

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	Revenue Inflation Swap
Issuer of this document	Nordea Bank Abp (hereafter "Nordea")
Regulated by	Finnish Financial Supervisory Authority
Produced	15.09.20

What is this product?

Description

A revenue inflation swap operates with two different notional amounts, the debt amount and the income amount. A revenue inflation swap is an agreement between two parties to pay (receive) a real rate on the debt amount plus an aggregated inflation rate on the income amount in a given period against receiving (paying) a nominal interest rate on the debt amount in the same currency and period.

The nominal interest rate can either be a fixed rate or a floating rate minus a spread. A fixed rate is fixed for the entire life of the swap, whereas the floating rate is fixed at the beginning of the individual interest periods, normally 3-month periods. The reference rate for the floating rate is based on official interbank fixings – eg Euribor or Libor.

The real rate is an agreed fixed rate.

The aggregated inflation rate is calculated as the percentage change in the value of the underlying index from an initially agreed basis date to the prevailing fixing date, eg from October 2002 to October 2007. The aggregated inflation rate is fixed and settled at the end of the individual periods, normally 12-month periods. It is also possible to settle the calculated amount in pre-specified instalments. The inflation rate is calculated on the basis of official consumer price indices – eg HICPxT for Europe, CPI-NSA for the US, DKCP for Denmark or SECPI for Sweden. Other indices can be agreed.

The debt and income amounts in a revenue inflation swap are used solely as the basis for calculating the payments. The debt and income amounts themselves are never paid.

Typically, a net settlement arrangement will be agreed, so that positive and negative payments fall due on the same dates.

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 will be 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 Revenue Inflation Swap is aimed at professional clients and eligible counterparties, who are interested in hedging income. The Revenue Inflation 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 a revenue inflation swap is exposed to changes in the market rate of interest and to changes in the inflation curve.

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

* 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.

Revenue Inflation Swap		
Market Parameters	Influence on market value when increasing	Influence on market value when decreasing
Parallel shift in yield curve	+	-
Steepness of yield curve	+/-	+/-
Parallel shift in inflation curve	-	+
Steepness of inflation curve	+/-	+/-

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.

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.