

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

What is this product?

Description

Pledged securities finance is a loan that is traded under a bilateral master agreement and enables the customer to participate in securities-for-cash transactions with Nordea. The customer receives cash and posts collateral such as equities, investment grade bonds or cash into a pledged account. Such collateral must at all times be equal to at least 100% of the loan, adjusted by a haircut (in percent) agreed between the two parties. The loans are margined on a day-to-day basis by adjusting the collateral according to the terms agreed. In case the customer fails to post additional collateral for the margin call, Nordea may be forced to liquidate the pledged securities to cover the lost payment of margin calls. The transaction can either have a fixed maturity or be traded on an open basis where either party can terminate the transaction according to predefined clauses. At the date of maturity both parties must reverse their commitments. The cash lent will always be repaid with interest. The interest rate will either be a fixed or floating rate and payable monthly via an invoice. Terms will be negotiated between Nordea and the customer.

A pledged set-up is different from a transfer of title (ToT) in the sense that the legal ownership of the posted collateral stays with the customer. Operationally this means less administrative work since neither party must flag for changes in large holdings. Nordea has no right to use the posted collateral during the period of the loan. Legally the trade is subject to the terms and clauses of the Secured Master Term Loan Agreement (SMTLA) which specifies the obligations between the two trading counterparties. The customer receives cash and posts collateral in a custody account which Nordea can access in the event of the customer's default. Interest is paid on the cash loan and the loan is margined on a day-to-day basis.

Intended investor

The product Pledged Securities Finance is aimed at professional clients and eligible counterparties. The Pledged Securities Finance 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 associated with a pledged securities finance transaction consists of potentially large fluctuations in the value of the posted collateral. A negative change in the value will force the customer to post more collateral to keep the existing cash position. The posted collateral value will be directly affected by a failure of the underlying issuer to pay its obligation to the market. The customer can alternatively eliminate such a demand for additional collateral by reducing the exposure.

If the cash on loan and the collateral are denominated in different currencies, the trade includes currency risk. A strengthening of the cash currency against the currency of the collateral placed will imply a margin call since the collateral will be relatively lower valued. The product involves interest rate risk since the cash loan is repaid with interest.

Pledged Securities Finance		
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	1000
% p.a. of nominal	1.0

Composition of costs on purchase of the product

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