

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	Interest Rate Guarantee
Issuer of this document	Nordea Bank Abp (hereafter "Nordea")
Regulated by	Finnish Financial Supervisory Authority
Produced	22.09.20

What is this product?

Description

An interest rate guarantee (IRG) (sometimes called a Fraption) is an agreement between two parties giving the buyer (holder) the right, but not the obligation, to enter into a specified forward rate agreement (FRA). The seller (writer) of the IRG is committed to meeting the terms of the IRG if the holder decides to exercise it.

An FRA (see separate product description) is an agreement between two parties to settle a specified interest rate for a specified future period of time. The interest rate is called the FRA rate and is determined at inception.

The reference rate is based on the official interbank fixings – eg EURIBOR or LIBOR.

Therefore an IRG is an agreement between two parties giving the buyer (holder) the right, but not the obligation, to receive (pay) the FRA rate in a specified future period of time.

Intended investor

The product Interest Rate Guarantee is aimed at professional clients and eligible counterparties, who are interested in hedging income. The Interest Rate Guarantee 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 value of an IRG is exposed to changes in the level of the market rate of interest, the steepness of the yield curve and the implied volatility of the reference rate. When buying an IRG the loss is limited to the paid premium, whereas the potential for profit is unlimited. When selling an IRG the potential profit is limited to the premium received, while the risk of loss is unlimited.

The value of an IRG is exposed to the market parameters listed in the matrix below, where the influence from the market rate of interest (shift and steepness) is due to the FRA feature, whereas the implied reference rate volatility is due to the optional feature of the agreement.

Market Parameters	Interest Rate Guarantee	
	Influence on market value when increasing	Influence on market value when decreasing
Parallel shift in yield curve (call feature)	+	-
Steepness of yield curve (call feature)	+	-
Implied reference rate volatility (call feature)	+	-
Parallel shift in yield curve (put feature)	-	+
Steepness of yield curve (put feature)	-	+
Implied reference rate volatility (put feature)	+	-

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.

* 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.

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.

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.