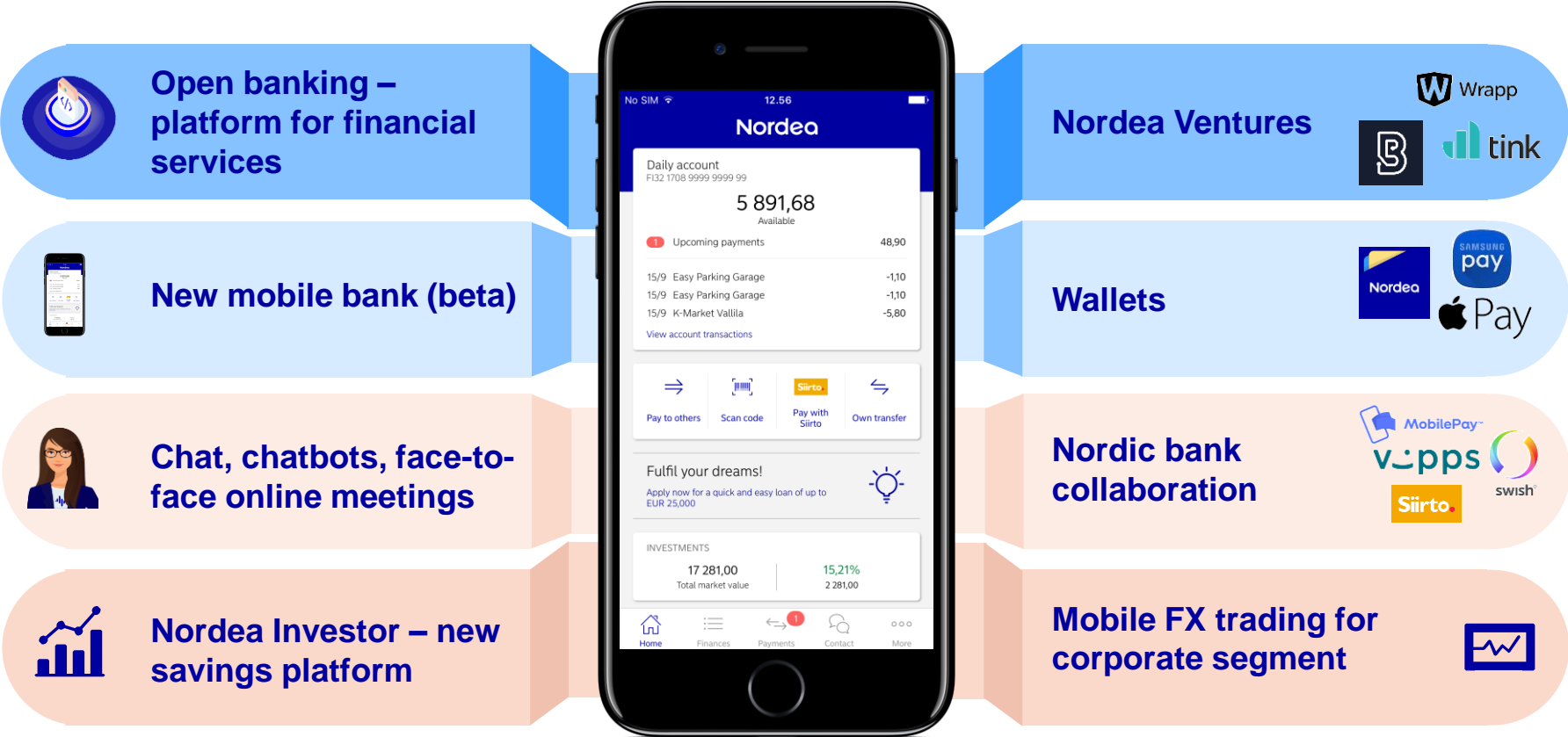


- ✓ Progressing according to plan and on the brink of first major customer release
- ✓ T24 Model Bank configured for Nordea and installed on infrastructure
- ✓ Finnish staff pilot for a fixed term deposit product launched



- Higher cost efficiency
- Improved customer satisfaction from better products and services
- Reduced operational risk

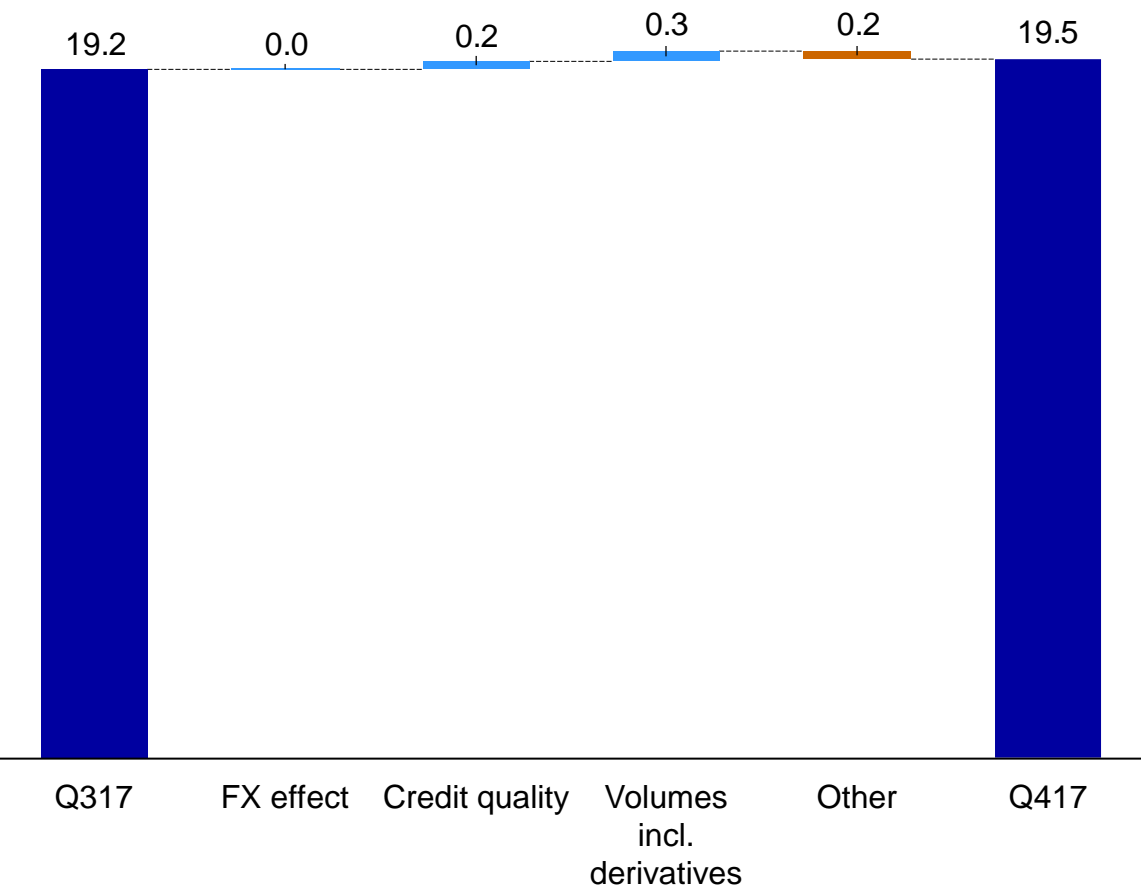
Increased roll-out frequency and improved products to our customers



4. Capital

Common Equity Tier 1 ratio development Q417 vs Q317

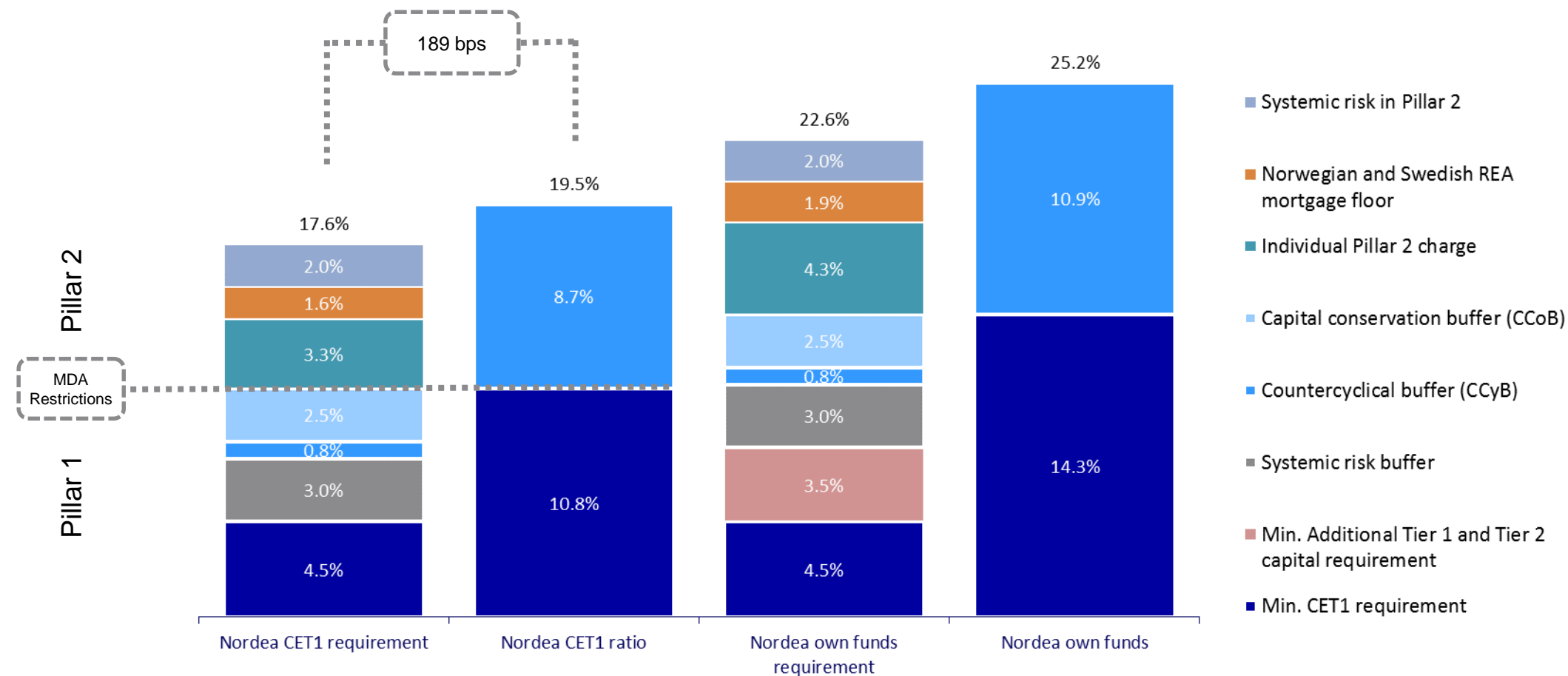
Quarterly development



Comments

- CET1 ratio continued to strengthen to 19.5% in Q4
- REA inflation of EUR 1.5bn due to Finnish mortgage floors (Article III buffer)
- Tier 1 ratio increased to 22.3% (21.4% in Q3)
- Nordea issued a EUR 750m Additional Tier 1 instrument at 3.5%, the lowest coupon ever
- Global Capital awarded Nordea “Additional Tier One Capital Deal of the Year”

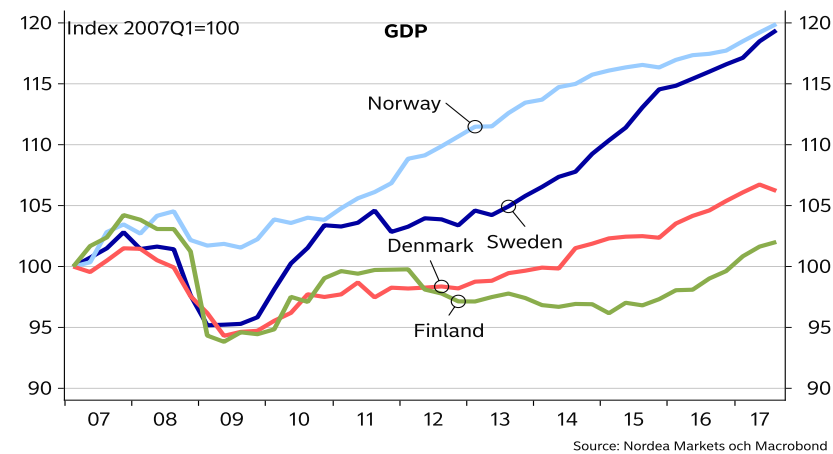
Nordea estimated CET1 and own funds requirement Q4 2017*



5. Macro

Prospering Nordic economies

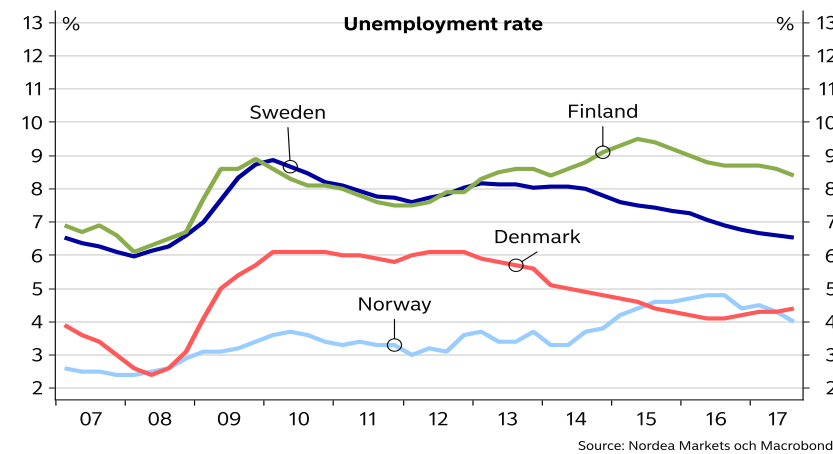
GDP development



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 in the near-term

Unemployment rate



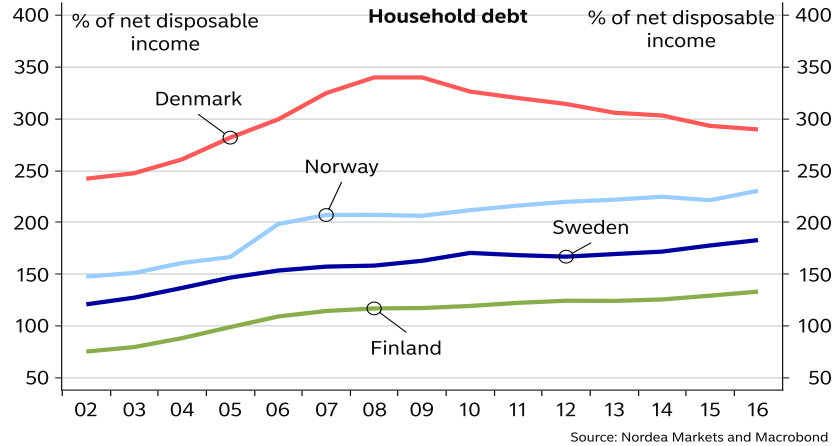
GDP forecast, %

Country	2015	2016	2017E	2018E	2019E
Denmark	1.6	2.0	2.0	1.9	1.7
Finland	0.0	1.9	3.2	3.0	2.5
Norway	1.4	1.0	1.9	2.5	2.2
Sweden	4.3	3.0	2.7	2.6	2.0

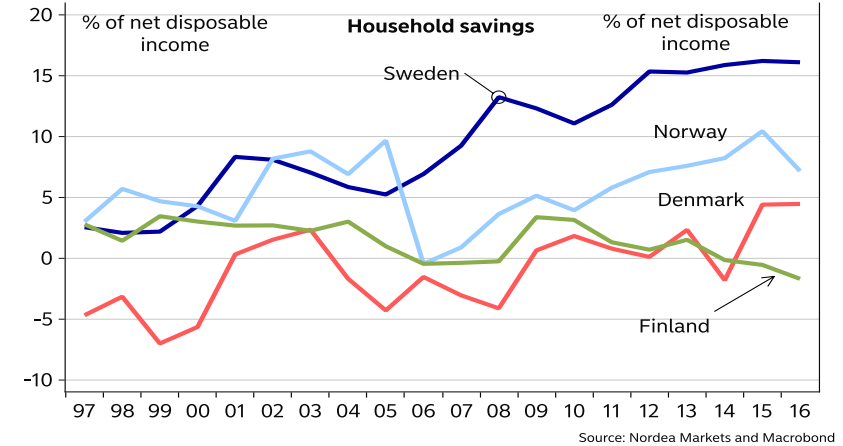
Source: Nordea Economic Outlook, January 2018

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

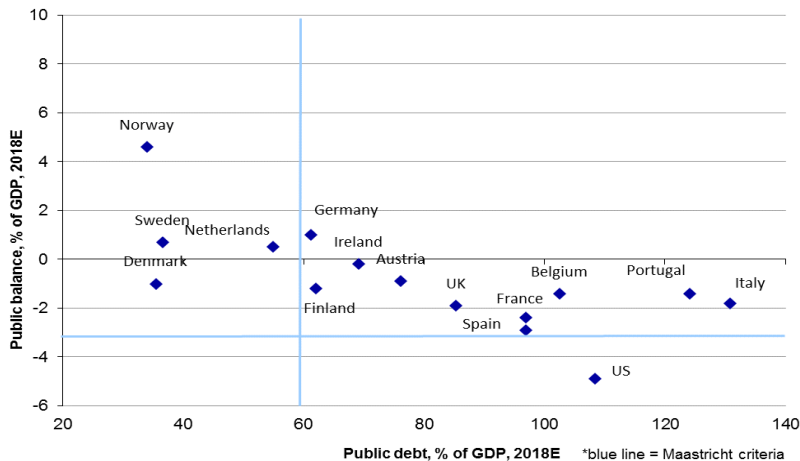
Household debt



Household savings



Public balance/debt, % of GDP, 2017E

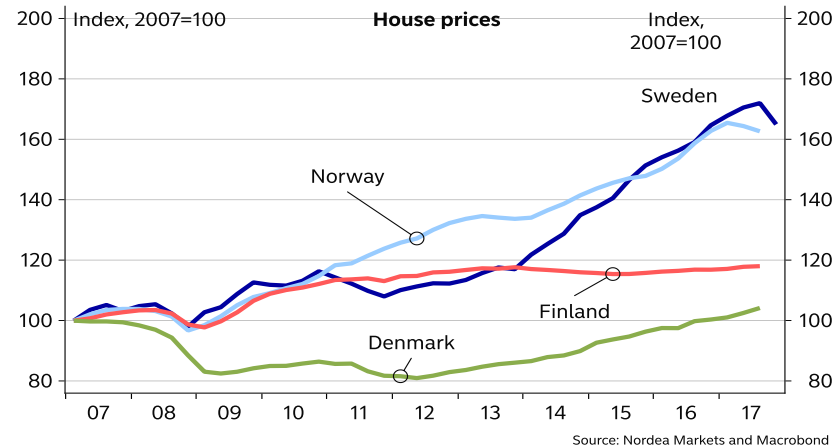


Comments

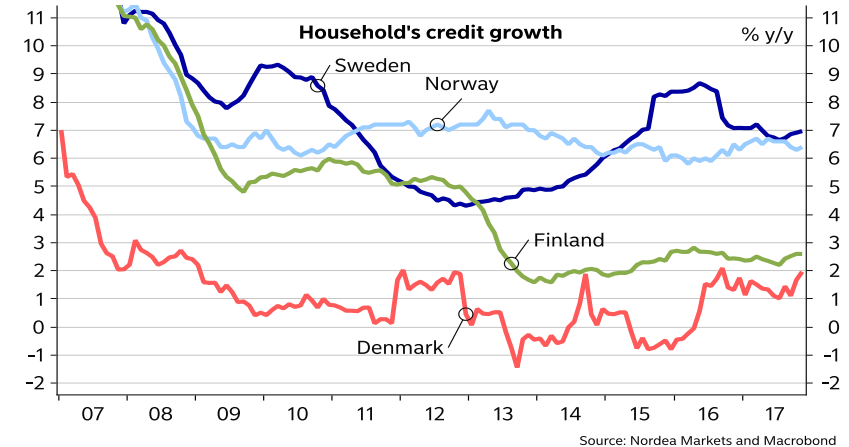
- In all countries, apart from Denmark, household debt continues to rise somewhat faster than income. Meanwhile, households' savings rates remain at high levels, apart from Finland where savings have declined somewhat in recent years
- The Nordic public finances are robust due to the overall economic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



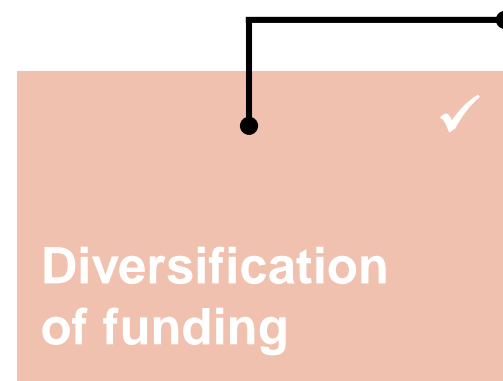
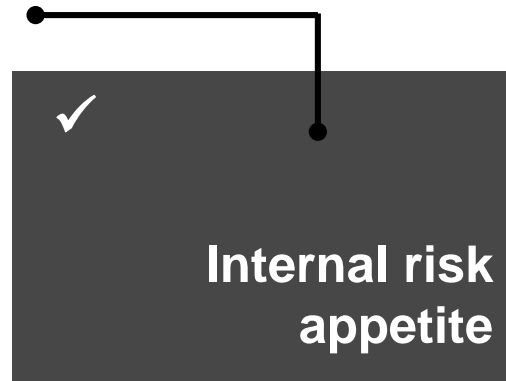
Comments

- Recent months have shown some weaknesses in the Swedish and Norwegian housing markets, while prices continue to rise in Denmark and Finland
- In Sweden house prices declined in H2 2017, most pronounced in Stockholm where prices have fallen by 10% since the peak in the spring of 2017. The price correction is probably caused by 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 of 2017. The development is primarily driven by stricter lending requirements introduced January 1st 2017. We expect prices on national level to stabilise, although prices in Oslo may decline somewhat further

6. Funding

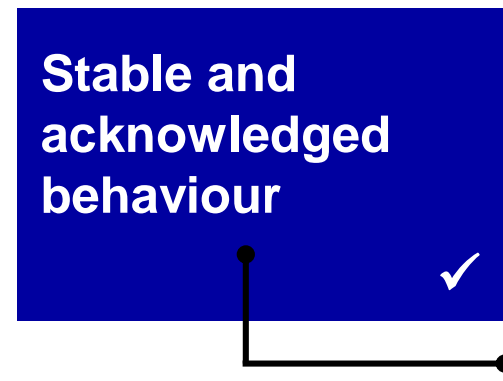
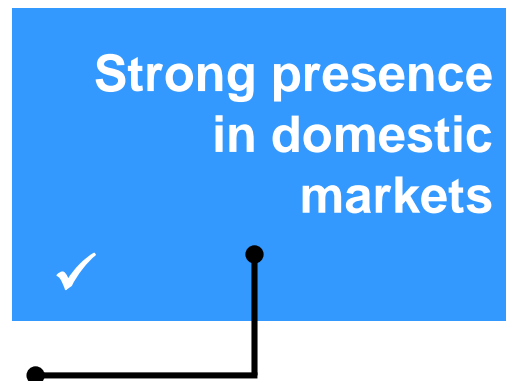
Securing funding while maintaining a prudent risk level

- 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

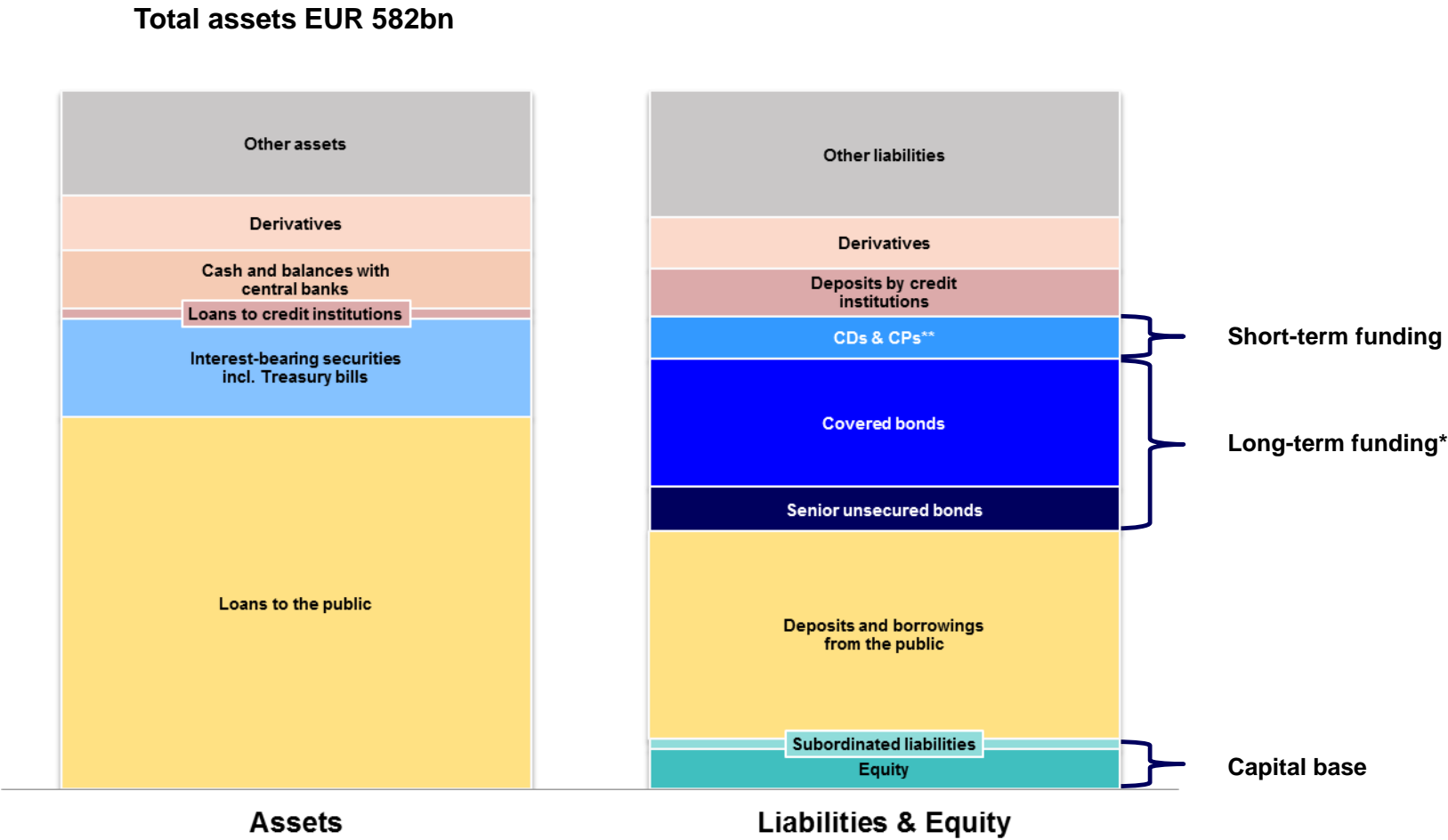
- Profiting on strong name across Nordics
- Nurture and develop strong home markets
- Covered bond platforms in all Nordic countries



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

Continuously optimising cost of funding within market constraints

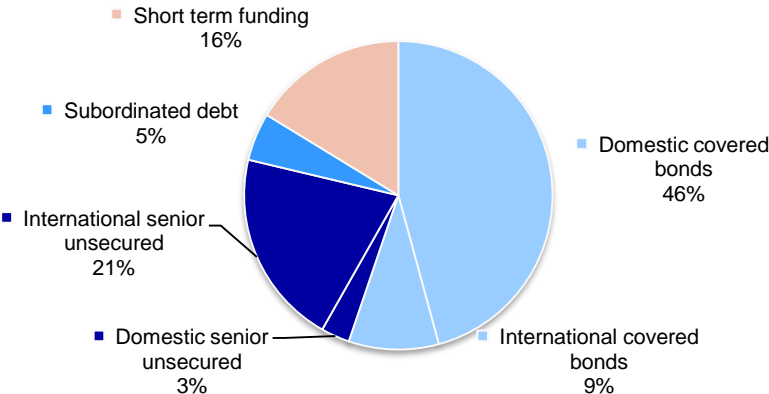
Diversified balance sheet



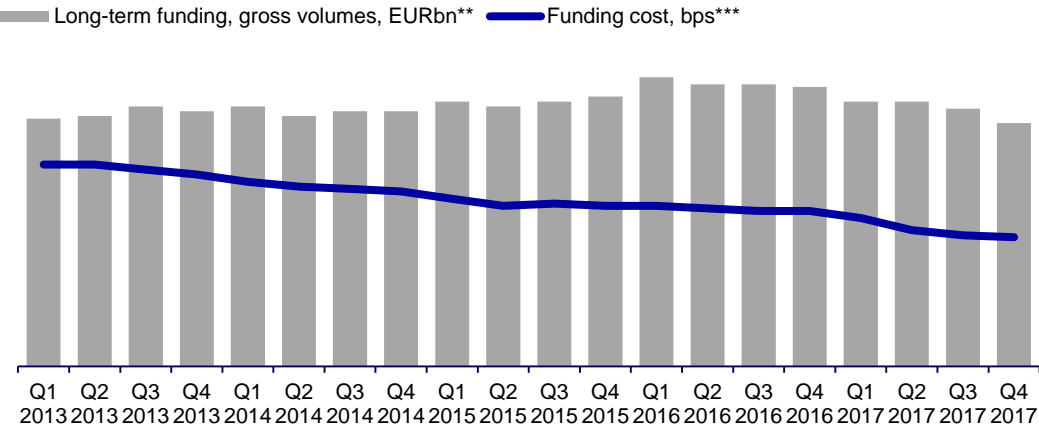
34 * excluding subordinated debt
 ** including CDs with original maturity >1.5y that otherwise are considered part of long term funding

Solid funding operations

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

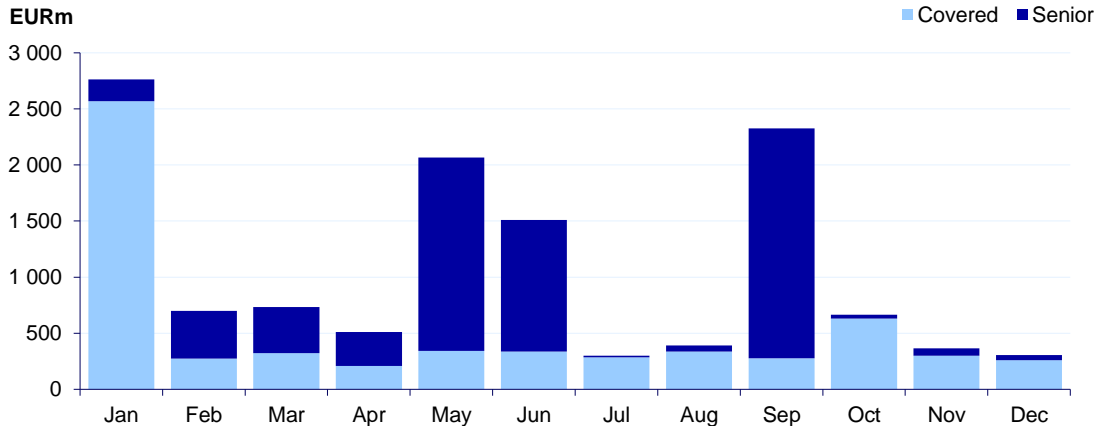


Long-term funding costs trending down*

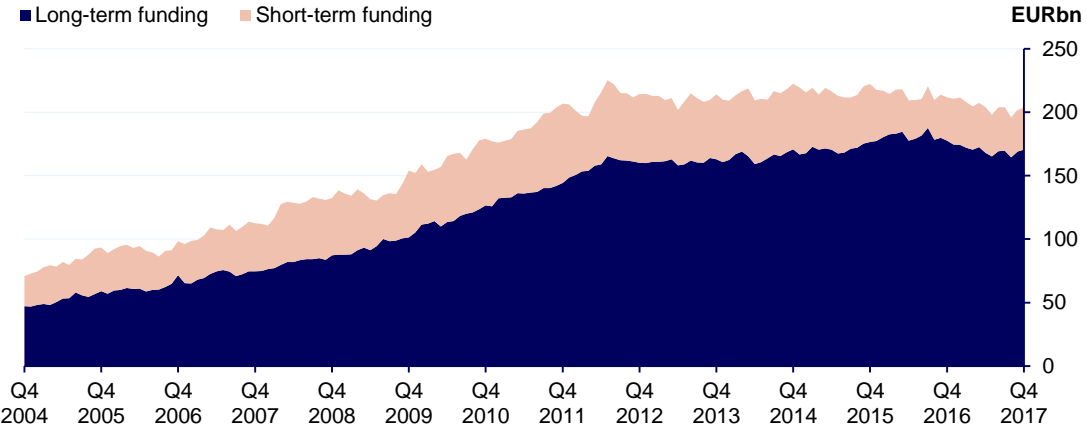


35 * Senior unsecured and covered bonds (excluding Nordea Kredit and subordinated debt)
 ** Seasonal effects in volumes due to redemptions
 *** Spread to Xibor

YTD long-term issuance as of Q4 2017, gross volumes, EUR 14.6bn****



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



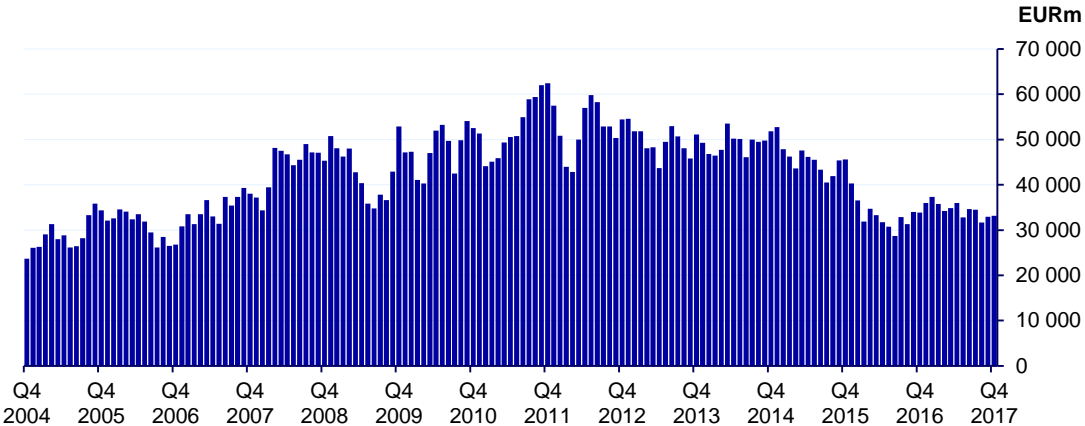
**** Excluding Nordea Kredit
 ***** As of Q4 2017 81% of total funding is long term, adjusted for internal holdings

Short-term funding – prudent and active management

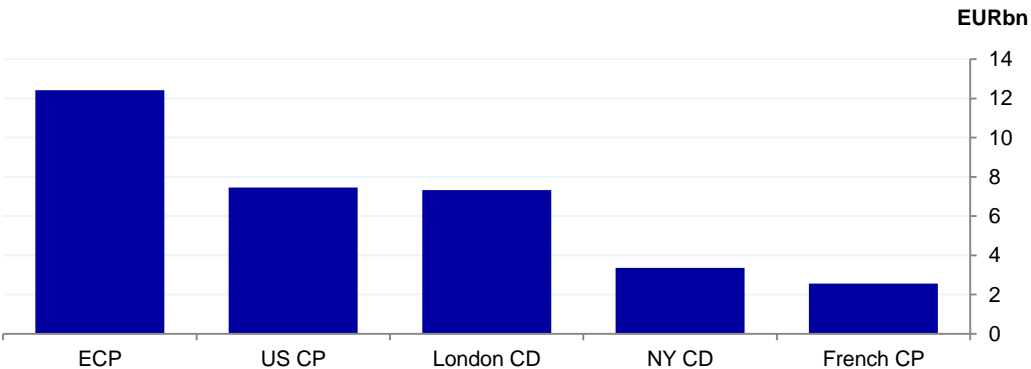
Comments

- Nordea maintains its good reputation amongst investors
- A well diversified investor base is tapped from Asia to USA
- Each program has its niche contribution
- Nordea has been able to maintain the volume and duration of its short dated programs both in the US and the European market
- Total outstanding short-term funding has ranged between EUR 30-35bn during 2017
- Short dated issuance remains an attractive funding component for the group at the current levels

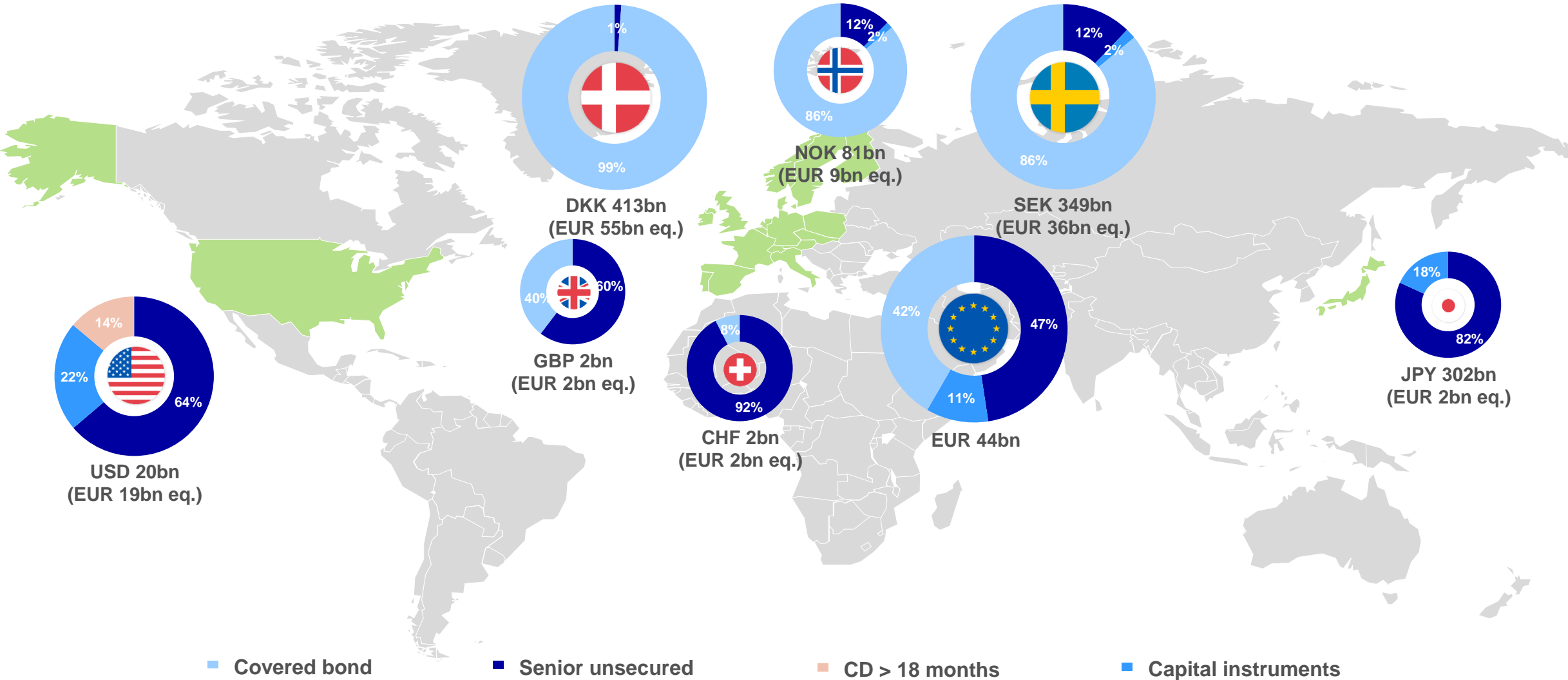
Short-term issuance



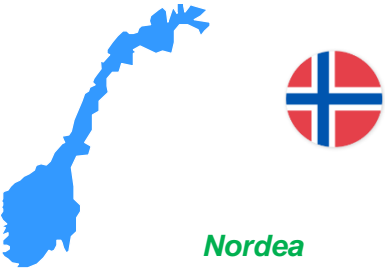
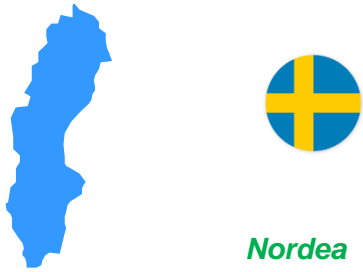


Split between programs



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 13.0bn (eq.)	EUR 52.1bn (eq.)	Balance principle	EUR 20.6bn
Covered bonds outstanding	EUR 8.0bn (eq.)	EUR 31.2bn (eq.)	EUR 51.4bn (eq.)	EUR 15.4bn
OC	62%	67%	CC1/CC2 17%/7%	34%
Issuance currencies	NOK, GBP, USD, CHF	SEK	DKK, EUR	EUR
Rating (Moody's / S&P)	Aaa / -	Aaa / AAA	Aaa / AAA	Aaa / -

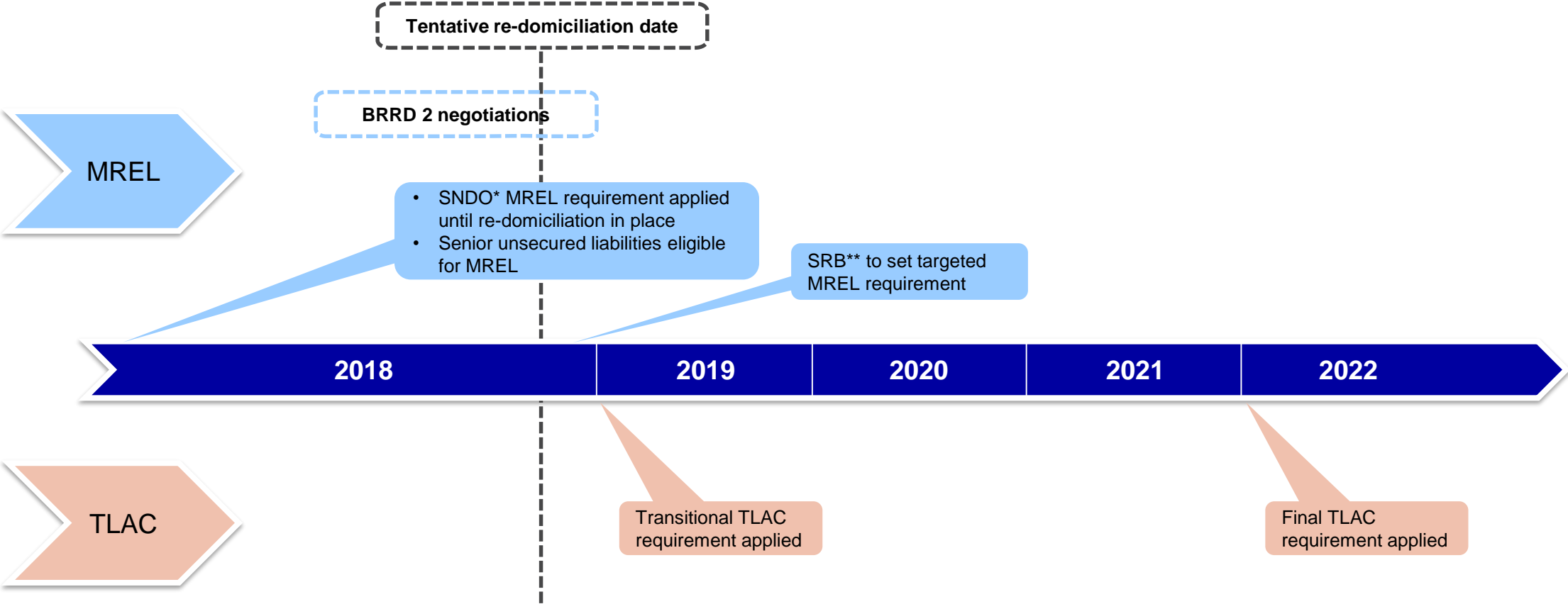
- Covered bonds are an integral part of Nordea's long term funding operations
- Issuance in Scandinavian and international currencies
- ECBC Covered Bond Label on all Nordea covered bond issuance



Nordea benchmark transactions 2017

	Issuer	Type	Currency	Amount (m)	Issue date	Maturity date	FRN / 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
	Nordea Hypotek AB	Covered**	SEK	5000	18 Oct 2017	20 Sep 2023	Fixed
	Nordea Bank AB	AT1	EUR	750	28 Nov 2017	12 Mar 2025	Fixed

MREL and TLAC

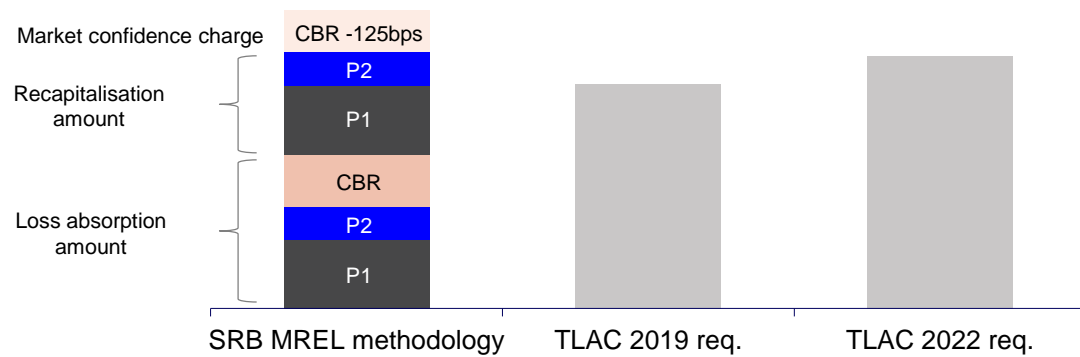


MREL

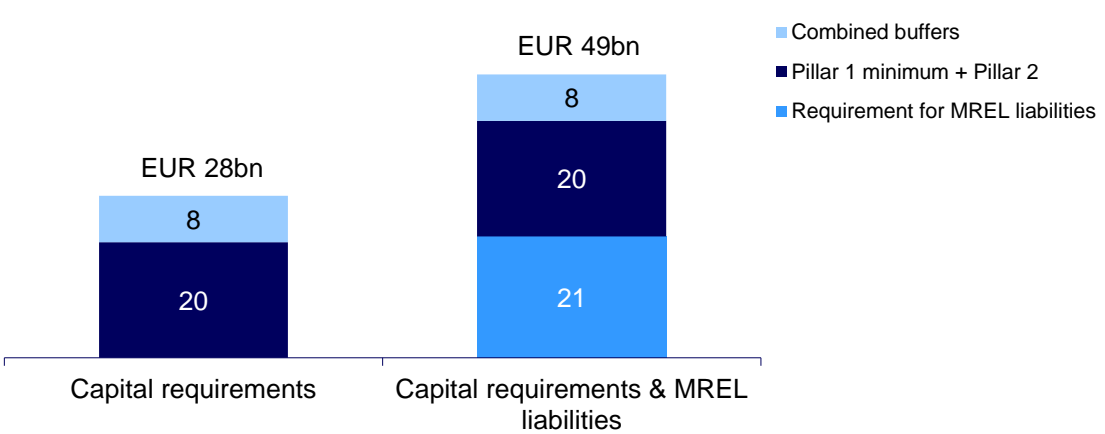
Comments

- SNDO published requirement for subordinated MREL instruments for Nordea is 16.5% of REA, EUR 21bn as of Q4 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

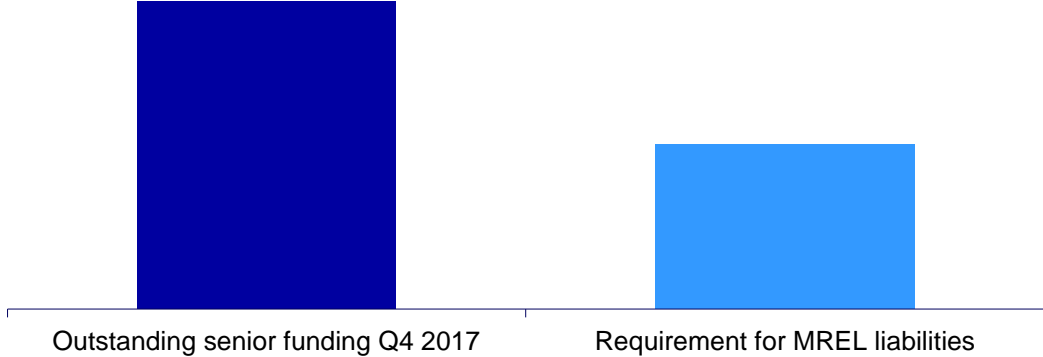
Illustration SRB MREL methodology and TLAC**



Final framework for Swedish MREL



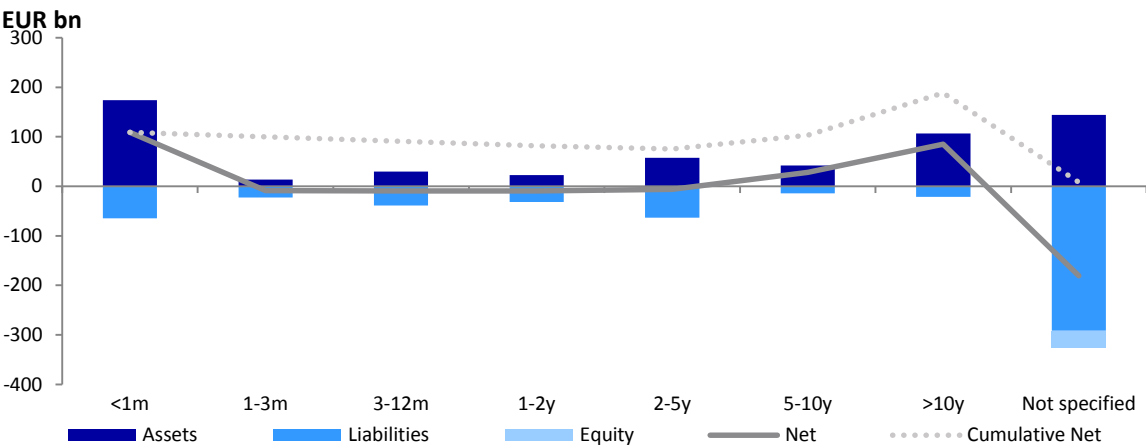
Large part of senior funding remaining after meeting MREL requirement*



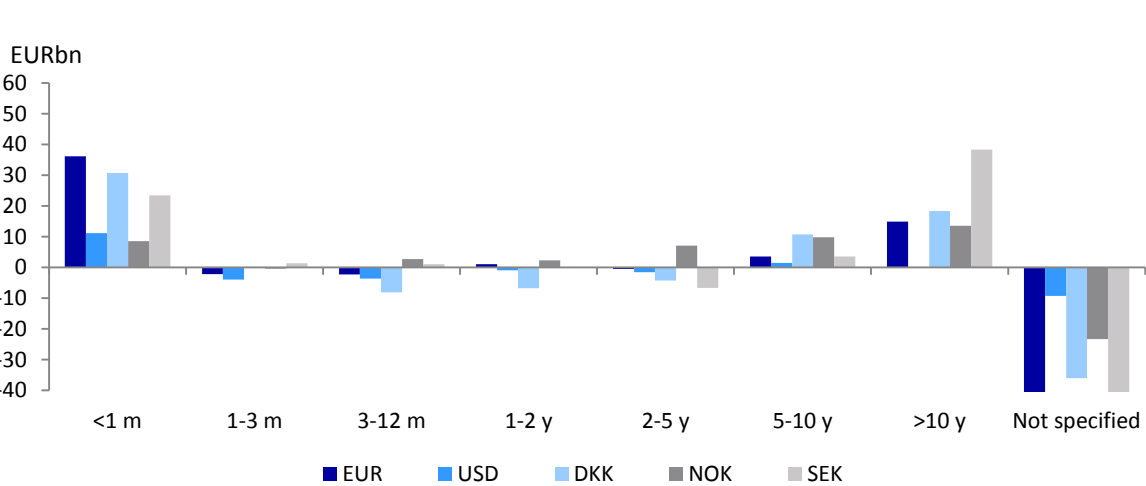
41 * Based on Q4 2017 balance sheet figures
** TLAC 2019 requirement = max of (16% + CBR, 6% leverage ratio exposure) TLAC 2022 requirement = max of (18% + CBR, 6.75% leverage ratio exposure)

Maturity profile

Maturity profile



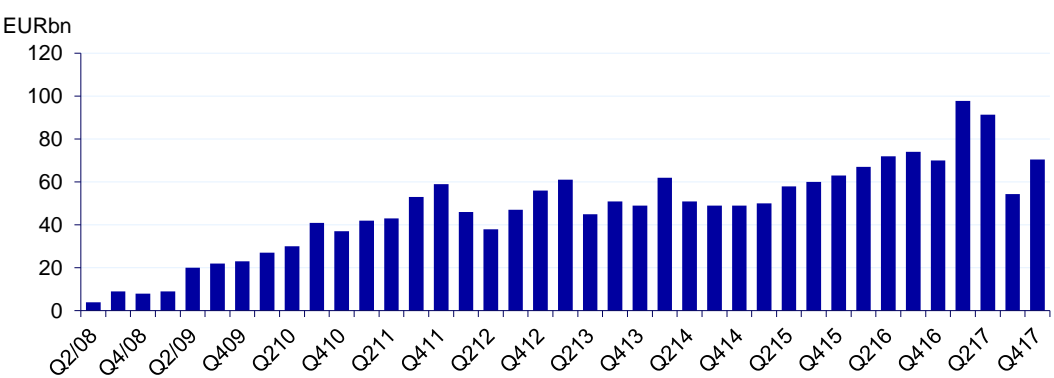
Maturity gap by currency



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)

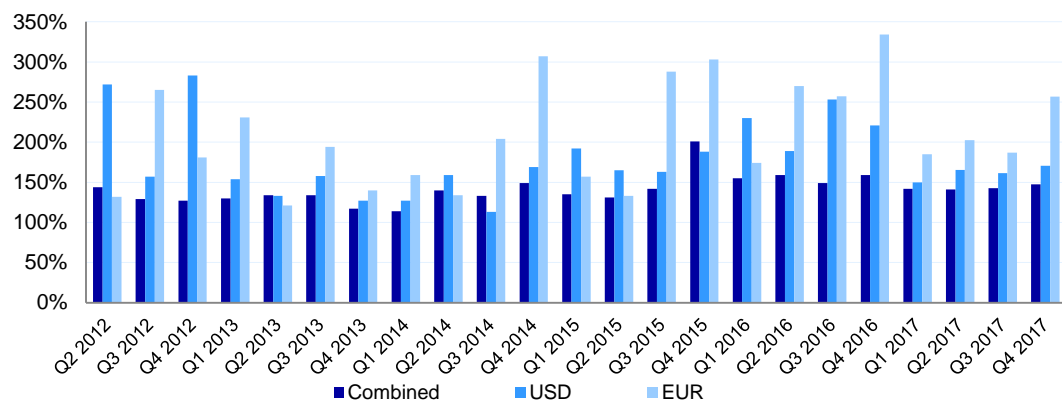
Net Balance of Stable Funding



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

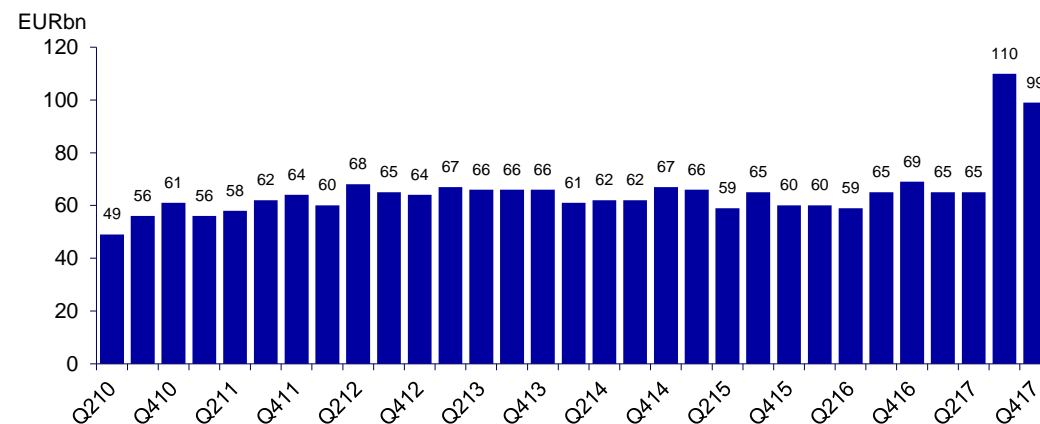
LCR subcomponents, EURbn

	Combined		USD		EUR	
	After factors	Before factors	After factors	Before factors	After factors	Before factors
Liquid assets level 1	67.0	67.0	30.0	30.0	24.3	24.3
Liquid assets level 2	30.3	35.6	1.9	2.2	3.1	3.7
Cap on level 2	0.0	0.0	0.0	0.0	0.0	0.0
A. Liquid assets total	97.3	102.7	31.9	32.3	27.4	28.0
Customer deposits	44.3	167.3	10.3	15.6	10.4	49.0
Market borrowing*	27.9	46.4	14.3	17.2	4.1	12.4
Other cash outflows**	16.2	56.6	0.7	5.9	3.0	16.5
B. Cash outflows total	88.5	270.3	25.3	38.7	17.6	77.9
Lending to non-financial customer	7.5	15.1	0.5	1.0	1.7	3.5
Other cash inflows	14.9	41.6	6.0	6.9	5.1	12.8
Limit on inflows	0.0	0.0	0.0	0.0	0.0	0.0
C. Total inflows	22.4	56.7	6.5	7.9	6.9	16.2
LCR Ratio [A/(B-C)]	147%		170%		257%	

Comments

- LCR limit in place as of Jan 2013
 - LCR of 147% (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 99bn, which includes the cash and central bank balances
 - New liquidity buffer method introduced in July 2017

Time series – liquidity buffer



43 * 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

Contacts

Investor Relations

Rodney Alfvén

Head of Investor Relations
Nordea Bank AB
Mobile: +46 722 35 05 15
Tel: +46 10 156 29 60
rodney.alfven@nordea.com

Andreas Larsson

Head of Debt IR
Nordea Bank AB
Mobile: +46 709 70 75 55
Tel: +46 10 156 29 61
andreas.larsson@nordea.com

Maria Caneman

Debt IR Officer
Nordea Bank AB
Mobile: +46 768 24 92 18
Tel: +46 10 156 50 19
maria.caneman@nordea.com

Carolina Brikho

Roadshow Coordinator
Nordea Bank AB
Mobile: +46 761 34 75 30
Tel: +46 10 156 29 62
carolina.brikho@nordea.com

Group Treasury & ALM

Mark Kandborg

Head of Group Treasury & ALM
Tel: +45 33 33 19 09
Mobile: +45 29 25 85 82
mark.kandborg@nordea.com

Ola Littorin

Head of Long Term Funding
Tel: +46 8 407 9005
Mobile: +46 708 400 149
ola.littorin@nordea.com

Jaana Sulin

Head of Short Term Funding
Tel: +358 9 369 50510
Mobile: +358 50 68503
jaana.sulin@nordea.com

Maria Härdling

Head of Capital Structuring
Tel: +46 10 156 58 70
Mobile: +46 705 594 843
maria.hardling@nordea.com