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Nordea completes a EUR 8.4bn corporate and SME loan securitisation

Nordea Bank AB (“Nordea”) has announced that it has entered into a synthetic risk transfer trade related to EUR 8.4bn of Nordea’s loan portfolio. Under the transaction, investors have agreed to invest in notes linked to the junior credit risk of the portfolio.

- We have worked closely with several very experienced investors over a long period of time and they have demonstrated their strong support in Nordea and our processes and business models. Nordea believes that by adding a simple and transparent synthetic securitisation to our risk and capital management toolbox, we are better able to serve our customers going forward, says Tom Johannessen, Head of Group Treasury and Asset Liability Management.

In contrast to an outright sale of loan portfolios, no assets will be derecognised from Nordea’s balance sheet and Nordea will continue to service the loans. Nordea will therefore maintain all of its customer relationships.

- The transaction reduces Nordea’s credit risks through a risk-sharing structure, whilst enhancing Nordea’s CET1 ratio, allowing Nordea to recycle freed-up capital into additional lending to corporations and SMEs, strengthening Nordea’s role as the number one provider of credit to the Nordic economies, says Jonas Bäcklund, Head of Credit Structuring and Execution, Treasury and Asset Liability Management.

Under the agreement, the buyers of the notes are responsible for a pre-agreed amount of incurred credit losses of the reference portfolio. The size of this credit loss protection is sufficient to cover expected and unexpected losses, relieving Nordea from the associated risks.

Nordea will at all times retain a share of each of the underlying loans in the portfolio. The transaction is priced at an attractive cost of capital for Nordea, which reflects the low credit risk associated with Nordic corporate lending as well as a high degree of confidence in Nordea’s credit origination and risk management processes by the investors.

The selected portfolio consists of approximately EUR 8.4bn in corporate and SME loans from over 3,000 borrowers across Sweden and Denmark, spread across a wide range of industries and asset classes. No specific industry class was targeted for the transaction.

The transaction was arranged by joint structuring advisers Barclays, J.P. Morgan and Nordea Markets.

Work on the transaction started formally during Q1 2015, with a mandate awarded to the joint structuring advisers in July 2015.

For further information:

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Nordea is among the ten largest universal banks in Europe in terms of total market capitalisation and has around 11 million customers, 30,000 employees and approximately 600 branch office locations. The Nordea share is listed on the Nasdaq Stockholm, Nasdaq Helsinki and Nasdaq Copenhagen exchanges. We have a broad expertise across the wide range of products, services and solutions that we provide within banking, asset management and insurance. In Nordea we build trusted relationships through our strong engagement with both customers and society.