

Product and Risk Description

Purpose

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

Summary

Product name	Securities lending
Issuer of this document	Nordea Bank Abp (hereafter "Nordea")
Regulated by	Finnish Financial Supervisory Authority
Produced	01.12.23

What is this product?

Description

Securities lending is a temporary transfer of securities (equities/bonds) from the customer (the lender) to Nordea (the borrower) traded over the counter (OTC). The security loan is done as a transfer of title, which entails that the legal ownership is temporarily transferred from the customer to Nordea. This implies that the customer may be forced to flag for a reduction in holdings and will not be able to attend the annual/extraordinary general meeting (AGM/EGM) while the securities are on loan. In order to attend the AGM/EGM, the securities must be recalled in due time for Nordea to return them. If agreed between the customer and Nordea, Nordea will cover the securities with collateral in the form of either cash or securities during the life of the loan. The market value of such collateral must at all times be equal to the market value of the loan, adjusted by a haircut (in percent) agreed between the two parties. The security loan will then be margined on a day-to-day basis adjusting the collateral composition. The collateral can be transferred either as a transfer of title or placed in a pledged account in favour of the customer. In the event that no collateral is posted, the customer assumes full credit risk towards Nordea.

Securities lending transactions are usually agreed on an open basis, so the lender (the borrower) may at any time demand recall (redelivery) of the securities on loan. A recall must follow local market settlement cycles. In this situation both parties must reverse their commitments. Nordea will return the securities and the collateral, if this exists, will be repaid by the customer. It is the responsibility of the customer to inform Nordea that securities on loan have been sold so that Nordea can return the securities in accordance with the contract.

Any fees, dividends, coupon interest or other distributions related to the securities during the life of the loan will be paid by Nordea to the customer. The customer will pay manufactured dividend/coupon on the posted non-cash collateral. If cash is placed as collateral to the lender, Nordea will claim interest on the cash. The interest rate will either be fixed or floating; terms will be negotiated between the customer and Nordea.

Securities lending is governed by the Global Master Securities Lending Agreement (GMSLA) or a local stock loan agreement (SLA). The fee of a security loan is quoted as basis points per annum on the market value of the underlying securities. The fee is driven by supply and demand where the most important factors affecting the fee are corporate actions such as takeovers, mergers and rights issues, but also the underlying liquidity of the stock and the agreed collateral schedule affect the fee. The fee is subject to change until the transaction is agreed upon. During the life of the loan, a negotiation of the fee is possible, and if both parties agree the new fee will be applied. The fee is accumulated day by day and paid monthly by Nordea to the customer.

Intended investor

The product Securities lending is aimed at professional clients and eligible counterparties. The Securities lending is a product for .

What are the risks and what could I get in return?

The risk and profit/loss descriptions relate to this product only.

If this product is combined with other products or commercial positions, the total portfolio will have a significantly different profile than the one for this product alone.

Market risk

The market risk exposure stays with the customer during the life of the loan, since the securities will be returned to the customer at the prevailing market value regardless of the price performance of the underlying securities. In the event that Nordea fails to comply with the customer's demand for additional collateral, the customer will have the right to liquidate all or parts of Nordea's collateral. The product involves interest rate risk if cash is posted as collateral since such cash collateral is repaid with interest. In case of a Nordea default, the customer might be forced to liquidate collateral denominated in another currency or use cash collateral to purchase lost assets denominated in other currencies, due to this event there is a currency risk associated with the product.

Counterparty credit risk

A securities lending transaction contains credit risk exposure for the customer since the legal ownership of the securities has been transferred to Nordea. Credit risk is any credit event that occurs preventing either party from paying back its obligations under the contract. In case of a Nordea default, it will not be possible to return the lent securities to the customer, but the customer may liquidate the collateral in order to repurchase lost assets. If the transaction is agreed as a non-collateral trade, the customer will have full credit risk exposure towards Nordea and will not be compensated in the event of a Nordea default.

Securities lending		
Market Parameters	Influence on market value when increasing	Influence on market value when decreasing
Not applicable	Not applicable	Not applicable

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

You are exposed to the risk that the issuer of this product or the counterparty (which may be Nordea), as applicable, might be unable to fulfil its obligations in respect of the product e.g. in the event of insolvency, an administrative order or bail-in.

What are the costs?

The total costs take into account one-off, on-going, transaction, ancillary and incidental costs.

They include potential early exit penalties. The figures assume you invest 100,000 EUR nominal. The figures are estimates and may change in the future.

The costs charge for the investment is dependent on the risks associated with the transaction and the term of the investment.

We may include additional costs and charges on a case by case basis. If so, Nordea will provide you with information about these costs and charges prior to the point of sale, and will explain the impact that these costs will have on your investment over time.

Investment (based on above nominal)	Cumulative Costs
Combined cost to buy and exit the product	0
% p.a. of nominal	0

Composition of costs on purchase of the product

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

How to contact Nordea

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