



# Equity-Linked Notes European Companies

**Subscription period:** 20 February - 30 March 2017

**Investment period:** About 6 years

**Reference asset:** 10 European stocks

**Participation rate:** 100%

**Subscription price:** Variable, about 106% including 6% premium\*

**Minimum subscription:** EUR 1 000

\* The premium will not be returned.

## European companies

We have favoured equities to other asset classes for a long time. In short, our recommendation has been based on the positive economic environment and corporate earnings, as well as the bond markets' inability to offer a good alternative to the equity markets' returns. As the big picture has not changed, we are maintaining an overweight in equities.

Over the same period, our recommendations for the regional markets have fluctuated more than those for equity classes. Recently we upgraded European equities to overweight. In recent months, Europe has been slightly overshadowed by the US as an investment target, but it does hold potential.

Economic growth in Europe has been positive in for approximately the three past years due to steady consumer demand, which is supported by gradually improving employment. The latest financial indicators forecast this favourable trend to continue, as companies expect more growth in their business operations. In previous years, European companies were burdened by weak operating margins and non-existent revenue growth. This means that cost-cutting has played a major role in improving their results. Now there are positive signs that both earnings and revenue forecasts are rising. European equities also have moderate valuations that are lower than their peers' in the US or Finland, for example. The European Central Bank will continue to maintain a very accommodating monetary policy, keeping the euro's value low and helping the export sector.

For the investment markets, the biggest risk factors in Europe are posed by the upcoming elections in France, Germany and Italy. A major shift in the political field would affect the economy because of the uncertainty it would generate. We acknowledge these risks but do not believe that the worst-case scenarios will materialise. And there may be something positive in the political turmoil – Europe needs firmer political decision-making in any case.

Source: Nordea  
February 2017

## Equity-Linked Notes European Companies

Equity-Linked Notes European Companies is a bond issued by Nordea Bank AB (publ) with a maturity of about six years, offering investors an opportunity to invest in European companies with nominal capital protection\*.

- An alternative to direct equity investments
- One diversified investment in the performance of European companies.
- The notional amount will be returned on maturity date independent of the underlying performance.\*
- Economic growth in Europe has been positive in for approximately the three past years due to steady consumer demand, which is supported by gradually improving employment

\* Nominal capital protection is valid only at maturity, which means if the investment is sold before maturity, the capital returned to the investor may be below or above the invested nominal capital. The premium will not be returned. The investment also involves a risk related to the issuer's repayment ability

## Reference asset

The yield on the bonds is determined on the basis of the performance of a basket of ten European shares.

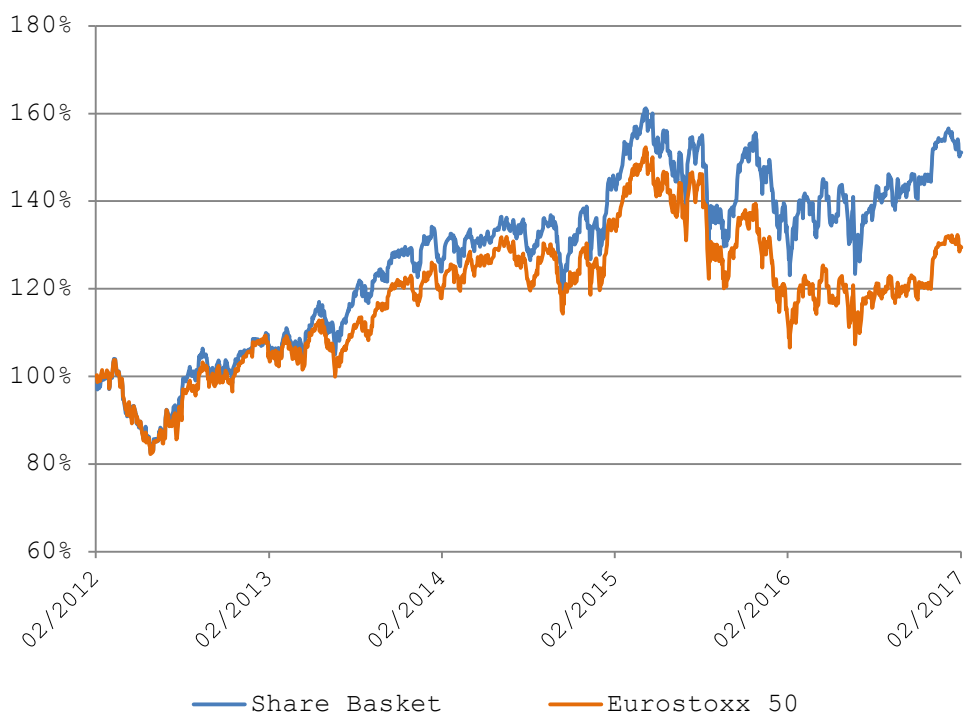
Company	Country	Revenue 2015	Employees
Allianz SE	Germany	125 billion EUR	142,700
Danone SA	France	22 billion EUR	99,800
AXA SA	France	99 billion EUR	120,500
Deutsche Telekom AG	Germany	69 billion EUR	219,300
Total SA	France	129 billion EUR	96,000
Engie SA	France	70 billion EUR	155,000
ING Groep NV	Netherlands	17 billion EUR	52,000
Koninklijke Philips NV	Netherlands	25 billion EUR	114,700
SAP SE	Germany	22 billion EUR	84,200
Schneider Electric SE	France	27 billion EUR	181,400

The graph on the right illustrates the performance of the share basket serving as the reference asset in relation to the Eurostoxx 50 Index over the past five years.

Starting levels indexed at 100%.

The presented figures describe previous performance, and no reliable assumptions on future yield or value can be made based on it.

Source:  
Bloomberg 8 February 2017



## Yield calculation and repayment of nominal capital

The yield paid at maturity is determined based on the performance of the stock basket serving as the reference asset and on the participation rate. When calculating the performance of the stock basket, the performance of four best performing stocks is replaced with constant 20% regardless of their true performance. The performance of the stock basket is calculated as the difference between its initial price on 5 April 2017 and its final price on 5 April 2023 in percentages. If the performance is positive, the yield will be calculated by multiplying the increase in value by the participation rate of 100%. If the stock basket performance is zero or negative, no yield will be paid. The nominal capital will be fully repaid at maturity regardless of the stock basket performance. The premium will not be returned. The bond involves a risk relating to the issuer's repayment ability.

The yield tables below show the yield on the investment in various market scenarios.\*

### Positive scenario: stock basket performance in accordance with the yield calculation 30%

Stock	Start value	Final value	Performance, %	Performance used in yield calculation, %
Stock 1	100	270	170	20
Stock 2	100	220	120	20
Stock 3	100	200	100	20
Stock 4	100	182	82	20
Stock 5	100	164	64	64
Stock 6	100	144	44	44
Stock 7	100	134	34	34
Stock 8	100	131	31	31
Stock 9	100	128	28	28
Stock 10	100	119	19	19
<b>Average</b>				<b>30</b>

Stock basket performance in accordance with the yield calculation	Participation ratio	Profit	Repayment of nominal capital	Value at maturity	Annual yield
<b>30.0 %</b>	<b>100.0 %</b>	<b>30.0 %</b>	<b>100.0 %</b>	<b>130.0 %</b>	<b>3.4 %</b>

\* The yield calculation examples portray the situation at maturity and they assume that the subscription price is 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 return.

**Neutral scenario: stock basket performance in accordance with the yield calculation 20%**

Stock	Start value	Final value	Performance, %	Performance used in yield calculation, %
Stock 1	100	270	170	20
Stock 2	100	220	120	20
Stock 3	100	200	100	20
Stock 4	100	182	82	20
Stock 5	100	164	64	64
Stock 6	100	124	24	24
Stock 7	100	121	21	21
Stock 8	100	118	18	18
Stock 9	100	102	2	2
Stock 10	100	91	-9	-9
<b>Average</b>				<b>20</b>

Stock basket performance in accordance with the yield calculation	Participation ratio	Profit	Repayment of nominal capital	Value at maturity	Annual yield
20.0 %	100.0 %	20.0 %	100.0 %	120.0 %	2 %

**Negative scenario: stock basket performance in accordance with the yield calculation 0%**

Stock	Start value	Final value	Performance, %	Performance used in yield calculation, %
Stock 1	100	170	70	20
Stock 2	100	150	50	20
Stock 3	100	145	45	20
Stock 4	100	130	30	20
Stock 5	100	125	25	25
Stock 6	100	93	-7	-7
Stock 7	100	82	-18	-18
Stock 8	100	75	-25	-25
Stock 9	100	75	-25	-25
Stock 10	100	70	-30	-30
<b>Average</b>				<b>0</b>

Stock basket performance in accordance with the yield calculation	Participation ratio	Profit	Repayment of nominal capital	Value at maturity	Annual yield
0.0 %	100.0 %	0.0 %	100.0 %	100.0 %	-0.9 %

## Equity-linked Notes European companies information

**Subscription period:** 20 February – 30 March 2017

**Places of subscription:** Nordea Bank AB Lithuanian branch

**Issue date:** 20 February 2017

**Issuer:** Nordea Bank AB (publ); credit ratings Aa3 (Moody's, stable outlook) and AA- (Standard & Poor's, negative outlook).

**Minimum subscription:** EUR 1 000

**Subscription price:** Variable, about 106 %\* (according to market situation on 8 February 2017)

**Bond number and ISIN:** B519, FI4000177654

**Maturity:** 14 April 2023

**Reference asset:** 10 European companies

**Initial price date:** 5 April 2017

**Final price date:** 5 April 2023

**Yield calculation and repayment of nominal capital:** The yield paid at maturity is determined based on the performance of the stock basket serving as the reference asset and on the participation rate. When calculating the performance of the stock basket, the change in the value of the four best performing stocks is replaced by 20% irrespective of the actual performance of the stocks during the investment period. The performance of the stock basket is calculated as the average of the performance of the stocks. The performance of the stock basket is calculated as the difference between its initial price on 5 April 2017 and its final price on 5 April 2023 in percentages. If the stock basket performance is positive, the yield will be calculated by multiplying the increase in value by the participation rate of 100 %. If the stock basket performance is zero or negative, no yield will be paid. The nominal capital of the bonds will be returned in full at maturity irrespective of the performance of the reference index. The premium will not be returned. The premium is determined on the basis of the subscription date. The investment bonds involve a risk of the issuer's insolvency.

**Structuring cost:** The structuring cost is about 3.0%, which is the equivalent of an annual cost of about 0.5 % if the bond is held until maturity. The structuring cost is included in the subscription price, which means it will not be deducted from the yield paid or the nominal capital repaid at maturity. The structuring cost is based on the values of the fixed income and derivative investments included in the bond on the valuation date of 8 February 2017. 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 for the bond.

**Secondary market:** In normal market conditions the issuer, Nordea Bank Finland Plc, will quote a repurchase price for the bond, which may be lower or higher than the nominal value. If the investment is sold on the secondary market before maturity, the secondary market price may be higher or lower than 100%.

**Taxation:** Potential yield at maturity is subject to tax at source on interest income for natural persons with general tax liability in Lithuania in accordance with the valid tax legislation.

**Custody:** A possible fee for custody will be charged in accordance with the valid tariff.

**Security:** The bond 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 bond.

**Bond B519 is issued under the Structured Note Programme (a bond programme reported to the Finnish Financial Supervisory Authority from Ireland in accordance with the Prospectus Directive) of Nordea Bank AB (publ) dated 19 December 2016 and supplemented later. The base prospectus in English is available on the issuer's website at <http://www.nordea.com/en/investor-relations/debt-and-rating/Prospectuses/>. 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.**

## Risks involved in investment bonds

**All investment activity involves risks. The most important uncertainties and risks are presented below. Investors must understand that the investment is a complex product and that its yield consists of several factors.**

### Issuer risk

Investment bonds involve a risk related to the issuer Nordea Bank AB 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 has a credit rating of Aa3 (stable outlook) by Moody's and AA- (negative outlook) by Standard & Poor's. The bonds are unsecured.

### Yield risk

Investment bonds' yield at maturity is determined on the basis of the stock basket performance in accordance with the yield calculation. The performance in accordance with the yield calculation differs from that of a direct investment in the stocks included in the stock basket during the investment period. The possible effect of dividends is not taken into account when calculating the performance of the reference assets of investment bonds.

### Market risk

The investment and its nominal capital do not involve an equity, interest rate or foreign exchange rate risk if the investment is held until the maturity date. If the investment is sold before maturity, it involves a risk of changes in the equity, fixed income and foreign exchange markets.

### Secondary market risk

If the investor sells the investment bond on the secondary market before maturity, the repurchase price may be higher or lower than its nominal value. The investment is intended as a 'buy and hold' type of investment. In normal market

conditions Nordea Bank Finland Plc seeks to quote a secondary market price.

### Premium risk

The potential premium, i.e. the proportion of the subscription price exceeding the nominal value of the bond, will not be returned. The size of the loss incurred by the investor from the premium depends on how much the yield is below the premium paid. The size of the premium depends on the bond-specific premium (10%) as well as on market movements. This means that the premium paid at the time of investment may be above or below the bond-specific premium (10%) intended at the time of issue.

### Special situations

In connection with market disruptions or other special situations, Nordea may have to change its methods of calculation or the reference asset. In connection with the special situations determined in the base prospectus\*, Nordea is entitled to make necessary amendments to the terms and conditions. If Nordea considers that making amendments or changing the reference asset is not a reasonable alternative, Nordea may calculate the yield prematurely. In such a case, the investor is paid market-based interest on the capital during the remaining maturity. The capital may be higher or lower than the nominal value.

### Investors' Compensation Fund

The Investors' Compensation Fund does not compensate for losses resulting from an investment bond's investment risk, which includes, but is not limited to, the issuer's insolvency and asset price fluctuations, nor for any losses resulting from the customer's unsuccessful investment decisions.

## RISK CLASSIFICATION\*

LOW RISK. CAPITAL PROTECTION.\* Structured investment products, the nominal capital of which is returned at maturity if the issuer is solvent. The investment may include a premium of 15% at the most. The capital protection is only valid on the maturity date and it does not cover the premium or the fees and costs paid by the investor. 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.



\* Based on the three-tiered risk categorisation of the Finnish Structured Products Association where the first category includes the smallest risk and the third category the highest risk.

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