

## **Index-linked bonds USA-Europe Real Estate Basic and Extra**

*A positive turn for the positive in the real estate market is considered a condition for economic recovery. Now the economy is on the way to recovery and the bottom has probably been reached in the real estate market both in Europe and the US. Index-linked bond USA-Europe Real Estate allows you to benefit from the rising share prices of the largest real estate companies in Europe and the US: The nominal capital of your investment is repaid at maturity irrespective of the share price performance.*

### **JSA-Europe Real Estate Basic in brief**

- A bond issued by Nordea Bank Finland Plc with a maturity of about 5 years
- Reference assets: An equity index composed of European real estate investment companies and an Exchange Traded Fund (ETF) investing in US real estate companies
- Participation rate: 70%
- Subscription price variable, about 100%
- Subscription period 2 Nov - 11 Dec 2009
- Under normal market conditions Nordea quotes a repurchase price for the investment every banking day
- Nominal capital protected at maturity

### **JSA-Europe Real Estate Extra in brief**

- A bond issued by Nordea Bank Finland Plc with a maturity of about 5 years
- Reference assets: An equity index composed of European real estate investment companies and an Exchange Traded Fund (ETF) investing in US real estate companies
- Participation rate: 130%
- Subscription price variable, about 110%
- Subscription period 2 Nov - 11 Dec 2009
- Under normal market conditions Nordea quotes a repurchase price for the investment every banking day
- Nominal capital protected at maturity

After the sudden deceleration of the global economy at the end of 2008 we have now begun to see signs of economic recovery. The downward trend has been dramatic and most markets have gone down globally on a wide front. Compared to the crisis in the 1930s this recession will remain relatively short. The decisive difference between them is that this time governments and central banks reacted quickly and massive support packages were issued to stop the negative cycle. During the summer and the autumn we have indeed received more positive news concerning the state of the economy.

Real estate companies in both Europe and the US seem attractive. The figures from the US housing market have been better than before and in Europe, too, the future of the real estate sector is expected to brighten up in the wake of economic recovery. The recovery of the credit market has a direct effect on the real estate market. As corporate credit margins are decreasing, real estate companies, which often are leveraged, seem attractive. The distinct slow down in building new houses also speaks in favour of the recovery of the real estate markets in Europe and the US.

Different surveys on economic trends support the view that growth will speed up during the next six months. After the growth spurt, the pace of economy will probably slow down as the most significant rush of the revitalisation measures subsides. The index-linked bond USA-Europe Real Estate offers an interesting alternative to benefit from the recovery of the real estate market.

### **Index-linked bonds USA-Europe Basic and Extra**

The index-linked bond USA-Europe Real Estate 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 asset consisting of a share index and an ETF. There are two alternatives: Basic and Extra. The alternative Basic is suitable for a cautious investor. Its yield at maturity is 70% of the increase in the value of the reference asset according to the bond terms. The alternative Extra suits investors who tolerate limited risk and seek a higher return. Its yield at maturity is 130% of the rise in the value of the reference asset in accordance with the bond terms. If the value of the index basket that forms the reference asset falls or remains unchanged, no yield is paid. The increase in the value of the reference asset is the difference between the average of the semi-annual observations of the reference asset's and their starting values.

The nominal capital of the index-linked bond USA-Europe Real Estate is protected at maturity. 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%. The investor can sell USA-Europe Real Estate before maturity, in which case the repurchase price may be higher or lower than the nominal value. The index-linked bond can be bought or sold in the secondary market every banking day on which banks are generally open in Finland. The index-linked bond involves a risk of

Nordea's repayment ability. Nordea's credit ratings are Aa2 (Moody's) and AA- (Standard & Poor's). The loan is unsecured.

Features of the product				
Investment period	Short	Medium	Long	
Nominal capital protection	Nominal capital protection			
Target market	Fixed income	Corporate risk	Currency	Commodity Equity

### Reference assets: USA-Europe Real Estate

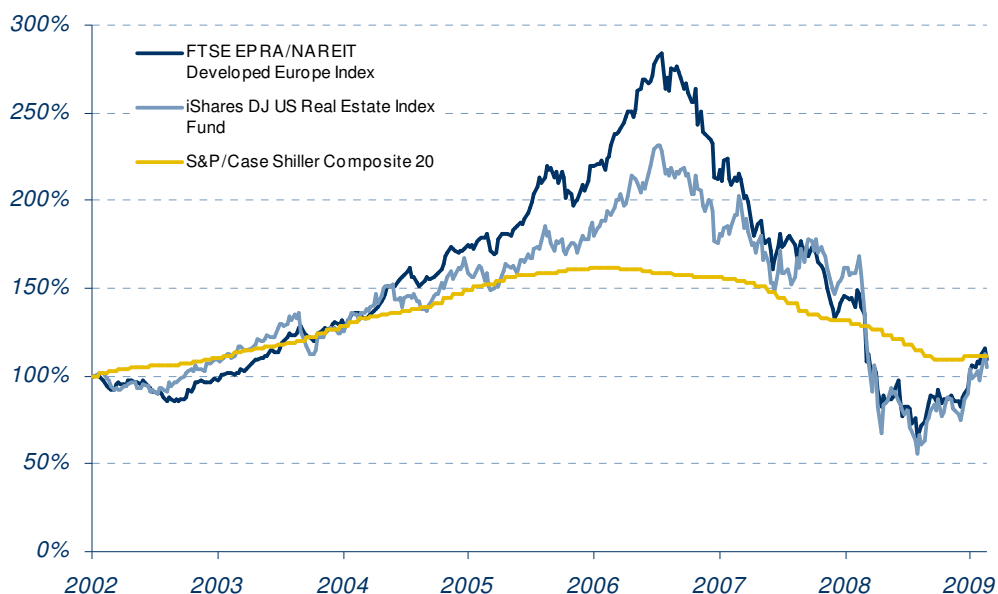
#### 50% iShares Dow Jones U.S. Real Estate Index Fund

The iShares Dow Jones U.S. Real Estate Index Fund is an Exchange Traded Fund (ETF). Its performance follows the performance of the shares of real estate companies in the US equity market. The fund invests in the shares of US real estate companies. The companies include holding and development companies and Real Estate Investment Trusts (REIT). Further information on the Internet at [www.ishares.com](http://www.ishares.com).

#### 50% FTSE EPRA/NAREIT Developed Europe index

The FTSE EPRA/NAREIT Developed Europe Index is a capitalisation-weighted euro-denominated price index composed of 100 European real estate investment companies. The index includes real estate investment company shares from fifteen countries. The Finnish real estate investment companies Citycon Oyj and Sponda Oyj are included in the index. Further information on the index is available on the Internet at [www.stoxx.com](http://www.stoxx.com).

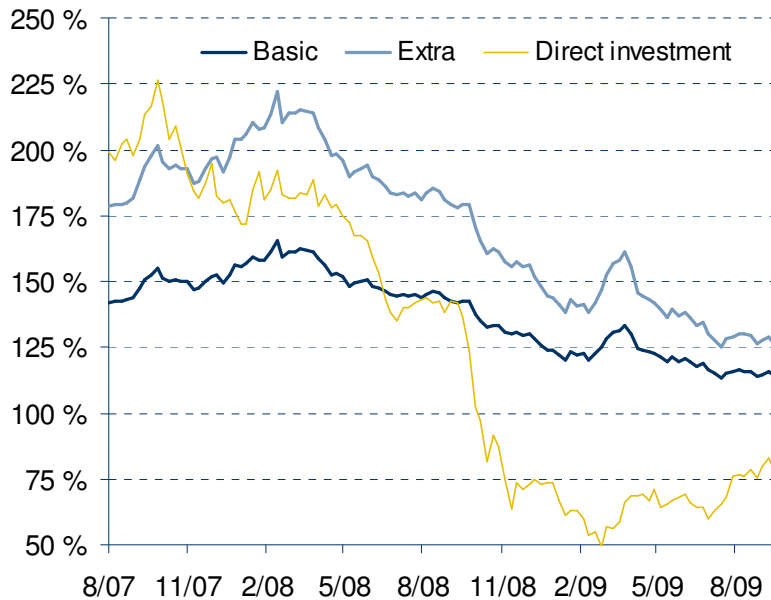
The performance of the reference assets in August 2002 - October 2009. The graph also shows the performance of the S&P/Case Shiller Composite 20 index describing the prices of US residential real estate during the same time period. Source: Bloomberg (Starting level indexed at 100%)



The S&P/CaseShiller Composite 20 Home Price Index depicts the performance of home prices in the twenty largest metropolitan areas in the US.

### Historical performance

Historical yield of the investment had it been made according to the bond terms in August 2002 - September 2004 (the investment would have matured in August 2007 - September 2009) and the yield of a direct investment made in the reference asset basket. Source: Bloomberg.



	Average value at maturity	Average p.a. yield at maturity
Basic	138.2%	6.7%
Extra	171.0%	9.2%

*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 USA-Europe Real Estate Basic and Extra

Change in the ref. asset basket acc. to bond terms	USA-Europe Real Estate Basic		USA-Europe Real Estate 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%	118%	3.3%	133%	3.8%
50%	135%	6.2%	165%	8.4%
75%	153%	8.8%	198%	12.4%
100%	170%	11.2%	230%	15.9%

### Bond terms in brief

Issuer	Nordea Bank Finland Plc; credit ratings Aa2 (Moody's) and AA- (Standard & Poor's).
Issue date	2 November 2009
Maturity	11 December 2014
Subscription period	2 November - 11 December 2009
Places of subscription	Nordea Bank Finland Plc's branches, Nordea Private Banking Nordea Customer Service with access codes tel 0200 70 000 Mon - Fri 10.00 - 16.30 (local network charge/mobile phone charge) and Netbank at <a href="http://www.nordea.fi">www.nordea.fi</a> when a customer has access to Netbank's portfolio service.
Subscription price	Basic 4325A: variable, approximately 100% Extra 4325B: variable, approximately 110%
Minimum subscription	1,000 euros
Yield at maturity	Basic 4325A: 70% of the rise of the reference asset value in accordance with the issue terms. Ekstra 4325B: 130% of the rise of the reference asset value in accordance with the issue terms.
Reference asset	50% iShares Dow Jones U.S. Real Estate Index Fund (Bloomberg: IYR UP Equity) 50% FTSE EPRA/NAREIT Developed Europe Index (Bloomberg: EPRA Index)
Starting value	The closing values of the reference asset indices as on 16 December 2009.
Final value	The average of the semi-annual closing values of the reference asset from 27 May 2010 to 27 November 2014.
Repayment of principal	The issuer Nordea Bank Finland Plc repays the nominal principal 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 capacity.
Security	The bonds are unsecured.
Structuring cost	The subscription price includes a structuring cost, which is approximately 0.7% p.a. (see the terms of issue). No separate subscription or management fee is charged on the bonds.
Secondary market	Nordea Bank Finland Plc quotes a repurchase price for the bonds, which may be lower or higher than the nominal value.
Taxation	Possible index-linked yield is subject to tax at source on interest income for natural persons and domestic death estates.
Custody	Free of charge with Nordea Bank Finland Plc.
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 which 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 42xxA and 42xxB 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 are available at the places of subscription.

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## **Real estate is starting to sell**

The financial crisis has had its visible effects on the real estate market globally both in the field of residential real estate and business premises. In the US the prices of residential real estate have now dropped by a third from their peak figures approximately three years ago. The fall in prices reflects both the home price bubble before the correction and the impact of tighter credit granting and the deep economic recession. Small signs indicating that the bottom in prices would be behind are emerging. The fact that the number of unsold homes has decreased rapidly in the recent months speaks in favour of this view.

As the prices of homes have decreased steeply at the same time as interest rates are record-low, it means that buying a home takes a smaller portion of an average US citizen's income than ever before. However, as people are worried about losing their jobs and as there are fears that home prices will continue to decline, this development has not caused a rush to buy new homes. Be that as it may, the declining trend in home sales has turned despite the continuously growing unemployment. Three years ago buying a home swallowed the biggest share of disposable income in a few decades. This triggered the decline of home sales although at that time the economy was in good shape. The effect of the cost of buying a home is gradually starting to break through this time as well. The stabilisation of prices is also supported by the fact that residential construction has collapsed to its lowest level in fifty years (which is confusing when we bear in mind that the population of the US has doubled in fifty years). New starts have dropped by over 75% from the peak figures. Furthermore, as there are more and more signs evidencing that the vigorous revitalisation measures have turned the economy to a rise in the last six months of this year, the possibility of the prices of homes and business premises turning to a rise within a year is good.

In Europe, too, the prices of real estate plunged as a result of the recession. However, there are now positive signals in the air indicating that the downward trend has ended in large European countries such as France and Great Britain. The national resuscitation packages, the low interest rate level and the consumers' growing confidence support the rise of the real estate prices. In the medium and long-term the prospects of real estate investment are quite good as the correlation between real estate investment and the equity and fixed-income markets is low. In addition, real estate offers good protection against inflation, which may prove a valuable feature if inflation turns to a rise in the coming years in the wake of economic recovery.

The dividend income of European real estate investment companies seems quite attractive as a result of the quick fall in valuations. During the past few months the share prices of real estate investment companies have risen, which has usually indicated a rise in real estate prices, too. However, rental income may decrease in future, as there are fewer companies in the rental market due to the recession. The low interest rate level and the recovery of the corporate credit market as well as the slow down in starting of new building projects improve the outlook of the real estate investment companies in Europe.