Product and Risk Description

Purpose
This document provides you with key information about this product. The information is intended to help you understand the nature, risks, costs, potential gains and losses of this product.

Summary

Product name	Tier 2 CoCo bonds
Issuer of this document	Nordea Bank Abp (hereafter "Nordea")
Regulated by	Finnish Financial Supervisory Authority
Produced	26.10.22

What is this product?

Description
A Tier 2 Contingent Convertible (T2 CoCo) bond is a tradable security with a regular coupon payment, issued by a bank. The coupon is the bond's rate of interest, expressed as a percentage of the face value, and it's paid at a predefined frequency. The coupon is a fixed or a floating rate. The variable rate is reset at a pre-defined frequency on the basis of an official fixing, for example EURIBOR.
Below is a general product and risk description of T2 CoCo bonds. A full description of the terms and conditions of the particular T2 CoCo bond is available from the issuing bank. Investors are urged to read the terms and conditions before investing in a T2 CoCo bond. If investors have any additional questions to the terms and conditions Nordea recommends that investors seek advice from relevant advisors.

Regulatory capital for banks

A Tier 2 CoCo bond serves the purpose of being regulatory Tier 2 capital to fulfil capital requirement rules for banks. The bonds typically appear as a Tier 2 instrument but with a loss absorption feature which is further described in the paragraph Capital Trigger. The Tier 2 CoCo bond constitutes direct, unsecured and subordinated debt in the issuing bank, ranking junior to the claims of senior creditors, but senior to junior subordinated bonds and common equity.

A Tier 2 CoCo bond may be called

The bonds have a fixed repayment date. The bank may, subject as provided herein, decide to repay (call) the Tier 2 CoCo bonds at their nominal amount on the first call date, which must be at least 5 year after issuance (or on subsequent call dates).
The bonds can be called at any time following the occurrence of certain tax events as specified in the terms and conditions for the Tier 2 CoCo bond or in the event that the entire nominal amount of the bonds fully ceases (or would fully cease) to be part of the bank's Tier 2 capital.
Call price will typically be at par.

Capital trigger

Investors may lose all or part of their investment in the Tier 2 CoCo bonds, if the capital ratio of the bank falls below a predefined percentage. The capital trigger may vary from Tier 2 CoCo bond to Tier 2 CoCo bond according to terms and conditions, but bonds with 5.00% and 7.00% triggers are most common. If the capital ratio falls below the trigger level, the bonds may either be:

- Converted into equity on a permanent basis, when specified.
- Alternatively when specified be written down upon occurrence of a trigger event. Terms for write down are typically 100% and permanent.

Intended investor
The product Tier 2 CoCo bonds is aimed at professional clients and eligible counterparties, who are interested in capital growth and income. The Tier 2 CoCo bonds is a product for informed investors and advanced investors.*

What are the risks and what could I get in return?
If this product is combined with other products or commercial positions, the total portfolio will have a significantly different profile than the one for this product alone.

The investor assumes the full credit risk of the issuer. The bonds are subordinated and hence are ranked lower than senior securities. Accordingly, in case of issuer default the investor may lose all or a part of his investment and/or the repayment may be delayed.

As the bonds are subordinated instruments, the price is highly susceptible to either changing market perceptions about the issuer or a general change of the spread level in the market for credit issues. Investors face the risk of a capital trigger, which leads to either a capital write down or equity conversion. As defined in the terms and conditions of the bond, such write down will typically be 100% and permanent, with no possibility for investors to recover the loss of the nominal amount. In case of equity conversion the market value of the equity securities will likely be considerably below the conversion rate. In both case investors are likely to face severe losses and the entire amount investment can be lost.

In case of Tier 2 COCO bond with equity conversion the investor faces the risk of getting the fixed income securities converted into an equity investment and the investment subordinated to the lowest level, common equity.

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* Informed investors have average knowledge of relevant financial products and/or some financial industry experience. Advanced investors have good knowledge of relevant financial products and transactions, and/or financial industry experience or accompanied by professional investment advice or included in a discretionary portfolio service.

The market value of a corporate bond is exposed to changes in the market rate of interest. The market value of the bond decreases, if the market rate of interest increases and vice versa.

	Tier 2 CoCo bonds	
Market Parameters	Influence on market value when increasing	Influence on market value when decreasing
Market rate of interest	-	+
Credit spread (issuer risk)	-	+

What happens if Nordea Bank Abp is unable to pay out?

You are exposed to the risk that the issuer of this product or the counterparty (which may be Nordea), as applicable, might be unable to fulfil its obligations in respect of the product e.g. in the event of insolvency, an administrative order or bail-in. The product is not covered by any deposit protection scheme. Thus, you could lose the entire amount invested.

What are the costs?

The total costs take into account one-off, on-going, transaction, ancillary and incidental costs.
They include potential early exit penalties. The figures assume you invest 100,000 EUR nominal. The figures are estimates and may change in the future.
The costs charge for the investment is dependent on the risks associated with the transaction and the term of the investment.
We may include additional costs and charges on a case by case basis. If so, Nordea will provide you with information about these costs and charges prior to the point of sale, and will explain the impact that these costs will have on your investment over time.

Investment (based on above nominal)	Cumulative Costs
Combined cost to buy and exit the product	3000
% p.a. of nominal	3.0

Composition of costs on purchase of the product

Detailed Costs	Description	Amount in EUR	%
One-off costs	All costs and charges relating to the handling of the financial instrument paid to product suppliers as an entry cost or exit cost.	0	0
Ongoing costs	All on-going costs and charges that are related to the management of the financial instrument and deducted from the value of the financial instrument during the holding period of the investment in the financial instrument.	0	0
Transaction costs	All execution costs and charges associated with the buying or selling of the financial instrument performed by Nordea or another party.	1500	1.5
Ancillary services	Any other costs and charges tied to servicing the financial instrument during the holding period of the financial instrument – such as research commissions.	0	0
Incidental costs	Any costs and charges tied to events during the holding period of the financial instrument – such as performance fees.	0	0

How to contact Nordea

If you need to get in contact with Nordea, you can either visit this website https://www.nordea.fi/en/personal/get-help/tell-us-what-you-think-about-our-services.html or write to us at Nordea Bank Abp, Satamaradankatu 5, FI-00020 NORDEA, Helsinki.