

# 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>	Digital Inflation Cap/Floor
<b>Issuer of this document</b>	Nordea Bank Abp (hereafter "Nordea")
<b>Regulated by</b>	Finnish Financial Supervisory Authority
<b>Produced</b>	04.10.19

## What is this product?

### Description

A digital inflation cap (floor) can be used by investors who have a specific view on the market direction and the range of the reference inflation rate. What is a digital inflation cap (floor)?

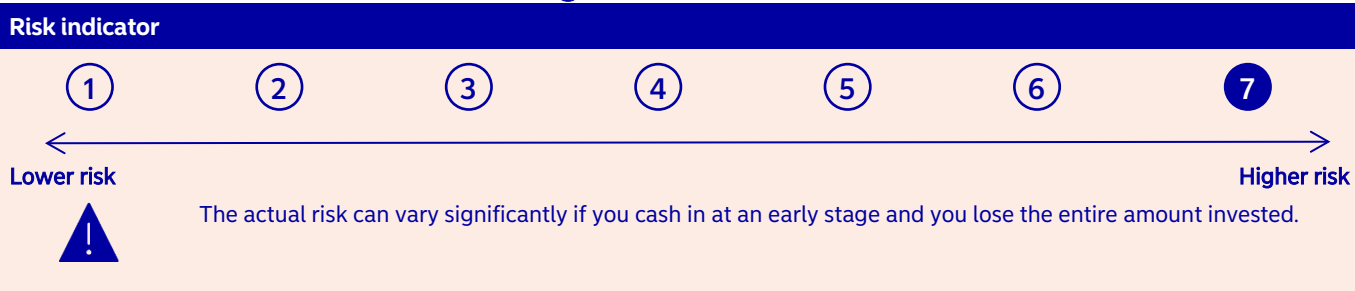
A digital inflation cap (floor) is an agreement between two parties giving the buyer an agreed fixed payout if and only if a specified reference inflation rate is fixed at or above (below) the specified cap (floor) strike. Otherwise the payout is zero. The payout is the same, regardless of how far in-the-money the reference inflation rate is fixed. A digital inflation cap (floor) is constructed as a string of consecutive options called caplets (floorlets). Each individual caplet (floorlet) will be separately fixed against the chosen reference inflation rate at the caplet's (floorlet's) expiry date.

The caplets (floorlets) are periodically reset, typically using 3- or 6-month periods. The reference inflation rate of a digital inflation cap (floor) must refer to an official inflation index, eg HICPxT for EUR. The specific cap or floor normally refers to the yearly change in the underlying inflation index, but other calculations can be agreed upon. The individual caplets (floorlets) can have varying notional amounts, strike prices and payouts, which must be specified at inception. The price is subject to change until the transaction is agreed upon. The agreement is binding for the seller of the digital inflation cap (floor). However, it will be possible to terminate the transaction before maturity. If the transaction has a positive market value, an early termination may involve the initial seller paying the present market value to the buyer.

### Intended investor

The product Digital Inflation Cap/Floor is aimed at professional clients and eligible counterparties, who are interested in hedging income. The Digital Inflation Cap/Floor is a product for informed investors and advanced investors.\* The intended retail investor has a high risk tolerance.

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



The summary risk indicator is a guide to the level of risk of this product compared to other products with a similar risk profile sold by Nordea. It shows that the potential risks that the product will lose money because of movements in the markets or because the issuer of this product or the counterparty (which may be Nordea), as applicable, is not able to pay you.

We have classified this product as 7 out of 7, which is the highest risk class.

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.

When buying a digital inflation cap (floor) the loss is limited to the premium paid, whereas the potential for a profit is limited to the agreed payouts. When selling a digital inflation cap (floor) the potential profit is limited to the premium received, while the risk of a loss is limited to the agreed payouts. The risk in a digital inflation cap (floor) is thus limited and known in advance. The market value of a digital inflation cap (floor) is exposed to changes in the inflation curve and to changes in the implied inflation volatility.

\* 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.

As the market value of a digital inflation cap (floor) consists of the sum of the market values of the individual caplets (floorlets), it is not possible to unambiguously state the effect of general market changes on the market value of the digital inflation cap (floor) as a whole. However, the market value of one digital inflation caplet is exposed to the market parameters listed in the matrix below. The term reference inflation rate in the matrix specifically means the expected forward inflation rate for the future reference inflation rate underlying the particular caplet.

Market Parameters	Digital Inflation Cap/Floor	
	Influence on market value when increasing	Influence on market value when decreasing
inflation index (out-of-the-money)	+	-
underlying inflation volatility (out-of-the-money)	+	-
inflation index (in-the-money)	+	-
underlying inflation volatility (in-the-money)	-	+
inflation index (at-the-money)	+	-
underlying inflation volatility (at-the-money)	-	+/-

## What happens if Nordea Bank Abp [LEI: 529900ODI3047E2LIV03] 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.

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 can I complain?

Any complaint regarding the product or the conduct of the persons within Nordea advising on, or selling the product can be submitted under the following website <https://www.nordea.fi/en/personal/get-help/tell-us-what-you-think-about-our-services.html>, in written form to Nordea Bank Abp, Palveluasiamies, Snellmaninkatu 6, PL 103, 00101 Helsinki.

## Other relevant information

Additional documentation may be available and could in such case be requested from Nordea and is also available on the website [www.nordea.com](http://www.nordea.com).