

## **Index-linked bond Emerging Markets Basic and Extra**

*The year 2009 will go down as exceptional in economic history. While the western economies were shrinking, the big emerging economies, were growing. Index-linked bond Emerging Markets offers a secure way to invest in one of the most significant trends of our times - in the rise of the emerging countries towards the centre of global economy. The nominal capital of the investment is repaid at maturity irrespective of share price performance.*

### **Index-linked bond Emerging Markets in brief**

- A bond issued by Nordea Bank Finland Plc. The bond's maturity is about five years.
- Reference asset: S&P BRIC 40 Index (Brazil, Russia, India and China)
- Participation rate: Basic 60%, Extra 110%.
- Subscription price variable: Basic approximately 100%, approximately Extra 110%
- Minimum subscription: EUR 1,000
- Subscription period: 14 December 2009 - 29 January 2010
- In normal market conditions Nordea quotes a repurchase price for the investment on all banking days.
- At maturity the issuer returns the nominal capital of the bond and pays the potential index-linked yield.
- The bond includes a risk of the issuer's repayment ability.

The large emerging economies has gone through a financial crisis which has turned into an economic recession in the same way as the Western countries. Unlike the Western countries, the emerging economies pulled through the crisis quicker on average and their GDP will grow this year, whereas it will shrink in the Western countries. We could remember 2009 as the year of the first global financial crisis in history, but also as the year when the emerging economies helped the global economy over the worst by balancing the decrease in Western demand by their own increasing demand.

The role of the big developing countries in global economy is likely to continue growing in the future. When big Western countries are struggling with an increasing burden of debt and an ageing population, the big developing countries have strong economic performance, low average age of the population and sizeable natural resources. During the past four years the share of the emerging economies of the growth in global economy has clearly surpassed the share of the developed countries. The large emerging economies seem to continue on a growth track, which will make them the largest economies in the world by the middle of the century.

A robustly performing equity market has traditionally been linked to rapid economic growth. The equity markets of the emerging economies have had a faster take-off than the Western countries after the first budding signs of a turn in economy started to emerge last spring. However, investors should remember that the risk related to emerging equity markets is higher than that related to the equity markets in the Western countries. For example, in the year when the crisis hit the downhill of share prices in the emerging equity markets was steeper than in the West.

Index-linked bond Emerging Markets offers an interesting way of gaining exposure to equity markets in fast growing emerging economies.

### **Index-linked bond Emerging Markets Basic and index-linked bond Emerging Markets Extra**

Index-linked bond Emerging Markets is a bond issued by Nordea Bank Finland Plc. The maturity is approximately five years and the yield is based on the performance of a reference index. There are two alternatives: Basic and Extra. The alternative Basic is suitable for a cautious investor. Its yield at maturity is 60% of the increase in the value of the reference asset according to the terms of issue.

Alternative Extra suits investors who tolerate risk and seek a higher return. Its yield at maturity is 110% of the rise in the value of the reference asset in accordance with the terms of issue. If the value of the reference asset falls or remains unchanged, no yield is paid. The rise in the value of the reference asset is calculated as a difference of the starting price and the final price. The final price is an average of the reference index's semi-annual closing values from 15 July 2010 until 15 January 2015.

Nordea repays the nominal capital of the bond at maturity. The index-linked bond involves a risk of the issuer Nordea Bank Finland Plc's repayment ability. Nordea's credit ratings are Aa2 (Moody's) and AA- (Standard & Poor's). The bonds are unsecured.

The investor may lose the amount of capital invested exceeding the nominal value either partially or in full. In the Extra bond this premium risk is about 10%, as its subscription price is about 110%. The index-linked bond Emerging Markets can also be sold before maturity. The repurchase price may be above or below the bond's nominal value. Nordea quotes a repurchase price for the bond on all banking days when banks are generally open in Finland.

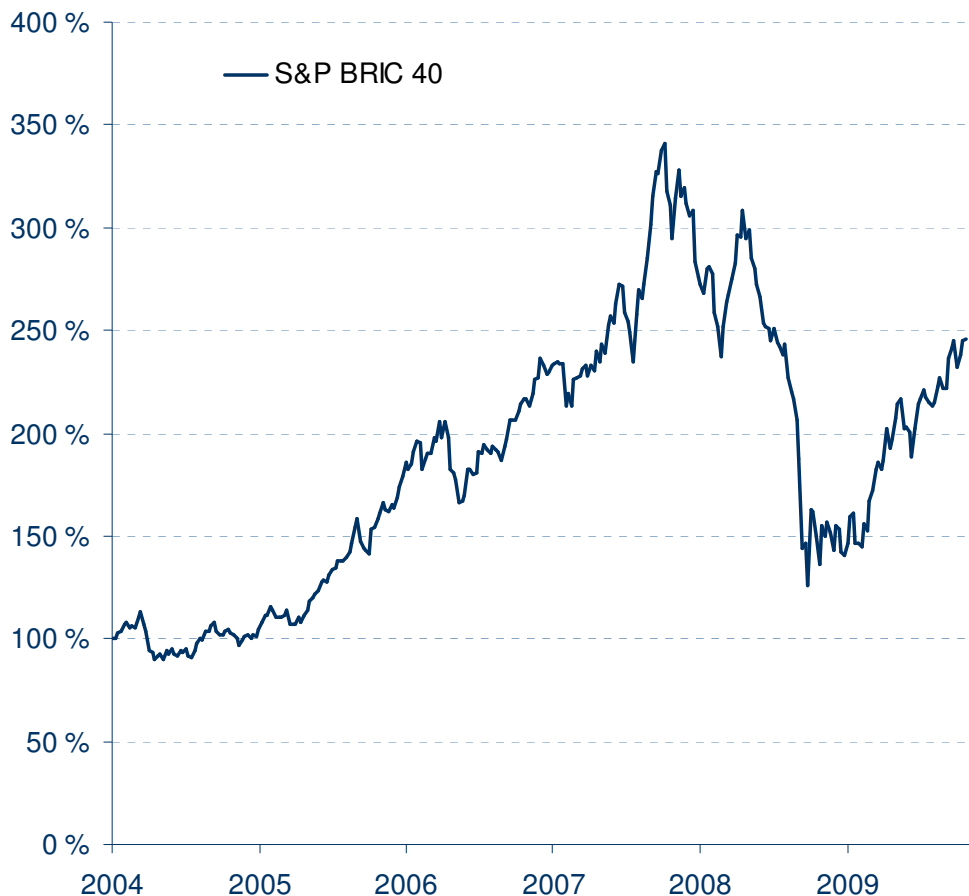
### Reference asset

#### Brazil, Russia, India and China - S&P BRIC 40

S&P BRIC includes the 40 biggest and most traded companies in Brazil, Russia, India and China. These companies are publicly traded on a Western stock exchange (Hong Kong, London, Nasdaq or NYSE). The maximum weight of one company in the index is limited to 10%. Further information on the index is available on the Internet at [www.sandp.com](http://www.sandp.com).

#### Performance of the reference asset February 2004 - December 2009

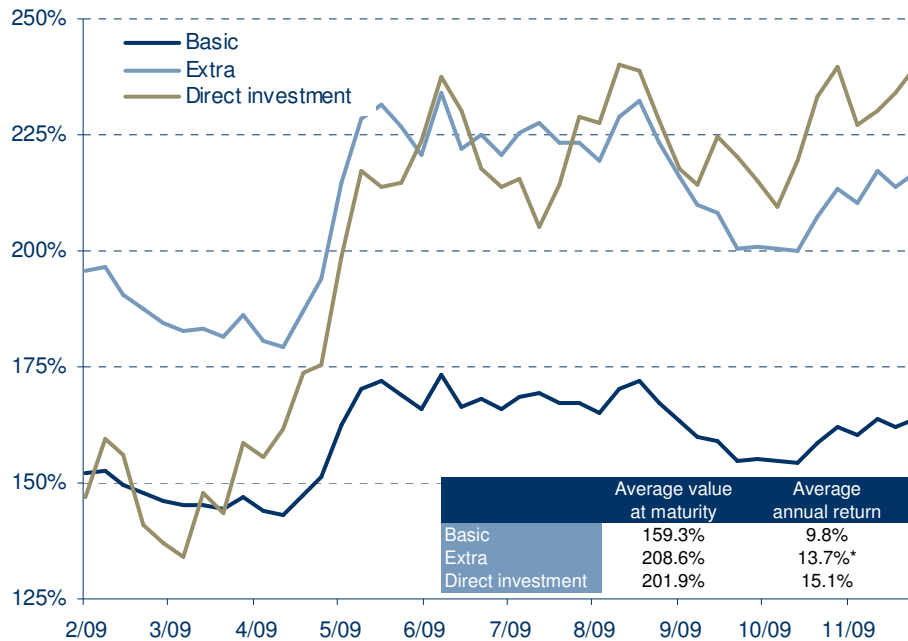
Starting level indexed at 100%. Source: Bloomberg.



Starting level indexed at 100%. Source: Bloomberg.

### Historical yield

The yield on the investment, if the investment had been made according to issue terms in February 2004 - December 2004, and the yield on a direct investment in the S&P BRIC 40 equity index, if the investment had matured in February 2009 - December 2009 (monthly observations). The historical values of the S&P BRIC 40 are available as of February 2004.



\*The yield calculation includes the 10% premium paid above par.

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

### Yield table index-linked bond Emerging Markets Basic and Extra

Change in ref. asset acc to issue terms	Emerging Markets Basic		Emerging Markets Extra	
	Value at maturity	Yield p.a.	Value at maturity	Yield p.a.*
-50%	100%	0.0%	100%	-1.9%
-25%	100%	0.0%	100%	-1.9%
0%	100%	0.0%	100%	-1.9%
25%	115%	2.8%	128%	3.0%
50%	130%	5.4%	155%	7.1%
75%	145%	7.7%	183%	10.7%
100%	160%	9.9%	210%	13.8%

\*The yield calculation includes the 10% premium. The annual yield is calculated according to the interest-on-interest principle.

### Terms of issue in brief

Issuer	Nordea Bank Finland Plc; credit ratings Aa2 (Moody's) and AA- (Standard & Poor's).
Issue date	14 December 2009
Maturity date	29 January 2015
Subscription period	14 December 2009 – 29 January 2010
Subscription places	Nordea Bank Finland Plc and its branches in the Baltics.
Subscription price	Basic 4334A: variable about 100% Extra 4334B: variable about 110%
Minimum subscription	EUR 1,000
Yield at maturity	Basic 4334A: 60% of the rise of the reference asset basket in accordance with the issue terms Extra 4334B: 110% of the rise of the reference asset basket in accordance with the issue terms
Reference asset	100% S&P BRIC 40 index (Bloomberg: SBE Index)
Starting price	The starting value of the reference asset is the official closing value of the share index forming the reference asset on 2 February 2010.
Final price	The final value of the reference asset is the average of quarterly closing values beginning on 15 July 2010 and ending on 15 January 2015.
Repayment of capital	The issuer Nordea Bank Finland Plc repays the nominal capital of the bonds in full at maturity irrespective of the performance of the reference asset. The bonds involve a risk of the issuer's repayment ability and of losing the premium (in Emerging Markets Extra about 10%).
Security	The bonds are unsecured.
Structuring cost	The subscription price includes a structuring cost, which is about 0.7% p.a. (see the terms of issue). No separate subscription or management fee is charged on the bonds.
Secondary market	The issuer Nordea Bank Finland Plc quotes a repurchase price for the bonds, which may be lower or higher than the nominal value. No tax is deducted at source for non-residents in Finland.
Taxation	Free of charge with Nordea Bank Finland Plc.
Custody	
Cancellation of 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	If the total amount of subscriptions is sufficient, an application will be made for the bonds to be listed on NASDAQ OMX Helsinki.

Bonds 4334A and 4334B under the Medium-Term Note Programme (a bond programme reported to the Finnish Financial Supervisory Authority from Sweden in accordance with the Prospectus Directive) of Nordea Bank AB (publ) and Nordea Bank Finland Plc dated 29 May 2009. The bond-specific terms and the prospectus are available at the places of subscription. Read the issue terms and the prospectus before subscription.

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## In 2009 the rich became poorer and the poor became richer

After a long uncertain period the global economy has started to recover. In accordance with past recessions the BRIC –economies (Brazil, Russia, India and China) are expected to recover much faster than the Western countries and they are expected to grow rapidly during the next years.

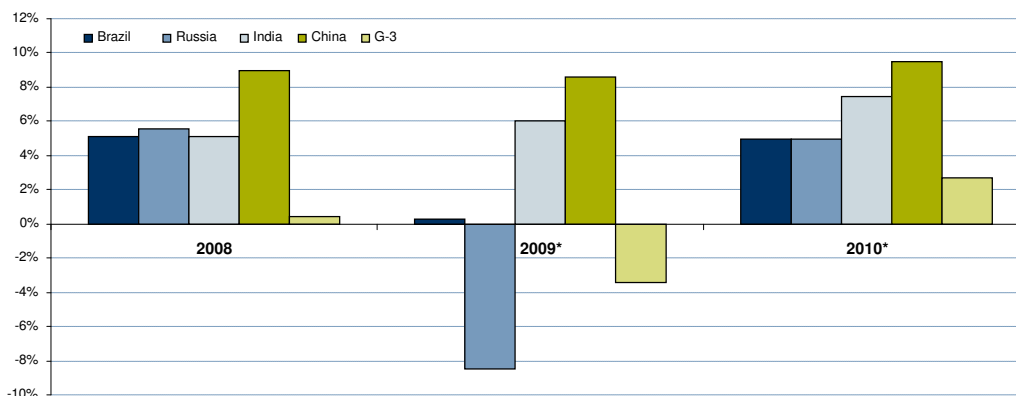
Increasing domestic demand and, most of all, the solid foundation of the economies have enabled a quick recovery in the BRIC countries. In 2009 the big emerging countries except Russia will grow while the Western economies shrink. A more flexible economic policy, improved credit conditions and increased economic co-operation between Asian countries have increased the demand domestically.

There is even reason to believe that the recession has actually been beneficial especially to China since domestic demand has consequently swelled and the economy is now less dependent on exports. Economic growth in China is unprecedented. Annual GDP growth has been 9–10% since 1980. In recent years, China’s direct impact on global economic growth has been comparable to that of the United States. It is true that its proportion of the world GDP is smaller, but the growth rate is much higher. China’s importance for the global economy increased with the recession, and the country appears to be at the forefront of economic recovery.

As for India, growth already continued towards the end of 2008. Due to its relatively low dependency on exports and its stable economy, India can no longer be considered as risky as many other emerging markets. The Russian economy has clearly shrunk during 2009. As the country is highly dependent on the prices of oil and other raw materials, it is expected to return to a growth track in 2010. The economy in Brazil, the star of Latin America, is expected to grow by about 5% next year and to improve further in the years to come. According to the data of the International Monetary Fund (IMF), the percentage of the BRIC countries of global growth was as high as 50% in 2008. The countries seem to continue growing and are set to become the world’s biggest economies by the middle of the century.

### **Economic growth in the BRIC economies and the G-3** (G- 3 = USA, Euro zone and Japan).

\*Forecast



Source: Nordea Economic Research and J.P. Morgan Inc.