

# FX Bond China



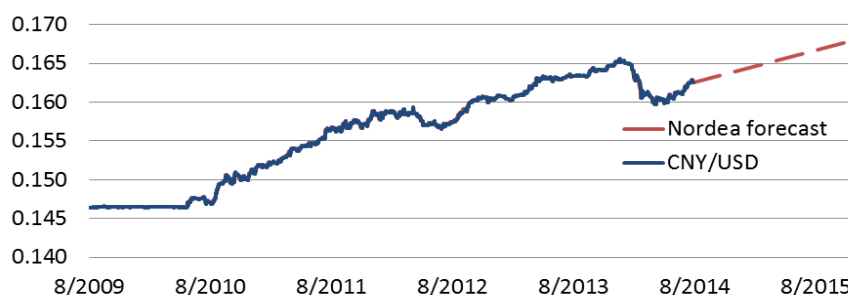
## FX Bond China

FX Bond China is a bond issued by Nordea Bank Finland Plc with a maturity of about two years. It offers investors the opportunity to benefit from the Chinese Yuan's appreciation against the US dollar. Since late spring, the Yuan has risen more than 1.5% versus the dollar but is still undervalued in Nordea's view. By the end of this year, Nordea forecasts the CNY/USD rate will rise by about 0.9%.\* This favourable forecast is based on the fact that the Chinese government has indicated its desire for a stronger currency, which supports its aims of transforming China into a more consumer-based economy. Nordea forecasts that the currency pair will rise by 3.4% by the end of 2015. The FX bond allows investors to complement their portfolio consisting of equities and fixed income instruments with return potential from currencies.

## Reference asset

FX Bond China's reference asset is the CNY/USD currency pair, which indicates how many US dollars can be bought with one Chinese Yuan. The FX bond gives investors the opportunity to take advantage of a rise in the CNY/USD rate, i.e. the Yuan's appreciation versus the dollar. If the Yuan strengthens against the dollar, the yield paid to the investor will be calculated by multiplying the rise in the value of the reference asset in accordance with the yield calculation formula by the participation rate of 380%.

## Performance of the Chinese Yuan against the US dollar August 2009 – August 2014 and Nordea's forecast for August 2014 – December 2015



In the graph, the base currency is the Yuan (CNY/USD), indicating how many US dollars can be bought with one Chinese Yuan. Consequently, a rising curve illustrates CNY appreciation, and declining curve CNY depreciation, relative to the USD.

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

Forecast: Nordea Markets Research

\*The initial value used in the forecasts is the CNY/USD rate on 26 August 2014. The forecasts are not a guarantee of future performance.

## Yield calculation

The yield paid at maturity is determined based on the performance of the currency pair and the participation rate. The performance of the currency pair is obtained by calculating the difference between the CNY/USD currency pair's final price and its initial price and dividing the result by the initial price. The initial price is the official quotation of the currency pair on 29 October 2014. The final price is the official quotation of the currency pair on 3 October 2016.

If, in accordance with the yield calculation, the currency pair's performance is positive (i.e. the Yuan strengthens against the dollar), the yield will be calculated by multiplying the increase in value by the participation rate of 380%. If the currency pair's value falls or remains unchanged (i.e. the value of the Yuan against the dollar weakens or remains unchanged), no yield will be paid. The nominal capital will be fully repaid at maturity regardless of the performance of the currency pair. The premium will not be returned.

### Yield table\*: FX Bond China

CNY/USD rate at maturity	Currency pair performance in accordance with yield calculation	Participation rate	Yield	Repayment of nominal capital	Maturity value	Annual yield**
0.195	20%	380%	76% +	100%	176%	29.6 %
0.179	10%	380%	38% +	100%	138%	14.7 %
0.176	8%	380%	31% +	100%	131%	11.5 %
0.172	6%	380%	23% +	100%	123%	8.2 %
0.169	4%	380%	15% +	100%	115%	4.8 %
0.166	2%	380%	8% +	100%	108%	1.3 %
0.163	0%	380%	0% +	100%	100%	-2.4 %
0.159	-2%	380%	0% +	100%	100%	-2.4 %
0.081	-50%	380%	0% +	100%	100%	-2.4 %

## Examples of yield calculation

### Example 1: The Yuan appreciates strongly against the dollar – the currency pair's performance is 20%

The currency pair's performance in accordance with the yield calculation is 20%. The nominal capital of the investment is 1,000 euros. FX Bond China will mature at 176% (= 380% x 20% + 100%). The investor will be paid 1,760 euros at maturity, corresponding to an annual return of about 29.5%\*\*.

### Example 2: The Yuan appreciates slightly against the dollar – the currency pair's performance is 4%

The currency pair's performance in accordance with the yield calculation is 4%. The nominal capital of the investment is 1,000 euros. FX Bond China will mature at 115% (= 380% x 4% + 100%). The investor will be paid 1,150 euros at maturity, corresponding to an annual return of about 4.7%\*\*.

### Example 3: The Yuan depreciates strongly against the dollar – the currency pair's performance is -50%

The currency pair's performance in accordance with the yield calculation is -50%. The nominal capital of the investment is 1,000 euros. FX Bond China will mature at 100%. The investor will be paid 1,000 euros at maturity, corresponding to an annual return of about -2.4%\*\*.

\* The initial value is the CNY/USD rate of 0.163 as recorded on 26 August 2014.

\*\* The annual yield calculations take into account the premium of 5%. The premium will not be returned. 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.

## Subscription information

Issuer	Nordea Bank Finland Plc; credit ratings Aa3 (Moody's) and AA- (Standard & Poor's, negative outlook).
Subscription period	15 September - 23 October 2014
Issue date	15 September 2014
Minimum subscription	1,000 euros
Bond number and ISIN	A648 and FI4000090709
Maturity date	17 October 2016
Subscription price	Variable, about 105%*, including a premium of about 5%.
Participation rate	380%
Reference asset	CNY/USD currency pair
Initial price	Reference asset's official quote on 29 October 2014
Final price	Reference asset's official quote on 3 October 2016
Yield calculation	The yield paid at maturity is determined based on the reference asset's performance and the participation rate. The reference asset's performance is calculated by dividing the difference between its final price and initial price by the initial price. If the performance is positive, the yield will be calculated by multiplying the increase in value by the participation rate of 380%. If the performance is zero or negative, no yield will be paid.
Structuring cost	The subscription price includes a structuring cost of about 2.0%, which is the equivalent of an annual cost of about 1.0%. The structuring cost is based on the values of the fixed income and derivative investments included in the note on the valuation date of 26 August 2014. The structuring cost includes all expenses incurred by the issuer from the note, such as issue, licensing, material and marketing costs. The issuer does not charge a separate subscription fee or separate custody fees for the bond.
Places of subscription	Nordea Bank AB Lithuania branch, <a href="http://www.nordea.lt">www.nordea.lt</a>
Repayment of capital	The issuer, Nordea Bank Finland Plc, will repay the nominal capital of the bonds in full at maturity irrespective of the performance of the reference assets. The premium will not be returned. The premium is determined on the basis of the subscription date. The bonds involve a risk of the issuer's insolvency. If an investment is sold on the secondary market before maturity, the secondary market price may be higher or lower than 100%.
Secondary market	In normal market conditions the issuer, Nordea Bank Finland Plc, will quote a repurchase price for the bonds, 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 Lithuania in accordance with the valid tax legislation.
Custody	Free of charge with Nordea Bank AB.
Security	The bonds are 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 bonds.

Bonds A648 are 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 updated later. The base prospectus in English is available on the issuer's website at [www.nordea.fi/bond](http://www.nordea.fi/bond). 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.\* According to the market situation on 16 May 2014.

## Risks of the investment bonds

### Issuer risk

Investment bonds involve a risk of the issuer Nordea Bank Finland Plc's insolvency. 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 credit ratings of Aa3 (Moody's) and AA- (Standard & Poor's, negative outlook). The bonds are unsecured.

### Yield risk

The yield of the investment bonds is determined in accordance with the yield calculation method and on the basis of the reference asset's performance. The performance in accordance with the yield calculation method may differ from that of a direct investment in the reference asset during the investment period. Any dividend income from the reference asset will not necessarily be included in the yield received by the investor.

### Premium risk

A 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.

### Secondary market risk

If the investor sells the investment on the secondary market before maturity, the repurchase price may be higher or lower than its nominal value. 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.

### 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.



### DISCLAIMER

Nordea Markets is the name of the Markets departments of Nordea Bank Norge ASA, Nordea Bank AB (publ), Nordea Bank Finland Plc and Nordea Bank Danmark A/S. The information provided herein is intended for background information only and for the sole use of the intended recipient. The views and other information provided herein are the current views of Nordea Markets on the date of this document and are subject to change without notice. This document is not an exhaustive description of the described product or the risks related to it, and it should not be relied on as such, nor is it a substitute for the judgement of the recipient. The information provided herein is not intended to constitute and does not constitute investment advice nor is the information intended as an offer or solicitation for the purchase or sale of any financial instrument. The information contained herein has no regard to the specific investment objectives, the financial situation or particular needs of any particular recipient. Relevant and specific professional advice should always be obtained before making any investment or credit decision. It is important to note that past performance is not indicative of future results. Nordea Markets is not and does not purport to be an adviser as to legal, taxation, accounting or regulatory matters in any jurisdiction. This document may not be copied, distributed or published for any purpose without the prior consent in writing of Nordea Markets.