

# Credit Linked Note A740

## Europe High Yield Fixed & Floating

**Reference asset:** Markit iTraxx Europe Crossover Index Series 22

**Subscription ends:** 18.12.2014 at 12:00 EET

**Investment period:** about 7 years

**Subscription price:** about 100%

**Yield:** 6.5% p.a. for 3 years, 3-month Euribor + 4.4% p.a. for last 4 years paid quarterly on calculated nominal capital

**Minimum investment:** 1,000 €  
No capital protection



Credit-linked Note Europe High Yield Fixed & Floating is a bond issued by Nordea Bank Finland Plc with a maturity of about 7 years. The yield and the repayable capital are dependent on any credit events occurring in the reference companies of the Markit iTraxx Europe Crossover Index Series 22.

An investment in this note is an investment in the credit risk of European companies with a sector diversification. Investors' improved confidence and increasing risk appetite, coupled with Europe's economic growth and companies' strengthened financing position, speak in favour of European high yield investments. With the bond's changing interest structure, the investor has the opportunity to benefit from rising interest rates if economic growth picks up as expected. As a whole, the investment's yield potential is exceptionally high in the current low interest rate environment.

Source: Asset Sales, Nordea Markets

- + A diversified bond investment offering good yield potential despite the low interest rate level.
- + The yield consists of a fixed interest of 6.5% p.a. for the first three years and the 3-month Euribor + interest of 4.4% p.a. for the last four years on the calculated nominal capital
- No capital protection – the investor may lose the invested capital partially or in full. Read more on the risks on page 3.

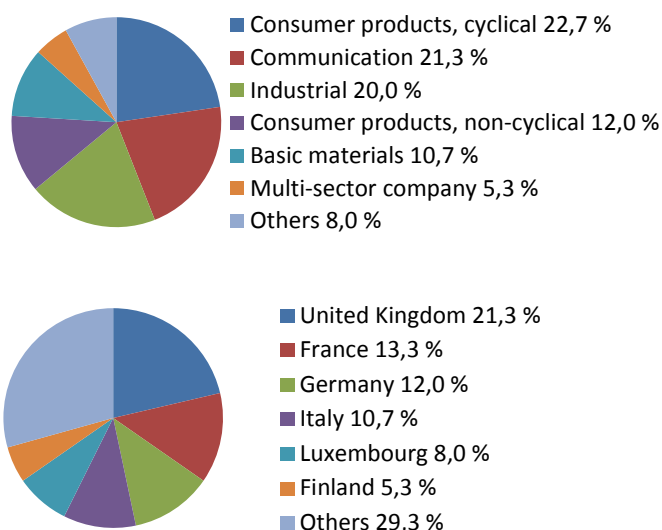
### Reference Index

Markit iTraxx Europe Crossover Index is a popular index used to illustrate the risk premiums of European high yield companies. The Series 22, which was issued in September 2014 and is the latest series, consisted of 75 companies on the issue date. The companies' credit rating is BBB-/Baa3 or lower. The index does not include any companies with the weakest possible rating. Historically, the index's 7-year series have experienced 0–8 credit events over the last decade or so.\* The index is diversified by sector, country and credit rating. The most common ratings are BB- and B. The full list of companies can be found on page 6.

Source: Bloomberg & Nordea Markets

\* Past performance is not a guarantee of future results.

### Sector / Country Allocation of Index\*



\* Starting levels indexed at 100%. The presented figures describe previous yield or value, and no reliable assumptions on future yield or value can be made based on them.

Source: Bloomberg

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### Yield calculation and repayment of capital

The yield of the credit-linked note consists of interest paid on a quarterly basis. For the first three years, the interest is fixed at 6.5% p.a. For the last four years, a floating interest consisting of the 3-month Euribor + 4.4% p.a. will be paid. The yield is paid on the entire nominal capital if no credit event takes place in any of the reference companies during the credit event period. Each reference company's credit event will reduce the calculated nominal capital used for yield calculation. The effect of a credit event will be taken into account in yield calculation as of the credit event date.

The credit-linked note has no capital protection. Each reference company's credit event will reduce the amount of capital repaid on the redemption date by 1.33 percentage points from the original nominal capital. For example, if one company in the reference index experiences a credit event, the yield will be paid on the reduced nominal capital, which is about 98.67% of the original nominal capital, and that reduced nominal capital will be repaid on the redemption date. If all companies in the reference index experience a credit event, the investor will lose the nominal capital in full.

The credit event period is from 10 November 2014 until 20 December 2021. However, in accordance with international market practice, the situation of a reference company can be reviewed retroactively for a period of 60 calendar days prior to the beginning of the actual credit event period in order to establish the occurrence of a credit event. The examples below illustrate the credit-linked note's yield and repayable nominal capital in various market scenarios.\*

### Positive scenario: No credit events take place in the reference companies

The nominal capital of the investment is 10,000 euros. No credit events take place in the reference companies. The 3-month Euribor is assumed to be 2.0% in years 4–7. For the first three years, the investor is paid fixed interest of 6.5% p.a. on the entire nominal capital. For the last four years, the investor receives 6.4% of annual interest (= 3-month Euribor + 4.4%) paid on the entire nominal capital. Interest is paid quarterly. The nominal capital will be repaid in full on the redemption date.

Year	1	2	3	4	5	6	7
Nominal capital	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Number of credit events	0	0	0	0	0	0	0
Amount payable to investor	650	650	650	640	640	640	10,640
Annual yield on investment	6.4 %						

### Neutral scenario: Three reference companies experience a credit event

The nominal capital of the investment is 10,000 euros. A credit event takes place in three reference companies right at the beginning of the third year. The 3-month Euribor is assumed to be 1.5% in years 4–7. For the first two years, the investor is paid the fixed interest of 6.5% p.a. on the entire nominal capital. Due to the credit events, the nominal capital used for yield calculation will drop to 96.0% early in the third year (= 100% - 3 x 1.33%), which means the fixed interest of 6.5% will be paid on this reduced nominal capital. For the last four years, the investor receives 5.9% interest p.a. (= 3-month Euribor + 4.4%) paid on the reduced nominal capital. Interest is paid quarterly. 96% of the nominal capital will be repaid on the redemption date.

Year	1	2	3	4	5	6	7
Nominal capital	10,000	10,000	9,600	9,600	9,600	9,600	9,600
Number of credit events	0	0	0	0	0	0	0
Amount payable to investor	650	650	624	566	566	566	10,166
Annual yield on investment	5.5 %						

### Worst-case scenario: All the reference companies face a credit event

The nominal capital of the investment is 10,000 euros. All the reference companies experience a credit event on the issue date. No yield is paid on the investment and the investor will lose the entire nominal capital.

\* The yield calculation examples assume the subscription price to be 100%. Taxes have not been accounted for. The information below is intended as an example and does not reflect the product's historical or expected performance.

# Risks related to the equity-linked note

## Market risk

Credit-linked Note Europe High Yield Fixed & Floating has no capital protection, so the investor may lose the invested capital in part or in full. If credit events occur in the reference companies, each reference company's credit event will reduce the amount payable on the redemption date by about 1.33 percentage points from the original nominal capital. Investors will lose all of their nominal capital if all reference companies in the reference index experience a credit event during the credit event period.

Whether a credit event has occurred will be determined on market terms, based on the rules of ISDA (International Swap and Derivatives Association). A credit event refers to a status where a company defaults on its payments and debts. Credit events include:

- Bankruptcy.
- Failure to pay, which means that the company has been unable to pay its debts of at least 1 million US dollars.
- Debt restructuring, which means that the company is renegotiating new terms for its debt that are less favourable to its creditors, and the value of the debt is at least 10 million US dollars.
- Government intervention, which means that a debt of at least 10 million US dollars is adjusted by a government authority, for example, by reducing the rights of the creditors, by having assets expropriated, by a transfer or other change of beneficiary or by a forced cancellation, conversion or exchange.

If a credit event occurs, ISDA will determine the recovery value on the credit derivatives market. Recovery value indicates the compensation that can be expected by the creditors of the reference company. The recovery value may vary between 0% and 100%. On the average, the recovery value for high yield corporate bonds has been about 38% (Moody's investor service 1982–2013). When calculating the repayable capital and the calculated nominal capital used for yield calculation for Credit-linked Note Europe High Yield Fixed & Floating, a zero recovery value is applied. This means that each reference company has an effect of 1/75 or about 1.33%. Accordingly, the recovery value determined by the ISDA will not have any effect on the value of the credit-linked note.

When making an investment decision, investors should consider the total risk in their portfolios relating to the reference companies and the issuer.

## Issuer risk

The credit-linked note involves a risk related to the issuer Nordea Bank Finland Plc's repayment ability. The risk relating to the issuer's repayment ability refers to the risk of the issuer becoming insolvent and being unable to fulfil its commitments in a bankruptcy etc. The investor may lose his or her invested capital and any potential yield partially or in full in the event of the issuer's insolvency. Nordea Bank Finland Plc's credit ratings are Aa3 (Moody's, negative outlook) and AA- (Standard & Poor's, negative outlook). The bond is unsecured.

## Premium risk

The potential premium, i.e. the proportion of the subscription price exceeding the nominal value of the bond, will not be returned.

## Secondary market risk

In normal market conditions Nordea Bank Finland Plc quotes a secondary market price on the investment on nominal values of 1,000 euros or more. If the investor sells the credit-linked note on the secondary market before maturity, the repurchase price may be higher or lower than its nominal value.

### RISK CLASSIFICATION: MEDIUM RISK

Structured investment products in which the repayment of the nominal capital depends on market performance, such as the trend in the market capitalisation of the reference company shares or the number of credit events in the reference companies, as well as on the issuer's repayment ability. The potential repayment of the nominal capital does not cover the premium or the fees and costs paid by the investors. The risk relating to the issuer's repayment ability is described in this marketing brochure. The risk classification does not remove the investor's obligation to carefully study this marketing brochure, the product-specific terms and conditions and the prospectus, if any, and the risks mentioned in them.



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### Bond information in brief

Subscription period	10.11.2014–18.12.2014 at 12:00 EET
Issue date	10.11.2014
Minimum subscription	1,000 euros
Nominal value	1,000 euros
Subscription price	Variable, about 100%*
Bond number and ISIN	A740 and FI4000090915
Maturity date	17.1.2022
Reference asset	Reference companies in the Markit iTraxx Europe Crossover Index Series 22
Yield calculation	For the first three years or so, 22 December 2014–20 December 2017, the yield is a fixed interest of 6.5% p.a. For the last four years or so, 20 December 2017–17 January 2022, the yield is a floating interest consisting of the 3-month Euribor + 4.4.% p.a. The interest is paid quarterly on the calculated nominal capital. The first interest period will start on 22 December 2014 and end on 20 March 2015. After this the length of an interest period will be three months. The last interest period will start on 20 September 2021 and end on 17 January 2022. The first interest payment date is 20 March 2015 and thereafter each year 20 June, 20 September, 20 December and 20 March. The penultimate interest payment date is 20 September 2021 and the last interest payment date is the maturity date.
Repayment of capital	The investor may lose the invested capital partially or in full. The capital repaid at maturity equals the nominal capital if no credit events occur in the reference companies during the credit event period. If credit events occur in the reference companies, each reference company's credit event will reduce the amount payable at maturity by about 1.33 percentage points from the original nominal capital. Investors will lose all of their nominal capital if all reference companies experience a credit event. The issuer is entitled to reduce the nominal value of each note after each reference company's credit event. The investment also involves a risk related to the issuer's repayment ability.
Calculated nominal capital	The interest is paid on the calculated nominal capital. If credit events occur in the reference companies, each reference company's credit event will reduce the calculated nominal capital by about 1.33 percentage points from the original nominal capital. A credit event will reduce the calculated nominal capital as of the credit event date. The interest for the interest periods after the credit event will be paid on the calculated nominal capital. The effect of credit events on the calculated nominal capital is shown using the 75 reference companies included in the reference index on its issue date. In accordance with general market practice, the issuer retains the right to change the number of reference companies and their weights in the reference index should any corporate transactions take place in the reference companies during the credit event period, such as a merger or demerger of a reference company. As a result, the number and weights of reference companies in the reference index may increase or decrease, which will have an effect on the calculation of the bond's value at maturity.
Credit event period	The period between 10 November 2014 and 20 December 2021. However, in accordance with international market practice, the situation of a reference company can be reviewed retroactively for a period of 60 days prior to the beginning of the actual credit event period in order to establish the occurrence of a credit event. The issuer is also entitled to announce a credit event that has occurred during the credit event period but that has become known to the issuer only after the credit event period; however, within two weeks after the end of the credit event period at the latest. Read more on credit events on page 3.
Structuring cost	The subscription price includes a structuring cost of 5.0%, which is the equivalent of an annual cost of about 0.7%. The structuring cost is based on the values of the fixed income and derivative investments included in the bond on the valuation date of 28 October 2014. The structuring cost includes all expenses incurred by the issuer from the bond, such as issue, licensing, material and marketing costs. The issuer does not charge a separate subscription fee or separate custody fees for the bond.
Issuer	Nordea Bank Finland Plc; credit ratings Aa3 (Moody's, negative outlook) and AA- (Standard & Poor's, negative outlook).
Places of subscription	Nordea Bank AB Estonia Branch private banking department
Secondary market	In normal market conditions the issuer, Nordea Bank Finland Plc, will quote a repurchase price for the note, which may be lower or higher than the nominal value.
Taxation	Potential yield at maturity is subject to tax at source on interest income for natural persons with general tax liability in Estonia in accordance with the valid tax legislation.

Custody	Free of charge with Nordea Bank AB Estonia Branch.
Security	The note is unsecured.
Cancellation of the issue	The issuer has the right to cancel the issue based on changes in the economic circumstances or if the total amount of subscriptions is low, or if something should occur that the issuer considers might endanger the issue.
Listing	No application will be made for listing the note.

\* According to the market situation on 28 October 2014.

Bond A740 is issued under the Structured Note Programme (a bond programme reported to the Finnish Financial Supervisory Authority from Ireland) of Nordea Bank Finland Plc dated 20 December 2013 and supplemented later. The base prospectus in English is also available on the issuer's website at [www.nordea.fi/bonds](http://www.nordea.fi/bonds). The final terms of the bonds and the base prospectus can be obtained from the seller. The English version of the terms is binding and thus applicable in possible conflict situations.

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# Companies in the Reference Asset

The credit-linked note's reference companies are the companies in the iTraxx Europe Crossover Index Series 22. Below is a list of these companies, as at 15 September 2014.

Source: Markit

Abengoa, S.A.	Heidelbergcement AG	R&R Ice Cream Plc
Alcatel Lucent	Hellenic Telecommunications Organisation Societe Anonyme	Rallye
Altice Finco S.A.	HEMA Bondco I B.V.	Rexel
Arcelormittal	Hochtief Aktiengesellschaft	Schaeffler Finance B.V.
Ardagh Packaging Finance Plc	Ineos Group Holdings S.A.	Selecta Group B.V.
Astaldi Societa Per Azioni	Jaguar Land Rover Automotive Plc	SMURFIT KAPPA ACQUISITIONS
Beni Stabili Societa Per Azioni Societa Di Investimento Immobiliare Quotata	Ladbroke's Plc	Stena Aktiebolag
Boparan Finance Plc	Lock Lower Holdings As	Stonegate Pub Company Financing Plc
Brisa - Concessao Rodoviaria, S.A.	Louis Dreyfus Commodities B.V.	Stora Enso Oyj
BRITISH AIRWAYS Plc	Loxam	Stretford 79 Plc
Cable & Wireless Limited	Matalan Finance Plc	Sunrise Communications Holdings S.A.
Care Uk Health & Social Care Plc	Melia Hotels International, S.A.	Techem GmbH
Cerved Group S.P.A.	Metsa Board Corporation	Telecom Italia Spa
Cir S.P.A. - Compagnie Industriali Riunite	Monitchem Holdco 3 S.A.	Thyssenkrupp AG
Cnh Industrial N.V.	New Look Bondco I Plc	Trionista Holdco GmbH
Convatec Healthcare E S.A.	Nokia Oyj	TUI AG
Dry Mix Solutions Investissements	NORSKE SKOGINDUSTRIER ASA	Tvn Finance Corporation Iii Ab (Publ)
EDP - Energias De Portugal, S.A.	Novafives	Twinkle Pizza Holdings Plc
Eileme 2 AB (Publ)	Numericable Group S.A.	Unilabs Subholding Ab (Publ)
Fiat S.P.A.	Nxp B.V.	Unitymedia Kabelbw GmbH
Financiere Quick	Peugeot Sa	Upc Holding B.V.
Finmeccanica S.P.A.	Play Finance 1 S.A.	Upm-Kymmene Oyj
Galapagos Holding S.A.	Portugal Telecom International Finance B.V.	Virgin Media Finance Plc
Galp Energia, Sgps, S.A.	Premier Foods Finance Plc	Vougeot Bidco P.L.C.
Grupo Isolux Corsan Finance B.V.	Public Power Corporation Finance Plc	Wind Acquisition Finance S.A.

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