

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	Extendable Swap
Issuer of this document	Nordea Bank Abp (hereafter "Nordea")
Regulated by	Finnish Financial Supervisory Authority
Produced	18.10.22

What is this product?

Description

An extendable swap is an agreement between two parties to pay (receive) a fixed interest rate in an initial period against receiving (paying) a floating rate in the same currency and same initial period where one of the parties has the right to extend the maturity of the agreement for a further period (the extension period) agreed at inception. The decision whether to extend the swap is made by the holder of the extension right at the end of the initial period.

The seller of the right to extend the swap is compensated by the buyer by paying (receiving) a lower (higher) fixed or floating rate than the prevailing market rate in the interest rate swap market.

The fixed rate is fixed for the entire life of the swap whereas the floating rate is fixed either at the beginning or at the end of the individual interest periods, normally 3- or 6-month periods.

The reference rate for the floating-rate payment is based on the official interbank fixings – eg Euribor or Libor.

The notional amount in an extendable swap is used solely as the basis for calculating the interest payment. Cash flows under an extendable swap consist solely of the interest payments. Typically, a net settlement arrangement will be agreed, so that the fixed- and floating-rate payments fall due on the same payment dates. The price is subject to change until the transaction is agreed upon. The agreed transaction is mutually binding until the end of the initial period and cannot be cancelled. The extension right is binding for the seller of the extension right. If the swap is extended it is mutually binding in the extension period until maturity and cannot be cancelled. However, it will be possible for either party 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 one party to the other.

Intended investor

The product Extendable Swap is aimed at retail clients, professional clients and eligible counterparties, who are interested in hedging income. The Extendable Swap is a product for informed investors and advanced investors.*

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.

The market value of an extendable swap is exposed to changes in the market rate of interest and changes in the implied interest rate volatility. The market value of an extendable swap is exposed to the market parameters listed in the matrix below.

Market Parameters	Extendable Swap	
	Influence on market value when increasing	Influence on market value when decreasing
Parallel shift in inflation curve	+/-	-/+
Steepness of yield curve	+/-	-/+
Interest rate volatility	+/-	-/+

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

You are exposed to the risk that the issuer of this product or the counterparty (which may be Nordea), as applicable, might be unable to fulfil its obligations in respect of the product e.g. in the event of insolvency, an administrative order or bail-in. The product is not covered by any deposit protection scheme. Thus, you could lose the entire amount invested.

What are the costs?

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

* Informed investors have average knowledge of relevant financial products and/or some financial industry experience. Advanced investors have good knowledge of relevant financial products and transactions, and/or financial industry experience or accompanied by professional investment advice or included in a discretionary portfolio service.

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.

The cost amount in EUR is for 5 year maturity and has been calculated based on annual transaction cost shown below. For longer contracts the cost amount may be higher.

Investment (based on above nominal over a 5 year term)	Cumulative Costs
Combined cost to buy and exit the product	1500
% p.a. of nominal	1.5

Composition of costs on purchase of the product

Detailed Costs	Description	Amount in EUR p.a.	% p.a.
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.	300	0.3
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.