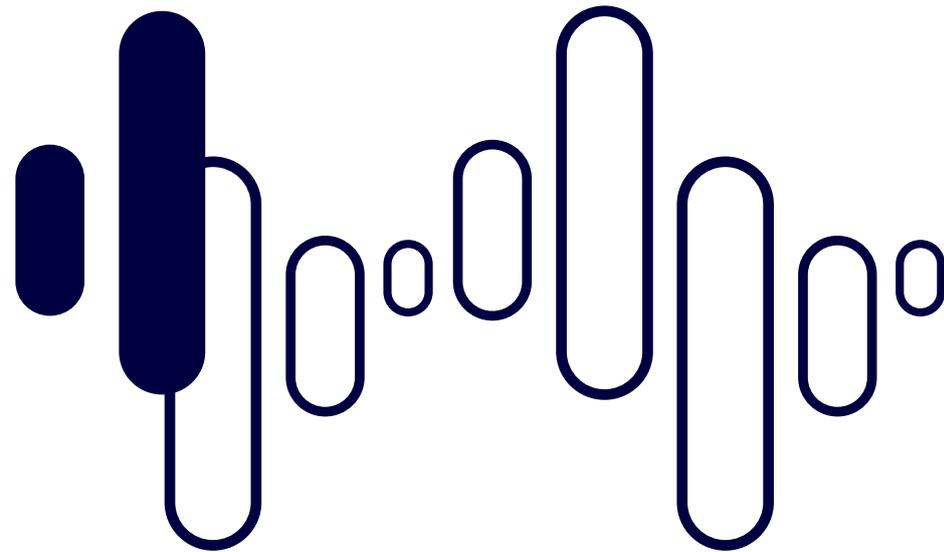


**Information about
Risks & Financial Instruments**

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Information about Risks & Financial Instruments

There is no investment without risk. Before engaging in any financial transaction, it is essential to be aware of the nature of the specific financial instrument, so that you can realistically assess investment return expectations and understand the risks involved. This document presents the most common risks, both generally and by specific instrument.

We cannot describe all risks inherent in investments in financial instruments; rather we give basic information and caution you concerning the risks inherent in all investments in financial instruments. This document does not deal with the tax or legal consequences pertaining to transactions in financial instruments. We strongly recommend that you request tailor-made advice on these issues from independent specialists before making any investment.

1. General risks

These risks apply to any type of investment. However, depending on the relevant financial instrument, one or several of the risks described herein below may apply cumulatively, thereby entailing an overall increase in the level of risk incurred

1.1 Economic risk

Changes in the activity of a market always influence the price of financial instruments. Prices fluctuate according to the rhythm of economic activity. The duration and scope of economic advances and declines are variable, as are their impact on different sectors of the economy. Economic cycles may vary depending on the countries concerned. Failure to take these factors into account, as well as a mistaken analysis of the development of the economy when taking an investment decision, may lead to losses.

Depending, inter alia, on economic trends, the past performance of a financial instrument is no guarantee of the future performance of the same investment. Investors must at all times ensure that their investments are appropriate in view of the economic situation and, if necessary, make the appropriate changes in their portfolio.

1.2 Inflation risk

Inflation means that the purchasing power of money diminishes over time. Loss of purchasing power of money (i.e. the relative value of money in a certain currency compared with another currency) may have an influence on the actual value of the existing portfolio of the investor, as well as the actual yield that is realised through this portfolio. You should therefore take into account actual yields (e.g. real interest rates), that is the difference between the nominal interest rate and the inflation rate for fixed-rate investments, since, when the inflation rate exceeds the yield generated by the financial instruments (gains in capital and interest), this will lead to a loss in the real value of the capital actually invested.

1.3 Country/government risk

Economic, political or social instability in a particular country may trigger currency exchange controls or unavailability of a foreign currency. Similarly, government intervention in a particular sector of the economy (e.g. nationalisation) may have

an influence of the value of related financial instruments. In extreme cases, such asset can be confiscated or frozen by local authorities, and rights restricted in some way. Instability in the political and/or economic and/or social situation of certain countries may lead to volatile price fluctuations. It is impossible to hedge against such risks, however country ratings measuring political and economic stability are available, and can be a useful guide to investors.

1.4 Exchange rate risk

Since currency exchange rates fluctuate, there is an exchange rate risk whenever financial instruments are held in a foreign currency. Depending on prevailing exchange rates, the same investment may therefore generate profits or losses. Since the economic performance of companies are, to a greater or lesser extent, related to exchange rates, fluctuations in these rates are likely to have an impact on the price of the financial instruments issued by those companies.

Material elements affecting the exchange rate of a particular currency include the inflation rate of the country, the differential between domestic interest rates and foreign interest rates as well as between domestic and foreign productivity levels, the general assessment of the evolution of economic activity, the political situation in the world and the perceived relative safety of the investments. In addition, events such as internal political crises, may weaken the exchange rate of the domestic currency.

1.5 Liquidity risk

The possibility for an investor to sell financial instruments at any time at market prices is described as liquidity.

Insufficient liquidity in the market may prevent investors from selling their financial instruments at market prices. Fundamentally, a distinction has to be made between a lack of liquidity caused by market supply and demand, and a lack of liquidity due to the characteristics of financial instruments or market practices.

Lack of liquidity in the market arises when the supply or the demand for one financial instrument at a certain price is non-existent or extremely low. Purchase or sell orders may either not be carried out immediately, or not fully, or only under unfavourable conditions and in some cases, higher transaction costs may apply.

A lack of liquidity due to the inherent characteristics of financial instruments or to market practices may occur, for example, because of: a lengthy transfer procedure for a transaction involving registered shares; long performance delays because of market practices or other limitations of commerce; a short-term liquidity need that cannot be covered quickly enough by the sale of the financial instruments; long lock-in periods that

must expire before a transaction can be executed, in particular for alternative investment funds.

1.6 Psychological risk

Irrational factors (e.g. trends, opinions or rumours) may affect the overall performance of financial instruments. They may cause important falls in prices even if the prospects of the companies are favourable. Other events, such as a lack of trust in political leaders, could weaken the currency of a country, or the domestic securities traded there.

1.7 Credit risk

An investor who lends funds by purchasing a bond issue is exposed to credit risk. There are three types of credit risk: default risk; credit spread risk; downgrade risk.

Default risk is the risk that the issuer of a bond will fail to satisfy the terms of the obligation with respect to the timely payment of interest and principal. If a default occurs, this does not necessarily mean that the investor loses the entire amount invested. Normally, an investor can expect to recover a certain percentage of the investment.

Even in the absence of default, an investor experiences a loss on his/her securities if the market value of a bond declines, even though the market value of other bonds increases. This is called the credit spread risk and it happens if the bond issuer's credit outlook worsens, or is perceived to worsen, compared with similar bonds.

Finally, credit-rating agencies (e.g. Moody's or Standard & Poor's) can lower the credit rating on a bond, which normally leads to an increase in the credit spread (see above). A credit rating is an indicator of the potential default risk associated with a particular bond issue or issuer. It is important to realise that the credit-rating agencies' evaluation of the debtor's creditworthiness does not necessarily coincide with other parties' judgement of the debtor's creditworthiness.

1.8 Interest rate risk

Fluctuations in interest rates, whether short or long-term, may have substantial adverse consequences on the prices of financial instruments.

1.9 Insolvency risk

In case of the insolvency of the issuer of financial instruments, or of the clearing and settlement system on which those instruments are negotiated, an investor may lose part or all of the investment.

1.10 Additional risks in emerging markets

The notion of emerging markets originates from the financial markets of countries in which the percentage share of income per inhabitant is considered as average or low by the World Bank. More practically, this concept encompasses markets established in countries that are characterised by a certain degree of political instability, or by relatively unpredictable financial markets and economic growth patterns, or by a financial market which is still at the development stage and represents a weak economy. This concept of emerging markets encompasses a large number of markets established in South America, Africa, Eastern Europe and certain Asian countries.

Generally speaking, in these markets, the risks identified above are enhanced. Political or economic changes (e.g. inflation, exchange rates) will tend to have more influence on investment prices in emerging markets than in other countries. Likewise, emerging markets usually react more deeply and durably to natural disasters or wars.

Emerging markets often have less elaborate rules for the clearance and settlement of transactions than more developed markets, with the consequence that processing errors or a default in the delivery of instruments are more likely to occur. Finally, regulatory supervision of these markets, and investor protection rules, are often weak.

1.11 Additional risks related to leveraged (credit-financed) investments

Credit-financed purchases of financial instruments contain additional risks. If the evolution of prices leads to insufficient collateral for the credit, supplementary collateral may be required. If the investor is unable to provide such collateral, the lender may be forced to sell deposited financial instruments at an unfavourable moment. On the other hand, the loss incurred due to an unfavourable change of the price of a financial instrument may exceed the initial investment amount. Fluctuations of prices of pledged financial instruments may negatively influence the capacity to repay loans.

The use of borrowings to finance the purchase of financial instruments is referred to as leverage and aims at increasing the potential return of an investment. The proceeds of a loan or other borrowings are reinvested with the intent of earning a greater rate of return than the cost of interest. Leverage involves the assumption of greater risk: if an investor uses leverage to make an investment and the investment moves against the investor, his/her loss is much greater than it would have been had the investment not been leveraged, as leverage can magnify gains or losses. Leverage can also be created through derivatives such as options, futures, margin and other financial instruments.

1.12 Other risks

1.12.1 Information risk

Information risk is the risk of poor investment decisions that arise from a lack of information, incomplete information or inaccurate information. This may be due, in turn, to the use by the investor of unreliable sources, the misinterpretation of originally accurate information, or communication errors.

1.12.2 Transmission risk

When placing an order, the investor must provide certain details necessary for its execution (financial instrument, type of order, volume, execution date, etc.). The more precise the order placed, the smaller the risk of transmission error.

1.12.3 Risks pertaining to transaction costs

The Bank, as well as other domestic or foreign parties (e.g. brokers), may be involved in the execution of an order, in which case the fees and commissions of these parties will be passed on to the investor. An investment becomes profitable only when all these costs have been covered.

2. Financial Instruments – product categories

2.1 Bonds

2.1.1 Non-complex government bonds (plain vanilla bonds)

A bond is a debt security, under which the bond issuer owes the bond holder (the investor) the notional amount. A common feature is that the investor receives coupons regularly and the notional (price is quoted as % of notional amount) back at maturity. The prospectus and the terms describe how the coupon is calculated, how the principal should be repaid, when these payments are due and other specific bond features.

Return

The yield tells you the return of the bond if you hold it until the maturity. If you sell the bond back before maturity the price movements will affect the realized return. During the life of the bond, prices will fluctuate below and above notional, depending on the general interest rate level and the credit risk of the issuer.

Bond characteristics

The notional is the amount on which the issuer pays interest. The notional will be repaid at maturity, in case of no bankruptcy or other credit events of the issuer.

The coupon is the interest that the issuer pays the investor and is calculated as a percentage of the notional. The coupon can be either fixed or floating. Floating coupons are linked to a benchmark money market interest rate (for example Euribor).

Different issuers of bonds

A government bond is issued by a national government. This category also covers bonds with a national guarantee.

A supranational bond is issued by an international institution (e.g. World Bank) and usually guaranteed by a number of individual states.

Mortgage bonds or covered bonds are based on housing loans (mortgages), which gives them a high degree of safety (collateral in bricks).

Market risk

During its life-time the bond is affected by several factors, such as time to maturity, volatility, interest rates and currencies. During its life-time the market value of a bond can be lower or higher than its nominal amount.

Issuer/credit risk

The credit risk of a bond depends on the creditworthiness of the issuer. If the issuer is not able to pay the coupons and/or repay the notional, the bond defaults meaning that the bond holder is exposed to a loss; in worst case the entire investment is lost. The credit rating of the bond and the issuer can be used to evaluate credit risk.

If the bond defaults, the recovery rate is used to determine the extent to which the notional and accrued interest rate on the bond can be recovered.

Liquidity risk

Most bonds are listed on an exchange but unlike the stock market, traded outside exchange. Under normal circumstances

you can sell the bond but in turbulent markets it might be more difficult or even impossible. The more illiquid the bond is, the more difficult it is to sell it in general.

Interest rate risk

The bond price and interest rate level move in opposite directions. Longer dated bonds are more interest rate sensitive than short dated bonds.

Currency risk

Investing in another currency than the investor's domestic currency, leads to currency risk since the bond price and coupons fluctuate when measured in the domestic currency.

Costs

In the bond market there are no commissions when buying and selling bonds. However, with non-domestic bonds a currency exchange fee will be charged. There may also be a fee for custody and for entering the bond in the book-entry account.

The spread between bid and ask prices reflects the liquidity of a bond and may be regarded as a cost.

2.1.2 Non-complex corporate bonds (plain vanilla bonds)

A bond is a debt security, under which the bond issuer owes the bond holder (the investor) the notional amount. A common feature is that the investor gets coupons regularly and the notional (price is quoted as % of notional amount) back at maturity. The bond can have different levels of seniority. The more senior the bond, the lower the risk of loss on the investment.

The prospectus and the terms describe how the coupon is calculated, how the principal should be repaid, when these payments are due and other specific bond features. In the case of bankruptcy the bond holder will be repaid before the shareholders (who are owners).

Return

The yield tells you the return of the bond if you hold it until the maturity. If you sell the bond back before maturity the price movements will affect the realized return. During the life of the bond, prices will fluctuate below and above notional, depending on the general interest rate level and the credit risk of the company.

Bond characteristics

The notional is the amount on which the issuer pays interest. The notional will be repaid at maturity, in case of no bankruptcy or other credit events of the issuer.

The coupon is the interest that the issuer pays the investor and is calculated as a percentage of the notional. The coupon can be either fixed or floating. Floating coupons are linked to a benchmark money market interest rate (for example Euribor).

Market risk

During its life-time the bond is affected by several factors, such as time to maturity, volatility, interest rates and currencies. During its life-time the market value of a bond can be lower or higher than its nominal amount.

Issuer/credit risk

The credit risk of a bond depends on the creditworthiness of the issuer. If the issuer is not able to pay the coupons and/or repay the notional, the bond defaults meaning that the bond holder is exposed to a loss; in worst case the entire invest-

ment is lost. The credit rating of the bond and the issuer can be used to evaluate credit risk.

If the bond defaults, the recovery rate is used to determine the extent to which the notional and accrued interest rate on the bond can be recovered.

Liquidity risk

Most bonds are listed on an exchange but unlike the stock market, traded outside exchange. Under normal circumstances you can sell the bond but in turbulent markets it might be more difficult or even impossible.

The more illiquid the bond, the more difficult it is to sell it in general.

Interest rate risk

The bond price and interest rate level move in opposite directions. Longer dated bonds are more interest rate sensitive than short dated bonds.

Currency risk

Investing in another currency than the investor's domestic currency, leads to currency risk since the bond price and coupons fluctuate when measured in the domestic currency.

Costs

In the bond market there are no commissions when buying and selling bonds. However, with non-domestic bonds a currency exchange fee will be charged. There may also be a fee for custody and for entering the bond in the book-entry account.

The spread between bid and ask prices reflects the liquidity and complexity of a bond and may be regarded as a cost.

2.1.3 Complex government bonds

A bond is a debt security, under which the bond issuer owes the bond holder (the investor) the notional amount. A common feature is that the investor gets coupons regularly and the notional (price is quoted as % of notional amount) back at maturity. The prospectus and the terms describe how the coupon is calculated, how the principal should be repaid, when these payments are due and other specific bond features.

The bond can embed one or more options, which according to the bond terms gives the issuer or the holder some rights, like the issuer can call (repay) the bond before maturity at predetermined price levels ("callable bond") or that the coupon has a maximum level ("capped floating rate note").

Return

The yield tells you the return of the bond if you hold it until the maturity. If you sell the bond back before maturity the price movements will affect the realized return. During the life of the bond, prices will fluctuate below and above notional, depending on the general interest rate level and the credit risk of the issuer.

Bond characteristics

The notional is the amount on which the issuer pays interest. The notional will be repaid at maturity, in case of no bankruptcy or other credit events of the issuer.

The coupon is the interest that the issuer pays the investor and is calculated as a percentage of the notional. The coupon can be either fixed or floating. Floating coupons are linked to a benchmark money market interest rate (for example Euribor).

Different issuers of bonds

A **government bond** is issued by a national government. This category also covers bonds with a national guarantee.

A **supranational bond** is issued by an international institution (e.g. World Bank) and usually guaranteed by a number of individual states.

Mortgage bonds or **covered bonds** are based on housing loans (mortgages), which gives them a high degree of safety (collateral in bricks).

Market risk

During its life-time the bond is affected by several factors, such as time to maturity, volatility, interest rates and currencies. During its life-time the market value of a bond can be lower or higher than its nominal amount.

Issuer/credit risk

The credit risk of a bond depends on the creditworthiness of the issuer. If the issuer is not able to pay the coupons and/or repay the notional, the bond defaults meaning that the bond holder is exposed to a loss; in worst case the entire investment is lost. The credit rating of the bond and the issuer can be used to evaluate credit risk.

If the bond defaults, the recovery rate is used to determine the extent to which the notional and accrued interest rate on the bond can be recovered.

Liquidity risk

Most bonds are listed on an exchange but unlike the stock market, traded outside exchange. Under normal circumstances you can sell the bond but in turbulent markets it might be more difficult or even impossible.

The more illiquid the bond is, the more difficult it is to sell it in general.

Interest rate risk

The bond price and interest rate level move in opposite directions. Longer dated bonds are more interest rate sensitive than short dated bonds.

Currency risk

Investing in another currency than the investor's domestic currency, leads to currency risk since the bond price and coupons fluctuate when measured in the domestic currency.

Costs

In the bond market there are no commissions when buying and selling bonds. However, with non-domestic bonds, a currency exchange fee will be charged. There may also be a fee for custody and for entering the bond in the book-entry account.

The spread between bid and ask prices reflects the liquidity of a bond and may be regarded as a cost.

2.1.4 Complex Corporate Bonds

A bond is a debt security, under which the bond issuer owes the bond holder (the investor) the notional amount. A common feature is that the investor gets coupons regularly and the notional (price is quoted as % of notional amount) back at maturity. The bond can have different levels of seniority. The seniority of a bond refers to the order of repayment in the event of bankruptcy of the issuer. The more senior the bond is, the lower the risk of loss on the investment.

The prospectus and the terms describe how the coupon is calculated, how the principal should be repaid, when these payments are due and other specific bond features. In the case of bankruptcy the bond holder will be repaid before the shareholders (who are owners).

The bond can embed one or more options, which according to the bond terms gives the issuer or the holder some rights, like the issuer can call (repay) the bond before maturity at predetermined price levels ("callable bond") or that the coupon has a maximum level ("capped floating rate note").

Return

The yield tells you the return of the bond if you hold it until the maturity. If you sell the bond back before maturity the price movements will affect the realized return. During the life of the bond, prices will fluctuate below and above notional, depending on the general interest rate level and the credit risk of the company.

Bond characteristics

The notional is the amount on which the issuer pays interest. The notional will be repaid at maturity, in case of no bankruptcy or other credit events of the issuer.

The coupon is the interest that the issuer pays the investor and is calculated as a percentage of the notional. The coupon can be either fixed or floating. Floating coupons are linked to a benchmark money market interest rate (for example Euribor).

Different types of bonds

A **bullet bond** will pay coupons during the life of the bond and will repay the entire notional at maturity.

A **hybrid bond (perpetual)** has a very long duration, which is subordinated to a senior bond in the capital structure. Hybrids don't usually have an expiry date but they can have a call date where the notional under certain circumstances can be repaid early.

A **convertible bond** is usually a bullet bond, which lets the bond holder exchange the bond to a number of shares of the issuer's common stock, according to a pre-set scheme. The holder receives coupons as well as the principal value at maturity, unless the bond during the lifetime is converted into shares.

Market risk

During its life-time the bond is affected by several factors, such as time to maturity, volatility, interest rates and currencies. During its life-time the market value of a bond can be lower or higher than its nominal amount.

Issuer/credit risk

The credit risk of a bond depends on the creditworthiness of the issuer. If the issuer is not able to pay the coupons and/or repay the notional, the bond defaults meaning that the bond holder is exposed to a loss; in worst case the entire investment is lost. The credit rating of the bond and the issuer can be used to evaluate credit risk.

If the bond defaults, the recovery rate is used to determine the extent to which the notional and accrued interest rate on the bond can be recovered.

Liquidity risk

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The more illiquid the bond is, the more difficult it is to sell it in general.

Interest rate risk

The bond price and interest rate level move in opposite directions. Longer dated bonds are more interest rate sensitive than short dated bonds.

Currency risk

Investing in another currency than the investor's domestic currency, leads to currency risk since the bond price and coupons fluctuate when measured in the domestic currency.

Costs

In the bond market there are no commissions when buying and selling bonds. However, with non-domestic bonds a currency exchange fee will be charged. There may also be a fee for custody and for entering the bond in the book-entry account.

The spread between bid and ask prices reflects the liquidity and complexity of a bond and may be regarded as a cost.

2.2 Equities

2.2.1 Listed equities

Holding a listed equity represents ownership in a corporation's shareholder capital (equity). It gives the right to potential dividend payments and value. The value of the equity typically changes over time, and it can both increase and decrease. Listed means that the equity is registered for trading on a regulated exchange. It places extra demands on transparency which gives investors insight into the state of the company's business.

Return

The most important factor for the equity return is the markets perception of the company's future earnings. But there are a number of other factors that also influence the equity price.

General risk

Usually share prices fluctuate due to the uncertainty in the market. In practice, the risk means that the investor potentially receives a lower return on the investment than expected. The investor may potentially lose the invested amount in the event of the company going bankrupt. The investor can also lose parts or the entire investment if the value of the share price is below the invested amount.

Market risk

The price of most listed shares follows the general price movements in the market to some extent. This gives rise to market risk, which is the risk that the value of an investment in a share drops in tandem with the rest of the market.

Company risk

Company risk can include increasing competition, loss of brand value, high debt, expensive acquisitions, integration of acquisitions, and loss of key personnel.

Currency risk

Investing in another currency than the investor's domestic currency leads to currency risk, since the share price fluctuates when measured in the domestic currency.

Costs

When you trade equities, you pay a commission. In addition, if you trade equities denominated in foreign currencies, you also pay a currency exchange fee. There may also be a fee for custody.

2.2.2 Unlisted Equities

Holding an unlisted equity represents ownership in a corporation's shareholder capital (equity). It gives the right to potential dividend payments and value. The value of the equity typically changes over time, and it can both increase and decrease. Being unlisted means that the equity is not registered for trading on a regulated exchange.

Return

The most important factor for the equity return is the perception of the company's future earnings. But there are a number of other factors that also influence the equity price.

General risks

Usually share prices fluctuate due to the uncertainty in the market. In practice, the risk means that the investor potentially receives a lower return on the investment than expected. The investor may potentially lose the invested amount in the event of the company going bankrupt. The investor can also lose parts or the entire investment if the value of the share price is below the invested amount.

Unlisted shares have the added risk compared to listed shares that trading is much less frequent, and you may not be able to buy or sell the shares when you would like to. How often a stock is traded is called liquidity and hence liquidity risk is higher on unlisted shares than it is on listed shares. Unlike listed equities, there is less demand on transparency.

Market risk

The price of most unlisted shares follows the general price movements in the market to some extent. This gives rise to market risk, which is the risk that the value of an investment in a share drops in tandem with the rest of the market.

Company risk

Company risk can include increasing competition, loss of brand value, high debt, expensive acquisitions, integration of acquisitions, and loss of key personnel.

Liquidity risk

Most bonds are listed on an exchange but unlike the stock market, traded outside exchange. Under normal circumstances you can sell the bond but in turbulent markets it might be more difficult or even impossible.

Currency risk

Investing in another currency than the investor's domestic currency, leads to currency risk since the share price fluctuates when measured in the domestic currency.

Costs

When you trade unlisted shares, you pay fee for custody and transaction. In addition, if you trade equities denominated in foreign currencies, you also pay a currency exchange fee.

2.2.3 Rights

Holding a subscription right represents the right of current shareholders to maintain their ownership of a company. This is done by giving investors the right to subscribe a proportional number of shares of any future issue at a predetermined price. It is typically issued to existing shareholders in connection with a share issuance, and it has a termination date that is prior to the share issuance date.

The purpose of subscription rights is to give the company's shareholders the possibility to acquire additional shares before other buyers (at a discount) and to offer them to maintain their current share of ownership in the company. The subscription price will typically be lower than the share price of the company at the time when the issuance of the subscription rights was announced.

Return

The most important factor for the price of a subscription right is the market's perception of the company's future earnings. Thus subscription rights are sensitive to the same factors as the company's shares. But there are a number of other factors that also influence the price of the subscription right.

Most of the subscription rights can be traded on an exchange.

Market risk

Usually the subscription right price fluctuates due to the uncertainty in the market as does the share price. If you choose not to exercise the subscription right before the termination date, its value drops to zero.

Company risk

Company risk can include increasing competition, loss of brand value, high debt, expensive acquisitions, integration of acquisitions, and loss of key personnel.

Currency risk

Investing in another currency than the investor's domestic currency, leads to currency risk since the share price fluctuates when measured in the domestic currency.

Costs

When you trade subscription rights, you pay a commission. In addition, if you trade equities denominated in foreign currencies, you also pay a currency exchange fee. There may also be a fee for custody.

2.3 Investment funds**2.3.1 UCITS (Undertakings for Collective Investment in Transferable Securities)**

An investment fund refers to an investment portfolio mainly consisting of securities. An investment fund can invest in hundreds of individual securities at once. The legislation ensures a UCITS fund maintains diversification and thereby lowers the risk of loss for the investor even if only small amounts are invested at a time. The objective of diversification is to offset the financial loss realised on specific portfolio positions, by gains on other investments.

Based on their underlying investment instruments, funds are divided into equity funds, fixed-income funds, balanced funds and alternative funds.

The value of investment fund units is normally calculated at least once on every banking day. Investors can normally subscribe, redeem or transfer fund units on every banking day. Information about UCITS funds issued by Nordea can be found in the marketing material, final terms and base prospectus. You find all the aforementioned on Nordea's homepage.

In case the investment is issued by another party than Nordea you need to turn to that party to obtain relevant documents and material describing and disclosing the specific features of the product.

Return

The objective of a fund is normally to maximise the return of unit holders with due consideration for the fund's risk level. The return consists of the development of the underlying assets in the fund as well as any dividend paid out. Dividends are reinvested in the fund, shown as part of the fund's return, or paid out to the investors.

The fund's NAV may increase or decrease due to market movements, and it is not certain that investors will get back the entire amount they invested.

Equity funds – a fund investing in a number of different securities/companies. Depending on where the fund invests, so does the specific risk of the fund. A broad global fund investing in large companies has less risk and volatility than e.g. a smaller sector fund investing in technology companies.

Fixed income funds – funds investing in interest bearing instruments with different quality and time to maturity (duration). Examples of fixed income funds are: government bond funds, corporate bond funds or money market funds

Balanced funds – A mix of equities and fixed income, normally following with a clear definition on how large a share should be allocated to each.

ETF (exchange-traded fund) – A fund traded as equities in a market place, such as an exchange, whenever the market place is open. Most ETFs are index-based, meaning that you buy into the performance of a specific market as reflected by S&P 500 or MSCI World Index, for example.

General risks

Investing in funds always involves a risk, regarding the uncertainty about the development of the return on the investment. In practice, the risk means that the investor potentially receives a lower or higher return on the investment than expected and may potentially lose the invested assets partially or fully.

Market risk

The price of most listed shares follows the general price movements in the market to some extent. This gives rise to market risk, which is the risk that the value of an investment in a share drops in tandem with the rest of the market.

Company risk

Company risk can include increasing competition, loss of brand value, high debt, expensive acquisitions, integration of acquisitions, and loss of key personnel.

Currency risk

Investing in another currency than the investor's domestic currency leads to currency risk, since the share price fluctuates when measured in the domestic currency.

Costs

An annual management fee, expressed as a percentage of fund assets, is charged to the fund. Besides the management fee, there is an additional item for other expenses.

Management fee - the fund compensates the fund company to cover its costs of management.

Other expenses - Other expenses include for example transaction costs. These expenses are charged to the fund as they arise and are not known in advance.

2.3.2 Non-UCITS (Alternative investment funds)

Alternative Investment Funds AIF (non-UCITS) normally have wider investment frames and/or are domiciled outside the EU. AIFs can be hedge funds, private equity funds, real estate funds or other alternative investments.

An alternative investment fund refers to an investment portfolio that can consist of securities, but also real estate, private equity, derivatives and other alternative investments. The owners of a fund are the persons, companies, organizations and foundations having invested assets in the fund. The ownership in a fund is fractional. Units in a fund can be redeemed and transferred.

Some important differentiating product features in alternative investment funds:

- Can invest in assets not eligible for UCITS (private equity, real estate, infrastructure, etc.)
- Greater flexibility in terms of diversification rules, liquidity, leverage, etc.
- However, it should be made clear that AIFs are not necessarily complex or leveraged such as the current wording suggests, but offer a different legal framework from the UCITS environment which may include potentially riskier or less transparent products.

The value of investment fund units is normally calculated at least once on every banking day. Investors can normally subscribe, redeem or transfer fund units on every banking day. Information about Non - UCITS funds issued by Nordea can be found in the marketing material, final terms and base prospectus. You find all the aforementioned on Nordea's homepage.

In case the investment is issued by another party than Nordea you need to turn to that party to obtain relevant documents and material describing and disclosing the specific features of the product.

Return

The objective of a fund is normally to maximise the return of unit holders with due consideration for the fund's risk level. The return consists of the development of the underlying assets in the fund as well as any dividend paid out. Dividends are either reinvested in the fund, shown as part of the fund's return, or paid out to the investors.

The fund's NAV may increase or decrease due to market movements, and it is not certain that investors will get back the entire amount they invested.

General risks

Investing in funds always involves a risk, regarding the uncertainty about the development of the return on the investment. In practice, the risk means that the investor potentially receives a lower or higher return on the investment than expected and may potentially lose the invested assets partially or fully.

Market risk

The price of most listed shares follows the general price movements in the market to some extent. This gives rise to market risk, which is the risk that the value of an investment in a share drops in tandem with the rest of the market.

Company risk

Company risk can include increasing competition, loss of brand value, high debt, expensive acquisitions, integration of acquisitions, and loss of key personnel.

Currency risk

Investing in another currency than the investor's domestic currency leads to currency risk, since the share price fluctuates when measured in the domestic currency.

Costs

An annual management fee, expressed as a percentage of fund assets, is charged to the fund. Besides the management fee, there is an additional item for other expenses.

Management fee - the fund compensates the fund company to cover its costs of management.

Other expenses - Other expenses include for example transaction costs. These expenses are charged to the fund as they arise and are not known in advance

2.4 Structured products

2.4.1 Warrants (leveraged without knockout)

Warrants are derivative-like securities issued by for example Nordea or any other financial institution. The security follows the underlying asset for example a stock, commodities or index. The exposure to the underlying asset(s) is achieved through a derivative.

Investing in a Warrant you can lose some or all of your investment.

Information about Warrants issued by Nordea can be found in the marketing material, final terms and base prospectus. You find all the aforementioned on Nordea's homepage.

In case the investment is issued by another party than Nordea you need to turn to that party to obtain relevant documents and material describing and disclosing the specific features of the product.

Return

A **Call Warrant** gains in value, if the underlying asset will appreciate and vice versa.

For a Call Warrant you gain money if the underlying asset price at the expiry date is higher than the strike price. The return is defined by the difference between the underlying asset price and the strike price. You will lose the full investment, if the price of the underlying asset on the expiry date is below the strike price.

A **Put Warrant** gains in value if the underlying asset will depreciate and vice versa.

For a Put Warrant you gain money if the underlying asset price at the expiry date is lower than the strike price. The return is defined by the difference between the strike price and the price of the underlying asset. You will lose the full investment, if the price of the underlying asset on the expiry date is above the strike price.

Product Characteristics

The Warrant is constructed with leverage meaning its value will move significantly more than the underlying asset. The value of a Warrant is affected by several factors, mainly the underlying asset performance, volatility, dividends and changes in interest rates.

In a **Warrant** there is no upper limit to the return on the warrant.

In a **Capped Warrant** the warrant has a predetermined maximum return.

Market risk

During its life-time the Warrant is affected by several factors, such as the performance of the underlying asset, as well as time to maturity, volatility, interest rates, currencies and dividends (if any). A Warrant has high sensitivity to volatility; as a result the Warrant may decrease in value due to volatility movements even if the underlying asset itself hasn't moved unfavourably.

Issuer/credit risk

When you invest in a Warrant you are exposed to credit risk of the issuer, for example Nordea or any other financial institution. If the issuer is not able to repay the notional, the note defaults meaning that the investor is exposed to a loss; in worst case the entire investment is lost. The credit rating of the issuer can be used to evaluate credit risk.

Liquidity risk

Some but not all Warrants are listed and traded on an exchange. Under normal circumstances you can sell the Warrant but in turbulent markets it might be more difficult or even impossible.

Currency risk

Investing in another currency than the investor's domestic currency, leads to currency risk since the Warrant price fluctuate when measured in the domestic currency.

Costs

At issuance of a Warrant you pay a commission which is based on the size of your investment. The spread between bid and ask prices reflects the liquidity and complexity of a bond and may be regarded as a cost.

2.4.2 Capital Protected Notes

A capital protected note is a structured bond issued by for example Nordea or any other financial institution. The return is based on the development of the underlying performance and a participation ratio. The underlying can be for example stocks, indices, interest rates or FX. The exposure to the underlying asset(s) is achieved through a derivative. The capital protection is provided by the bond component.

Nordea's capital protected notes can be bought at the nominal amount or with a premium (price above 100%) that can provide a potential higher return when it's issued. Should the underlying asset depreciate over the life-time of the investment you will be repaid the nominal amount at the redemption date, however the premium amount is lost.

Information about notes issued by Nordea can be found in the marketing material, final terms and base prospectus. You find all the aforementioned on Nordea's homepage.

In case the investment is issued by another party than Nordea you need to turn to that party to obtain relevant documents and material describing and disclosing the specific features of the product.

Return

The key driver of the return of a capital protected note is determined by the performance of the underlying asset. There can also be other factors that determine the return, such as a participation ratio, a replacement factor or other features. The return may be limited to a predefined level.

The capital protection is generally 100 percent of the nominal amount at maturity you receive back at least the nominal amount invested. If the capital protection is less than 100 percent, the minimum repayment at maturity is reduced accordingly.

Market risk

During its life-time the note is affected by several factors, such as the performance of the underlying asset(s), as well as, as well as time to maturity, volatility, interest rates, currencies and dividends (if any). During its life-time the market value of a note can be lower or higher than its nominal amount, the capital protection is only guaranteed at the maturity date.

Issuer/credit risk

When you invest in a note you are exposed to credit risk of the issuer, for example Nordea or any other financial institution. If the issuer is not able to repay the notional, the note defaults meaning that the investor is exposed to a loss; in worst case the entire investment is lost. The credit rating of the issuer can be used to evaluate credit risk.

Liquidity risk

Some but not all notes are listed and traded on an exchange. Under normal circumstances you can sell the note but in turbulent markets it might be more difficult or even impossible.

Currency risk

Investing in another currency than the investor's domestic currency, leads to currency risk since the note price and coupons fluctuate when measured in the domestic currency.

Costs

At issuance of a note you pay a structuring fee which is included in the price. Sometimes you also pay commission. The structuring fee covers amongst other items costs for risk management, production, distribution, exchange listings and where relevant also licence costs. The spread between bid and ask prices reflects the liquidity and complexity of a bond and may be regarded as a cost.

2.4.3 Non-capital protected (Full upside/Barrier downside)

A non-capital protected note is a structured bond issued by for example Nordea or any other financial institution. The return is based on the development of the underlying performance and a participation ratio. The underlying can be for example shares, indices or FX. The exposure to the underlying asset(s) is achieved through a derivative. A note with a buffer can have one or more of the following features:

- Have some degree of protection, a so called barrier, which means that the underlying asset can depreciate to a certain extent without the redemption amount being affected
- Can offer a return even though the underlying asset is unchanged or has depreciated
- Can offer a greater return than the underlying asset when it appreciates

The security can also have a combination of two or more of the features listed above.

Investing in a non-capital protected note you can lose some or all of your investment.

Information about notes issued by Nordea can be found in the marketing material, final terms and base prospectus. You find all the aforementioned on Nordea's homepage.

In case the investment is issued by another party than Nordea you need to turn to that party to obtain relevant documents and material describing and disclosing the specific features of the product.

Return

The key driver of the return of a non-capital protected note is determined by the performance of the underlying asset and a participation ratio.

Participation ratio

A participation ratio greater than 100% means the investor gets more than the actual performance of the underlying asset(s). For example a participation ratio of 150% means that a positive return of the underlying asset of 20% gives a 30% return on the note. If the underlying asset would depreciate the note usually decreases in value to the same extent. If the underlying asset would decrease by 15%, the value of the note would decrease by 15% as well. In this case the investors would at maturity of the note be paid 85% of their original investment.

Barrier

A non-capital protected note with a barrier has a buffer against depreciations. A barrier at for example, 70% means that the underlying asset can drop with up to 30% and the investor will still get the notional amount repaid at maturity. If the underlying asset drops more than 30% the repaid amount will decrease to the same extent as the depreciation of the underlying asset. For example, if the underlying asset has dropped 40% the investor will receive 60% of the notional amount.

Market risk

During its life-time the note is affected by several factors, such as the performance of the underlying asset(s), as well as time to maturity, volatility, interest rates, currencies and dividends (if any). During its life-time the market value of a note can be lower or higher than its nominal amount.

Issuer/credit risk

When you invest in a note you are exposed to credit risk of the issuer, for example Nordea or any other financial institution. If the issuer is not able to repay the notional, the note defaults meaning that the investor is exposed to a loss; in worst case the entire investment is lost. The credit rating of the issuer can be used to evaluate credit risk.

Liquidity risk

Some but not all notes are listed and traded on an exchange. Under normal circumstances you can sell the note but in turbulent markets it might be more difficult or even impossible.

Currency risk

Investing in another currency than the investor's domestic currency, leads to currency risk since the note price and coupons fluctuate when measured in the domestic currency.

Costs

At issuance of a note you pay a structuring fee which is included in the price. Sometimes you also pay commission. The structuring fee covers amongst other items costs for risk management, production, distribution, exchange listings and where relevant also licence costs. The spread between bid and ask prices reflects the liquidity and complexity of a bond and may be regarded as a cost.

2.4.4 Non-capital protected (Capped upside/Barrier downside)

A non-capital protected note is a structured bond issued by for example Nordea or any other financial institution. The underlying can be for example shares, indices or FX. The exposure to the underlying asset(s) is achieved through a derivative. A note with a cap and buffer can have one or more of the following features:

- Have some degree of protection, a so called barrier, which means that the underlying asset can decrease in value to a certain extent without the redemption amount being affected
- Can offer a return even though the underlying asset is unchanged or has depreciated
- Can offer a greater return than the underlying asset when it appreciates
- Can offer a fixed return, coupon

Investing in a non-capital protected note you can lose some or all of your investment.

Information about notes issued by Nordea can be found in the marketing material, final terms and base prospectus. You find all the aforementioned on Nordea's homepage. In case the investment is issued by another party than Nordea you need to turn to that party to obtain relevant documents and material describing and disclosing the specific features of the product.

Return

The key driver of the return of a non-capital protected note is determined by the performance of the underlying asset, the participation ratio and the level of the cap.

Participation ratio

A participation ratio greater than 100% means that the investor gets more than the actual performance of the underlying asset(s). For example a participation ratio of 150% means that a positive return of the underlying asset of 20% gives a 30% return on the note. If the underlying asset instead would decrease in value, the note usually decreases in value to the same extent.

The Cap

The cap defines a maximum level at which you can follow a potential increase in value of the underlying asset. A participation ratio of 100% and a cap of 20% would result in a return of 20% if the underlying asset would increase 30% in value (The cap was set to 20%).

Barrier

A non-capital protected note with a barrier has a buffer against a potential decrease in value. A barrier at for example 70% means that the underlying asset can drop with up to 30% and the investor will still get the notional amount repaid at maturity. If the underlying asset instead drops more than 30% (below the barrier) the repaid amount will decrease to the same extent as the decrease in value of the underlying asset. For example, if the underlying asset has dropped 40% the investor will receive 60% of the notional amount.

Capped Certificate with Buffer

Is a security bought at a discount, meaning the invested capital is less than the price of the underlying asset. For example, you buy a Capped Certificate at 9€, the underlying asset price is 10€, the cap is 11€ and at maturity the underlying asset is valued at 11, 5€. The return will then be 11€. If the underlying asset decreases in value you risk losing a part or your full investment.

A Reverse Convertible with Buffer

Pays a fixed coupon at maturity. If the underlying asset increases in value the investor will be paid the nominal amount at maturity and the return is equal to the fixed coupon. If the underlying asset decreases in value, but not below the buffer, the nominal amount is repaid at maturity and the return is equal to the fixed coupon. If the underlying asset decreases in value you risk losing a part or your full investment.

Non-Capital Protected Notes with Cap and Buffer

Are linked to the performance of an underlying asset and tracks such performance up to a predetermined maximum level, the cap. Potential value increase above that cap will not have an effect on the value of the note. If the underlying asset decreases in value, but not below the buffer, the nominal amount is repaid at maturity.

In a Non-Capital Protected Note with Coupon (Autocall)

A number of observation dates will occur during the lifetime of the note, usually annually or semi-annually. The performance of the note is contingent on whether or not all underlying assets at an observation date are at or above the predetermined levels. Important features that can impact the return:

- **Autocall barrier:** if all underlying assets are at or above the Autocall barrier the note will redeem early and the nominal amount plus a predetermined coupon is paid to the investor.
- **Coupon barrier:** if all underlying assets are at or above the coupon barrier, but below the Autocall barrier, the coupon is paid to the investor and the note will proceed at least to the next observation date.
- **Risk barrier:** If at the final observation date one or more of the underlying assets is/are below the risk barrier the note will redeem below the nominal amount. The payment to the investor will be reduced by the negative performance of the worst developed underlying asset, and equal the nominal amount less the drop in value of this asset. This means that some or all of your investment can be lost.

Market risk

During its life-time the note is affected by several factors, such as the performance of the underlying asset(s), as well as time to maturity, volatility, interest rates, currencies and dividends (if any). During its life-time the market value of a note can be lower or higher than its nominal amount.

Issuer/credit risk

When you invest in a note you are exposed to credit risk of the issuer, for example Nordea or any other financial institution. If the issuer is not able to repay the notional, the note defaults, meaning that the investor is exposed to a loss; in worst case the entire investment is lost. The credit rating of the issuer can be used to evaluate the credit risk.

Liquidity risk

Some but not all notes are listed and traded on an exchange. Under normal circumstances you can sell the note but in turbulent markets it might be more difficult or even impossible.

Currency risk

Investing in another currency than the investor's domestic currency, leads to currency risk since the note price and coupons fluctuate when measured in the domestic currency.

Costs

At issuance of a note you pay a structuring fee which is included in the price. Sometimes you also pay commission.

The structuring fee covers amongst other items costs for risk management, production, distribution, exchange listings and where relevant also licence costs. The spread between bid and ask prices reflects the liquidity and complexity of a bond and may be regarded as a cost.

2.4.5 Non-capital protected (Capped upside/ Full downside)

A non-capital protected note is a structured bond issued by for example Nordea or any other financial institution. The return is based on the development of the underlying performance. The underlying can be for example shares, indices or FX. The exposure to the underlying asset(s) is achieved through a derivative. A note with a capped upside can have one or more of the following features:

- Can offer a greater return than the underlying asset up to a predefined level
- Can offer a fixed return, coupon
- Can offer discounted security

Investing in a non-capital protected note you can lose some or all of your investment.

Information about notes issued by Nordea can be found in the marketing material, final terms and base prospectus. You find all the aforementioned on Nordea's homepage.

In case the investment is issued by another party than Nordea you need to turn to that party to obtain relevant documents and material describing and disclosing the specific features of the product.

Return

The return key driver of a non-capital protected note is determined by:

1. the performance of the underlying asset
2. the predefined share of the return you receive (the participation ratio)
3. the predefined maximum limit of the return you can get (the cap).

Participation ratio

A participation ratio greater than 100% means that the investor gets more than the actual performance of the underlying asset(s). For example a participation ratio of 150% means that a positive return of the underlying asset of 20% gives a 30% return on the note. If the underlying asset instead would decrease by 15%, the value of the note would decrease by 15% as well. In this case the investors would at maturity of the note be paid 85% of their original investment.

The cap

The cap defines a maximum level at which you can follow a potential increase in value of the underlying asset. A participation ratio of 100% and a cap of 20% would result in a return of 20% if the underlying asset would increase 30% in value (The cap was set to 20%).

Market risk

During its life-time the note is affected by several factors, such as the performance of the underlying asset(s), as well as time to maturity, volatility, interest rates, currencies and dividends (if any). During its life-time the market value of a note can be lower or higher than its nominal amount.

Issuer/credit risk

When you invest in a note you are exposed to the credit risk of the issuer, for example Nordea or any other financial institution. If the issuer is not able to repay the notional (repayable amount), the note defaults, meaning that the investor is

exposed to a loss; in the worst case this can be the entire investment amount. The credit rating of the issuer can be used to evaluate credit risk.

Liquidity risk

Some but not all notes are listed and traded on an exchange. Under normal circumstances you can sell the note but in turbulent markets it might be more difficult or even impossible.

Currency risk

Investing in another currency than the investor's domestic currency, leads to currency risk since the note price and coupons fluctuate when measured in the domestic currency.

Costs

At issuance of a note you pay a structuring fee which is included in the price. Sometimes you also pay commission. The structuring fee covers amongst other items costs for risk management, production, distribution, exchange listings and where relevant also licence costs. The spread between bid and ask prices reflects the liquidity and complexity of a bond and may be regarded as a cost.

2.4.6 Non-capital protected (Full upside/Full downside)

A non-capital protected note is a structured bond issued by for example Nordea or any other financial institution. The return is based on the development of the underlying performance and a participation ratio. The underlying can be for example shares, indices or FX. The exposure to the underlying asset(s) is achieved through a derivative.

Investing in a non-capital protected note you can lose some or all of your investment.

Information about notes issued by Nordea can be found in the marketing material, final terms and base prospectus. You find all the aforementioned on Nordea's homepage.

In case the investment is issued by another party than Nordea you need to turn to that party to obtain relevant documents and material describing and disclosing the specific features of the product.

Return

The key driver of the return of a non-capital protected note is determined by the performance of the underlying asset and a participation ratio. A participation ratio greater than 100% means the investor gets more than the actual performance of the underlying asset(s). For example a participation ratio of 150% means that a positive return of the underlying asset of 20% gives a 30% return on the note. If the underlying asset would depreciate the note usually decreases in value to the same extent. If the underlying asset would decrease by 15%, the value of the note would decrease by 15% as well. In this case the investors would at maturity of the note be paid 85% of their original investment.

Market risk

During its life-time the note is affected by several factors, such as the performance of the underlying asset(s), as well as time to maturity, volatility, interest rates, currencies and dividends (if any). During its life-time the market value of a note can be lower or higher than its nominal amount.

Issuer/credit risk

When you invest in a note you are exposed to credit risk of the issuer, for example Nordea or any other financial institution. If the issuer is not able to repay the notional, the note defaults meaning that the investor is exposed to a loss; in

worst case the entire investment is lost. The credit rating of the issuer can be used to evaluate credit risk.

Liquidity risk

Some but not all notes are listed and traded on an exchange. Under normal circumstances you can sell the note but in turbulent markets it might be more difficult or even impossible.

Currency risk

Investing in another currency than the investor's domestic currency, leads to currency risk since the note price and coupons fluctuate when measured in the domestic currency.

Costs

At issuance of a note you pay a structuring fee which is included in the price. Sometimes you also pay commission. The structuring fee covers amongst other items costs for risk management, production, distribution, exchange listings and where relevant also licence costs. The spread between bid and ask prices reflect the liquidity and complexity of a bond and may be regarded as a cost.

2.4.7 Tracker Certificates

A Tracker is a certificate that is issued by for example Nordea or any other financial institution. The certificate follows the underlying asset for example a stock, commodities or index. The exposure to the underlying asset(s) is achieved through a derivative.

The value of a Tracker is affected by primarily the performance of the underlying asset which can either increase or decrease in value. Investing in a certificate you can lose some or all of your investment.

Information about trackers issued by Nordea can be found in the marketing material, final terms and base prospectus. You find all the aforementioned on Nordea's homepage.

In case the investment is issued by another party than Nordea you need to turn to that party to obtain relevant documents and material describing and disclosing the specific features of the product.

Return

Long Tracker (Strikt) is an investment which follows daily the underlying asset such as a single stock or index. It gains in value, if the underlying asset will appreciate and vice versa. A long tracker has no maximum limit on how large the return may be; losses are limited to the invested amount.

Short Tracker (Blanka) is an investment which follows daily the underlying asset such as a single stock or index in the opposite direction. It gains in value, if the underlying asset will depreciate and vice versa. A short tracker has no maximum limit on how large the return may be; losses are limited to the invested amount.

Note that the short tracker (Blanka) is daily rebalanced (see example below), which means that the performance of the short tracker compared to the performance of the underlying asset might deviate significantly.

Illustrating example: A short tracker (Blanka) is a certificate with a price of 100 and is linked to a stock. The stock decreases 3% in value during day 1, then the short tracker (Blanka) would have a price of 103% at the end of the same day. If the same stock decreases 3% in value on day 2, then the short tracker has a value of 106.09% at the end of day 2.

Market risk

During its life-time the certificate is affected by several factors, such as the performance of the underlying asset(s), as well as interest rates, currencies and dividends (if any). The market value of a certificate can be lower or higher than its nominal amount.

Issuer/credit risk

When you invest in a certificate you are exposed to credit risk of the issuer, for example Nordea or any other financial institution. If the issuer is not able to repay the notional, the certificate defaults meaning that the investor is exposed to a loss; in worst case the entire investment is lost. The credit rating of the issuer can be used to evaluate credit risk.

Liquidity risk

Some but not all certificate are listed and traded on an exchange. Under normal circumstances you can sell the tracker but in turbulent markets it might be more difficult or even impossible.

Currency risk

Investing in another currency than the investor's domestic currency, leads to currency risk since the price fluctuate when measured in the domestic currency.

Costs

When you trade a Tracker you pay commission. There is generally also an administration fee which continuously and automatically is deducted from the value of the Tracker. The spread between bid and ask prices reflect the liquidity and complexity of a tracker and may be regarded as a cost.

2.4.8 Credit Linked Notes

A Credit Linked Note (CLN) is a structured bond issued by for example Nordea or any other financial institution, which return is linked to credit events of the underlying entities. The underlying entities may be a single company, a basket of companies or a credit index. Examples of credit events could be failure to pay, restructuring, bankruptcy or governmental intervention.

Investing in a CLN you can lose some or all of your investment.

Information about notes issued by Nordea can be found in the marketing material, final terms and base prospectus. You find all the aforementioned on Nordea's homepage.

In case the CLN is issued by another party than Nordea you need to turn to that party to obtain relevant documents and material describing and disclosing the specific features and risks of the product.

Return

The return of the CLN consists of coupon payments and the repayment of the notional amount at maturity. The coupon can be either fixed or floating. Floating coupons are linked to a benchmark money market interest rate (for example Euribor). A credit event usually decreases the coupon as well as the notional.

For some CLNs each credit event will decrease the coupon payments and the notional.

Others contain a buffer against a predetermined number of credit events. This means that the first credit events in a basket or index will have no effect on the pay-out. After the buffer level is reached, the credit events will have an increased effect. There are also some CLNs with leverage.

For a single name CLN a credit event will lead to early redemption. Then you will lose either the whole notional

amount or you may receive a recovery value. The coupons will no more be paid. A CLN linked to an index or to a basket of companies will not necessarily redeem early in case of a credit event, but the notional amount will be reduced according to the structure.

Market risk

During its life-time the note is affected by several factors, such as the credit risk of the issuer, risk of credit events of the underlying companies and the interest rate level impact the market value of the CLN.

Issuer/credit risk

When you invest in a note you are exposed to credit risk of the issuer, for example Nordea or any other financial institution. If the issuer is not able to repay the notional, the note defaults meaning that the investor is exposed to a loss; in worst case the entire investment is lost. The credit rating of the issuer can be used to evaluate credit risk.

Liquidity risk

Some but not all notes are listed and traded on an exchange. Under normal circumstances you can sell the note but in turbulent markets it might be more difficult or even impossible.

Currency risk

Investing in another currency than the investor's domestic currency, leads to currency risk since the note price and coupons fluctuate when measured in the domestic currency.

Costs

At issuance of a note you pay a structuring fee which is included in the price. Sometimes you also pay commission. The structuring fee covers amongst other items costs for risk management, production, distribution, exchange listings and where relevant also licence costs. The spread between bid and ask prices reflects the liquidity and complexity of a bond and may be regarded as a cost.

2.4.9 Currency Linked Notes

An FX Linked Note is a structured bond issued by for example Nordea or any other financial institution, which return is linked to one currency. The value of an FX Linked Note is affected mainly by the exchange rate fluctuations between two currencies.

Investing in a FX Linked Note you can lose some or all of your investment.

Information about notes issued by Nordea can be found in the marketing material, final terms and base prospectus. You find all the aforementioned on Nordea's homepage.

In case the note is issued by another party than Nordea you need to turn to that party to obtain relevant documents and material describing and disclosing the specific features and risks of the product.

Return

The return of the FX Linked Notes consists of coupon payments and the repayment of the notional amount at maturity, which depends on exchange rate fluctuations. If the currency that the FX Linked Note is linked to appreciates against the currency of the note, the notional amount at maturity increases and vice versa. In case the currency depreciation against the currency of the note is greater than the sum of the fixed coupons, you will make a loss.

Market risk

During its life-time the note is affected by several factors, such as the credit risk of the issuer, FX and interest rate fluctuations impact the market value of the FX Linked note.

Issuer/credit risk

When you invest in a note you are exposed to credit risk of the issuer, for example Nordea or any other financial institution. If the issuer is not able to repay the notional, the note defaults meaning that the investor is exposed to a loss; in worst case the entire investment is lost. The credit rating of the issuer can be used to evaluate credit risk.

Liquidity risk

Some but not all notes are listed and traded on an exchange. Under normal circumstances you can sell the note but in turbulent markets it might be more difficult or even impossible.

Currency risk

Investing in another currency than the investor's domestic currency, leads to currency risk since the note price and coupons fluctuate when measured in the domestic currency.

Costs

At issuance of a note you pay a structuring fee which is included in the price. Sometimes you also pay commission. The structuring fee covers amongst other items costs for risk management, production, distribution, exchange listings and where relevant also licence costs. The spread between bid and ask prices reflects the liquidity and complexity of a bond and may be regarded as a cost.

2.4.10 Leveraged with knockout

Turbos and Mini Futures are derivative-like securities issued by for example Nordea or any other financial institution. The security follows the underlying asset for example a stock, commodities or index. The exposure to the underlying asset(s) is achieved through a derivative.

Investing in Turbos and Mini Futures you can lose some or all of your investment.

Information about Turbos and Mini Futures issued by Nordea can be found in the marketing material, final terms and base prospectus. You find all the aforementioned on Nordea's homepage.

In case the investment is issued by another party than Nordea you need to turn to that party to obtain relevant documents and material describing and disclosing the specific features of the product.

Return

The value and the return of a Turbo and a Mini Future fluctuate significantly more than those of the underlying asset. This means that you pay a substantially smaller amount for a Turbo or a Mini Future than for the underlying asset, but have the same exposure as if you would have bought the underlying asset.

Turbos and Mini Futures have built in stop-loss mechanics. The stop-loss level is set so that the value of the security cannot be negative. When the stop-loss level is reached the security will early redeem.

A Turbo Long (Call)/Mini future long gains in value, if the underlying asset appreciates and vice versa.

A Turbo Short (Put)/Mini future short gains in value, if the underlying asset depreciates and vice versa.

Turbo

You get a return if the underlying price is above (below in Turbo Short) the strike based on the underlying performance. The participation multiplier defines the return. The multiplier can be below or above one. A Turbo has a predetermined maturity date and a fixed stop-loss level.

The return is defined by the difference between the strike price and the price of the underlying asset. In Turbo long you will lose the full investment, if the price of the underlying asset on the expiry date is below the strike price.

The return is defined by the difference between the strike price and the price of the underlying asset. In Turbo short you will lose the full investment, if the price of the underlying asset on the expiry date is above the strike price.

Illustrating example: A Turbo call has a strike price of 30 and a multiplier of 1. The underlying price at maturity is 33. Therefore the investor the Turbo warrant matures at value of 3. The return and gain/loss depends on the purchase price.

Mini Future

When you buy a Mini Future you get a leveraged exposure to the underlying asset. The financing level determines the size of the leverage.

Mini Futures are open-ended and the stop-loss levels are variable and will change during their life-time. If the price on the underlying asset reaches the stop-loss level, the Mini Future knocks out. The issuer will then sell the underlying asset and any remaining value will be paid to the holder of the Mini Future. Note that the value can be zero.

Market risk

During its life-time the Turbo and Mini Future are affected by several factors, such as the performance of the underlying asset, as well as time to maturity, volatility, interest rates, currencies and dividends (if any).

Issuer/credit risk

When you invest in a Turbo or Mini Future you are exposed to credit risk of the issuer, for example Nordea or any other financial institution. If the issuer is not able to repay the notional, the note defaults meaning that the investor is exposed to a loss; in worst case the entire investment is lost. The credit rating of the issuer can be used to evaluate credit risk.

Liquidity risk

Some but not all Turbos and Mini Futures are listed and traded on an exchange. Under normal circumstances you can sell the Warrant but in turbulent markets it might be more difficult or even impossible.

Currency risk

Investing in another currency than the investor's domestic currency, leads to currency risk since the Turbo and Mini Future price fluctuate when measured in the domestic currency.

Costs

At issuance of a Turbo and Mini Future you pay a commission which is based on the size of your investment. The spread between bid and ask prices reflects the liquidity and complexity of a bond and may be regarded as a cost. In addition for Mini Futures there is a financing cost embedded in the price.

2.4.11 Bull & Bear certificates

Bull & Bear are certificates with leverage that are issued by for example Nordea or any other financial institution. The certificate follows the underlying asset for example a stock, commodities or index. The exposure to the underlying asset(s) is achieved through a derivative.

The value of Bull & Bear certificates are affected by several factors, primarily the performance of the underlying asset, the leverage and the volatility. The leverage, which is rebalanced daily, determines how the value of the investment is affected by the performance of the underlying asset. A leverage of 3 results in a value development of three times the daily performance of the underlying asset.

The higher the leverage, the higher the potential return, but also the potential loss. However the potential loss is limited to the invested amount.

Information about a Bull/ Bear issued by Nordea can be found in the marketing material, final terms and base prospectus. You find all the aforementioned on Nordea's homepage.

In case the investment is issued by another party than Nordea you need to turn to that party to obtain relevant documents and material describing and disclosing the specific features of the product.

Return

A Bull certificate is a leveraged investment which follows daily the underlying asset such as a single stock or index. It gains in value, if the underlying asset will appreciate and vice versa. A Bull certificate has no maximum limit on how large the return may be; losses are limited to the invested amount. A Bear certificate is a leveraged investment which follows daily the underlying asset such as a single stock or index in the opposite direction. It gains in value, if the underlying asset will depreciate and vice versa. A Bear has no maximum limit on how large the return may be; losses are limited to the invested amount.

Note that the Bull & Bear certificates are daily rebalanced (see example below), which means that the performance of the certificates compared to the performance of the underlying asset deviates more than the leverage.

Illustrating example: A Bear X10 certificate has a price of 100 and is linked to a stock. The stock decreases 3% in value during day 1, then the Bear X10 would have a price of 130 at the end of the same day. If the same stock decreases 3% in value on day 2, then the Bear X10 has a value of 169 at the end of day 2. This demonstrates that the higher the leverage the higher the risk of losing the full invested amount.

Market risk

During its life-time the certificate is affected by several factors, such as the performance of the underlying asset(s), as well as volatility, interest rates, currencies and dividends (if any). The market value of a certificate can be lower or higher than its nominal amount.

Issuer/credit risk

When you invest in a Bull & Bear you are exposed to credit risk of the issuer, for example Nordea or any other financial institution. If the issuer is not able to repay the notional, the note defaults meaning that the investor is exposed to a loss;

in worst case the entire investment is lost. The credit rating of the issuer can be used to evaluate credit risk.

Liquidity risk

Some but not all Bull & Bears are listed and traded on an exchange. Under normal circumstances you can sell the tracker but in turbulent markets it might be more difficult or even impossible.

Currency risk

Investing in another currency than the investor's domestic currency, leads to currency risk since the price fluctuate when measured in the domestic currency.

Costs

When you trade a Bull & Bear you pay commission. There is generally also an administration fee which continuously and automatically is deducted from the value of the Bull & Bear. The spread between bid and ask prices reflect the liquidity and complexity of a tracker and may be regarded as a cost.

2.5 Standardized Derivatives

A standardized derivative is a derivative on a share or a share index. Options and futures are two commonly traded standardized derivatives.

Investing in a Standardized Derivatives you can lose some or all of your investment.

Information about Standardized Derivatives issued by Nordea can be found in the marketing material, final terms and base prospectus. You find all the aforementioned on Nordea's homepage.

In case the investment is issued by another party than Nordea you need to turn to that party to obtain relevant documents and material describing and disclosing the specific features of the product.

Product characteristics

The **buyer/holder** of an Option has the right, but not the obligation to buy or sell a given number of an underlying asset at a predetermined price, a so called strike price. At the time of investment a premium is paid by the buyer to the seller of the option.

The **seller/issuer** of an option has the obligation to the holder. The issuer of the stock options might be called during the contracts life-time, or at maturity, to buy the underlying stock (issued sell option) or sell the underlying stock (issued buy option). The issuer will receive the premium paid by the holder as compensation and need to post collateral for the position. Index options are cash settled and no delivery of underlying stocks.

A **future** is a derivative where the investor buys the underlying asset but the delivery of that asset does not take place at the day of investment but instead at a predetermined time in the future. Note that the index futures are cash settled. During the life-time of the futures contract the investor need to post collateral for the investment. The collateral will vary during the contracts life-time. The size of that collateral is less than the price of the underlying asset, which means the investment in a futures contract is less than a direct investment in the underlying asset.

Return

A Call option gains in value, if the underlying asset will appreciate and vice versa, since the Call option gives you the right

to buy the underlying asset at the strike price. If at expiry the price of the underlying asset is less than the strike price the option matures worthless and the full investment, the paid option premium, is lost.

A Put option gains in value, if the underlying asset will depreciate and vice versa, since the Put option gives you the right to sell the underlying asset at the strike price. If at expiry the price of the underlying asset is greater than the strike price the Put option is worthless and your full investment, the paid premium, will be lost.

If you bought a futures contract you will get the underlying asset delivered at the contract's expiry date. A future gains in value if the price of the underlying asset is higher than the predetermined price.

If you have sold a futures contract you will deliver the underlying asset on the settlement date. For index Futures there is daily settlement based on the Futures performance. For days with positive return the investor's account will receive a payment and for days with unfavourable return cash will be withdrawn from the investor's account.

Market risk

During its life-time the Standardized Derivatives are affected by several factors, such as the performance of the underlying asset, as well as time to maturity, volatility, interest rates, currencies and dividends (if any).

Issuer/credit risk

Standardized Derivatives are listed at an exchange and cleared by a clearing house. The clearing house works as an underwriter of the terms in the contract, decides the collateral requirements for the current position and is responsible for the settlement of the contract at the maturity date. As such the clearing house takes on the credit risk and for this they charge a clearing fee.

Liquidity risk

Some but not all Standardized Derivatives are listed and traded on an exchange. Under normal circumstances you can sell the Warrant but in turbulent markets it might be more difficult or even impossible.

Currency risk

Investing in another currency than the investor's domestic currency leads to currency risk, since the Standardized Derivatives price fluctuate when measured in the domestic currency.

Costs

At issuance of a Standardized Derivatives you pay a commission which is based on the size of your investment and a clearing fee. The spread between bid and ask prices reflects the liquidity and complexity of a bond and may be regarded as a cost. In addition for Mini Futures there is a financing cost embedded in the price.

2.5.1 Swaps and Forwards

Interest rate swaps, cross currency swaps and FX forward contracts are derivatives that you can use to reduce interest rate and currency risks. Interest rate swaps and cross currency swaps are designed to hedge several future cash flows, whereas a forward contract hedges only one cash flow. These derivatives can also be used for speculative purposes.

FX Forwards

Product mechanism and characteristics

FX Forward is a bilateral derivative agreement between you and Nordea to exchange currency on a future date called maturity date. The exchange rate is agreed on in the forward agreement. You can use FX forward to reduce currency risk. If you don't want to have one fixed maturity date, you can use a Forward with Time Option. It otherwise equals the FX forward but you can exchange the currencies any time at or before the maturity date, and in several parts if you wish. In any foreign exchange rate there are two currencies involved, e.g. EUR/USD. The former is called the base currency and the latter the quote currency. The exchange rate tells you how many units of the latter you need to buy one unit of the former, in this example how many USD you need to buy one EUR or how many USD you get if you sell one EUR.

FX forwards are stand-alone derivatives. It means they are independent from the cash flow whose risk you are aiming to reduce. So, if the hedged cash flow changes, the FX forward will not be changed.

The agreed FX forward is mutually binding and cannot be cancelled once agreed. However, it is possible to terminate the transaction before maturity. The termination rate is based on the market rate at the time of termination. Thus, it usually differs from the original forward rate. This leads to a profit or a loss, which is settled at the maturity of the original contract.

Return

FX forwards are usually used to manage risk. It is important that the agreement matches the underlying flow as well as possible. If used as a speculative instrument, the return will be dependent on movements in the foreign exchange rates and interest rates of the currencies involved.

Market Risk

The forward exchange rates are the main drivers of the market value of a forward contract. They in turn depend on the FX spot rate and on interest rates. If you have bought base currency in the forward contract, an increase in forward rates increases the market value and vice versa.

The spot rate is the exchange rate for settlement in the spot, typically two bank days from today. The rise in the spot rate leads to an increase in the forward rate.

The forward rate decreases in relation to the spot rate if the interest rate of the base currency rises or if the interest rate of the quote currency decreases. In the opposite cases, the forward rate increases in relation to the spot rate.

The risk and profit/loss descriptions relate to this product taken separately. If you combine it with other products or commercial positions, the total portfolio will have a significantly different profile than this product alone.

Issuer/credit risk

You are exposed to the credit risk of Nordea as payments in the contract are conditional on Nordea's ability to pay. If Nordea defaults, you might lose the value of the future payments.

Liquidity risk

Usually FX forward markets are quite liquid. In some market conditions the liquidity may however be poor and it may be difficult or impossible to trade an FX Forward contract.

Secondary Market

FX Forwards are OTC derivatives and not listed or traded on an exchange. They are bilateral agreements. If you want to terminate a forward, you need to do it with the original counterparty.

Costs

The difference between the bid and offer in a forward transaction can be viewed as a cost. The bid-offer spread reflects the liquidity and the perceived credit risk of the transaction counterparty.

Cross Currency Swaps

Product mechanism and characteristics

A cross currency swap is a derivative contract you can use to swap the notional amount and interest rate flows of a loan or asset to another currency. Thus, you can hedge the currency and interest rate risk of a currency-denominated loan or bond. The swap is a bilateral agreement between you and Nordea.

A cross currency swap is a contract to pay cash flows in one currency against receiving a cash flow in another currency. The cash flows include interest rate payments and payments of notional amounts. The notional amounts can be exchanged at the start date and they will always be exchanged at maturity. The swap can be tailored exactly to your underlying cash flow whose risk you aim to reduce, to convert these payments into another currency.

The interest payments can be based on a fixed or a floating rate. The fixed rate remains the same the entire lifetime of the swap whereas the floating rate changes for each individual interest period. The floating rate is linked to an official reference rate, e.g. Euribor or Libor. If the floating rate is negative, its payment direction changes, i.e. receiving a negative rate means paying a positive rate and vice versa.

Once agreed, the swap is mutually binding until maturity and cannot be cancelled. However, it will be possible to terminate the transaction before maturity. As the market value of the transaction may have changed since it was initiated, an early termination will usually involve a payment of the present market value from you to Nordea or vice versa.

Return

Cross currency swaps are usually used as hedging instruments. It is essential that you make the swap structure similar to the loan or bond whose currency risk you aim to reduce. If used as a speculative instrument the return will depend on exchange rates, interest rates and basis spread of the currencies.

Market risk

The market value of a Cross Currency Swap will depend on exchange rates, interest rates and basis spreads of the currencies. If a Cross Currency Swap is combined with other products or commercial positions, the total portfolio will have a significantly different profile than the one for this product alone.

Issuer/credit risk

You are exposed to the credit risk of Nordea as payments in the contract are conditional on Nordea's ability to pay. If Nordea defaults, you might lose the value of the future payments.

Liquidity risk

In some market conditions it may be difficult or impossible to trade a cross currency swap. The transaction would in those cases be referred to as illiquid.

Secondary Market

Cross Currency Swaps are OTC instruments and are neither listed nor traded on an exchange. If you want to terminate it, you need to do it with the original counterparty.

Costs

There are no commissions in the Cross Currency Swap market. The difference between the bid and offer in a swap transaction can be viewed as a cost. The bid-offer spread reflects the liquidity and the perceived credit risk of the transaction counterparty.

Interest Rate Swaps*Product mechanism and characteristics*

An interest rate swap is a derivative you can use to reduce your interest rate risk. It is an agreement where you pay a fixed interest rate against receiving a floating rate or vice versa. Both are paid in the same currency. The swap is a bilateral agreement between you and Nordea.

Interest Rate Swaps can be tailored to exactly match the cash flows of the loan or bond whose interest rate you aim to reduce.

The fixed rate remains fixed for the entire lifetime of the swap whereas the floating rate changes for each individual interest period. The reference rate for the floating rate is typically an official interbank rate – e.g. Euribor or Libor. If the floating rate is negative, its payment direction changes, i.e. receiving a negative rate means paying a positive rate and vice versa. The notional amount in an interest rate swap is used only as the basis for calculating the interest payment. Cash flows under the swap consist only of the interest payments.

Once agreed, the swap is mutually binding until maturity and cannot be cancelled. However, it will be possible to terminate the transaction before maturity. As the market value of the transaction may have changed since it was initiated, an early termination will usually involve a payment of the present market value from you to Nordea or vice versa.

Return

Interest Rate Swaps are usually used as hedge instruments. In order for the hedge to work perfectly, it is important that the notional amount, amortisation structure, maturity, reference rate and rate fixings are matched with the hedged asset or liability. If used as a speculative instrument the return will depend on interest rates.

If you hedge a loan and it has special conditions for interest rate, e.g. the minimum reference rate of a loan is set at 0% and it is hedged with an interest rate swap, the total interest rate costs of loan and swap are not fixed in case of negative Euribor rate. If you want the swap and the floored loan to match, you need in addition to buy an interest rate floor. As interest rate swaps are stand-alone contracts, any change in the underlying loan contract is not automatically changing the swap. If you want to change the swap, you might be obliged to pay for the change.

Market risk

The market value of an Interest Rate Swap is exposed to changes in the interest rates.

When you hedge the interest rate risk of a loan with an interest rate swap, you pay a fixed rate and receive a floating rate. Thus, if the interest rates decrease, the market value of the swap decreases and vice versa.

The risk and profit/loss descriptions relate to this product taken separately. If you combine it with other products or commercial positions, the total portfolio will have a significantly different profile than the one for this product alone.

Issuer/credit risk

You are exposed to the credit risk of Nordea as payments in the contract are conditional on Nordea's ability to pay. If Nordea defaults, you might lose the value of the future payments.

Liquidity risk

In some market conditions it may be difficult or impossible to trade an Interest Rate Swap, especially in exotic currencies. It would in those cases be referred to as illiquid.

Currency risk

If the currency of the swap is not your domestic currency, the exchange rate movements affect the value of the payments and hence the market value of the contract.

Secondary Market

Interest Rate Swaps are not listed or traded on an exchange. They are usually bilateral agreements and are dependent on the bank to get a price quotation.

Costs

There are no commissions in the Interest Rate Swap market. The difference between the bid and offer in a swap transaction can be viewed as a cost. The bid-offer spread reflects the liquidity and the perceived credit risk of the transaction counterparty.

