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Nordea to sell its ownership in Luminor to Blackstone

As part of Nordea's strategy to focus its operations to the Nordic core markets, Nordea, together with DNB, has entered into an agreement to jointly sell 60 per cent of Luminor to a consortium led by private equity funds managed by Blackstone ("Blackstone"). As a result of the transaction, each of Nordea and DNB will hold approx. 20 per cent of Luminor and maintain ongoing representation on Luminor's Board of Directors. Nordea and Blackstone have additionally entered into a forward sale agreement for the sale of Nordea's remaining 20 per cent stake over the near to medium term.

The decision for Nordea to sell the shares in Luminor is pursuant to Nordea's overall ambition to simplify and focus its operations to the Nordic core markets and become an even better bank for its customers. This is in line with other recent transactions carried out by Nordea, e.g. the acquisition of Gjensidige Bank in Norway, which is expected to close in the first quarter of 2019.

"The sale is the natural next step following the establishment of Luminor in 2017 whereby Nordea and DNB created the third largest bank in the region – a strong stand-alone bank. With this transaction we are able to further consolidate our focus and efforts towards our core Nordic markets, and it allows us to redeploy capital into those Nordic markets over the coming years", says Topi Manner, Head of Personal Banking at Nordea.

Blackstone is one of the world's leading investment firms with approximately USD 440 billion in assets under management invested across asset classes on a global basis.

The transaction is inter alia subject to customary regulatory approvals and is expected to close during H1 2019.

The agreed purchase price in the upfront sale of the approx. 36 per cent stake divested by Nordea is EUR 0.6 billion, valuing Luminor, which currently generates a mid-single digit normalised RoE, at approx. EUR 1.7 billion, equivalent to 1.0x P/BV. The forward sale of Nordea's remaining 20 per cent stake will be carried out at a fixed valuation of 0.9x P/BV. This corresponds to an estimated blended sales multiple of 0.97x P/BV, excluding transaction costs and other Nordea-related accounting impacts, for the sale of Nordea's ownership in Luminor. In addition to the upfront sale and forward sale Nordea will continue to provide funding to Luminor over the medium term, together with transitional services until 2020.

On a pro-forma basis¹ and subject to regulatory capital treatment the upfront sale is expected to have a positive impact on Nordea's Common Equity Tier 1 ("CET1") ratio of approx. 20bps upon completion of the transaction. Pro-forma for the complete sale of Nordea's ownership in Luminor under the forward sale agreement and after Luminor has returned its funding to Nordea, the positive impact on Nordea's CET1 ratio is expected to be approx. 45bps.

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¹ Based on the current forecasted CET1 ratio for the fourth quarter in 2018 including the approval from ECB for continued use of existing internal models (as detailed in press release of 17 August 2018) and pro-forma for the acquisition of Gjensidige Bank (detailed in press release of 2 July 2018).