

# 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

<b>Product name</b>	Futures on Danish Mortgage Bonds
<b>Issuer of this document</b>	Nordea Bank Abp (hereafter "Nordea")
<b>Regulated by</b>	Finnish Financial Supervisory Authority
<b>Produced</b>	26.10.22

## What is this product?

### Description

A future on Danish mortgage bonds is an agreement between two parties on the purchase (sale) of an underlying contract at a fixed price to be delivered on the next quarterly coupon date of the underlying bonds of the contract. The underlying contract is based on a basket of unit bonds (enhedsobligationer) in the Danish mortgage market. Each unit bond constitutes a specified proportion of the total basket. Each unit bond in the basket will be supplied by at least two issuers. The product is listed on Nasdaq OMX Copenhagen and traded as listed contracts with a nominal value of each contract of DKK 1m.

If a customer does not have an open position at expiry of the agreement, cash settlement will apply, meaning that the difference between the agreed future price and the fixing price of the underlying contract on the expiration date will be settled for each contract on the next upcoming coupon date of the underlying bonds. An open position at expiry can also be cash settled subject to agreement between the parties, and a cash amount will be calculated and settled in the same way as described above. Otherwise physical settlement will apply. In case of physical settlement, on the next coupon date the buyer of the contract will receive unit bonds in the specified proportion from the prevailing basket of Danish mortgage bonds.

The basket of Danish mortgage bonds deliverable in the future is available at: [www.nasdaqomxnordic.com](http://www.nasdaqomxnordic.com).

When a future contract is made, no money changes hands between the buyer and the seller. The parties to a future contract put up collateral to the clearing house, NASDAQ OMX. During the life of the future there is a daily cash settlement where the change in market value is settled.

Upon expiry the seller of the future may freely select which bonds to deliver among the different issuers within the individual unit bonds. Under normal circumstances the seller of the future will deliver the bond in the basket which is cheapest to deliver. The bond with the lowest future price at the expiry date calculated using the repo rate of the bond is the cheapest to deliver. This can change over the life of the contract.

The price of the contract is subject to change until the transaction is agreed upon.

The agreed transaction is mutually binding until maturity and cannot be cancelled. However, an open position can be closed by entering into an opposite future contract. All closed positions will then be cash settled when the future contracts mature as described above.

### Intended investor

The product Futures on Danish Mortgage Bonds is aimed at professional clients and eligible counterparties, who are interested in capital growth, income and other investment objectives. The Futures on Danish Mortgage Bonds is a product for advanced investors.\*

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

The market price of a future on Danish mortgage bonds is exposed to changes in the market price of the underlying basket of bonds. Hence, all risk factors which influence the price of callable mortgage bonds also influence the value of a future on Danish mortgage bonds.

In addition to these factors which comprise the general interest rate level, the shape of the yield curve, the volatility structure and credit ratings of issuers, also a change in the bonds cheapest to deliver poses a risk. Hence, there is a risk that the relative pricing between the mortgage institutions will change. The repo rate is specific for each individual bond in the basket, which means that the bonds can trade at different repo rate levels for various reasons. Changes in these conditions will influence the market value of the future on Danish mortgage bonds.

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.

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\* 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.

Futures on Danish Mortgage Bonds		
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. 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.

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	3000
% p.a. of nominal	3.0

## 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.	3000	3.0
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.