

# 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>	Threshold Swap
<b>Issuer of this document</b>	Nordea Bank Abp (hereafter "Nordea")
<b>Regulated by</b>	Finnish Financial Supervisory Authority
<b>Produced</b>	14.09.20

## What is this product?

### Description

A threshold swap is an agreement whereby a party pays a fixed rate against receiving a floating rate, as long as the floating rate remains below an agreed threshold on the fixing dates specified in the contract. If the floating rate reaches the threshold on a fixing date, the fixed-rate payer will instead pay the floating rate for that fixing period. Thus for each fixing period, it is determined whether the fixed-rate payer is to pay the floating or the agreed fixed rate.

The floating rate must refer to an official interbank fixing – eg EURIBOR or LIBOR.

By using a threshold swap a borrower can hedge against a modest rise in interest rates achieving a lower fixed rate than he could get in a plain vanilla swap. The savings on the fixed rate are increased if the threshold is set closer to the fixed rate.

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

The agreed transaction is mutually binding until maturity and cannot be cancelled.

However, it is possible 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 Threshold Swap is aimed at professional clients and eligible counterparties, who are interested in hedging income. The Threshold Swap is a product for 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 a threshold swap is exposed to changes in the market rate of interest.

For the fixed-rate payer an increase in the market rate of interest will initially lead to an increase in market value. However, as the yield increases to levels higher than the threshold, the market value will gradually decrease towards zero. A decrease in the market rate of interest from the levels at which the threshold swap was originally fixed will lead to a decrease in market value.

The market value of a threshold swap is further exposed to changes in the implied interest rate volatility. For the fixed-rate payer an increase in the implied interest rate volatility will initially lead to a decrease in market value, and vice versa. However, if the market rate of interest increases to a level above the threshold, this relation may be neutralized or reversed.

The market value of a threshold swap is exposed to the market parameters listed in the matrix below.

Threshold Swap		
Market Parameters	Influence on market value when increasing	Influence on market value when decreasing
Parallel shift in yield 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.

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.

\* 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.

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	375
% p.a. of nominal	0.375

### 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.