

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	Additional tier 1 bond
Issuer of this document	Nordea Bank Abp (hereafter "Nordea")
Regulated by	Finnish Financial Supervisory Authority
Produced	11.12.24

What is this product?

Description

An Additional Tier 1 Contingent Convertible (AT1 or CoCo) bond is a tradable security with a regular coupon payment, issued by a bank. The coupon is the AT1 bond's rate of interest, expressed as a percentage of the face value, and it is paid at a predefined frequency. The coupon is a fixed or a variable 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 AT1 bonds. A full description of the terms and conditions of the particular AT1 bond is available from the issuing bank. Investors are urged to read the terms and conditions before investing in an AT1 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

An AT1 bond serves the purpose of being regulatory Tier 1 capital to fulfil capital requirement rules for banks. An AT1 bond constitutes direct, unsecured and subordinated debt in the issuing bank, ranking junior to the claims of all creditors (including all subordinated creditors) and only senior to common equity.

An AT1 bond may be called

An AT1 bond has no fixed repayment date. The bank may, subject as provided herein, decide to repay (call) the AT1 bonds at their nominal amount on the first call date, which must be at least 5 years after issuance (or on subsequent call dates).

The AT1 bonds can be called at any time following the occurrence of certain tax events as specified in terms and conditions for the AT1 bond or in the event that the entire nominal amount of the AT1 bonds fully ceases (or would fully cease) to be part of the bank's Tier1 capital.

Call price will typically be at par.

Coupon payments may be cancelled on a discretionary or mandatory basis

The bank may decide not to pay interest, in whole or in part, on any interest payment date. Additionally, the Financial Supervisory Authority has the possibility to restrict or prohibit payments of coupons on AT1 bonds.

Further, payments of coupons will be prohibited if and to the extent that (i) the bank has insufficient distributable items (defined as net income plus reserves) or (ii) payment would result in a breach of any maximum distributable amount then applicable to the bank, which happens if the bank breaches certain combined capital buffers.

Any interest not paid will be cancelled, and AT1 bondholders will have no right to receive such cancelled coupons.

Capital trigger

Investors may lose all or part of their investment in the AT1 bonds, if the capital ratio of the bank falls below a predefined percentage. The capital trigger may vary from AT1 bond to AT1 bond, but it must be 5.125% or above. If the capital ratio becomes below the capital trigger level, the AT1 bonds may either be (i) converted into equity on a permanent basis or (ii) the nominal amount of the AT1 written down. It is specified in the terms and conditions of the AT1 bond which alternative is applicable.

Intended investor

The product Additional tier 1 bond is aimed at professional clients and eligible counterparties, who are interested in capital growth and hedging, income and other investment objectives. The Additional tier 1 bond 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. AT1 bonds are direct, unsecured and 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 AT1 bonds are direct, unsecured and 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.

The investor faces the risk of coupon deferral and loss of coupon as coupons are non-cumulative. Such coupon deferral may be accompanied by considerable decline in the market value of the AT1 bond.

* 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.

Investors face the risk of a capital trigger, which leads to either a capital write down of the AT1 bond's nominal amount or an equity conversion. As defined in the terms and conditions of the bonds, such write down may be either permanent or discretionary with subsequent possibility of write up. 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 AT1 bonds 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. The market value of an AT1 bond is exposed to changes in the market rate of interest. The market value of the AT1 bond decreases, if the market rate of interest increases and vice versa.

Market Parameters	Additional tier 1 bond	
	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	1000
% p.a. of nominal	1.0

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.	500	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.