# Key Information Document

## Purpose

This document provides you with **key information about this investment product**. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.

## Product

| | |
|---|---|
| **Product name** | Swaption with Cash Settlement (payer) |
| **Legal name** | Nordea Bank Abp |
| **Regulated by** | Finnish Financial Supervisory Authority |
| **Produced** | 01.11.18 |
| | Call +358 200 3000 for more information or visit www.nordea.com |

**You are about to purchase a product that is not simple and may be difficult to understand.**

## What is this product?

**Type**

This product is a derivative contract in the form of an option to enter a swap relating to interest rates.

**Objectives**

- The objective of this product is to give you the right, but not the obligation, to receive the cash value (if positive) of an interest rate swap on a pre-agreed future date (expiry date) and it may be used as protection against rising interest rates on a future date.
- The product achieves its objective by you and Nordea agreeing to the terms of the swaption with cash settlement, under which you pay Nordea a premium in return for the right to receive on the expiry date of the swaption the cash value at that time of an underlying interest rate swap (the underlying interest rate swap) under which you would pay Nordea a fixed interest amount and Nordea would pay you a floating interest amount for an agreed period of time.
- The underlying interest rate swap is used solely for calculating a cash value and you will not enter into the underlying interest rate swap.
- The terms of the underlying interest rate swap are pre-agreed, including the fixed rate (the strike price), the floating interest reference rate, the notional amount, the start date, payment dates and the maturity date. At the expiry date you can decide whether you want to exercise the swaption. If on the expiry date of the swaption the market rate of a corresponding interest rate swap is above the strike price, then you will receive the cash value of the underlying interest rate swap from Nordea if you choose to exercise the swaption. The cash value is calculated by discounting the future cash flows stemming from the difference between the strike price and the market rate of a corresponding interest rate swap. If the market rate of a corresponding interest rate swap. is below the strike price, the interest rate swap will have a value of zero and you will not receive any payment.
- Payments under a swaption consist of an upfront payment that you pay to Nordea for the right to receive the cash value of the underlying interest rate swap. There are no interest payments during the swaption's lifetime. The notional amount is used as the basis for calculating the cash value of the swaption and the underlying interest rate swap. Whether or not you exercise the right to receive the cash value of the underlying interest rate swap, the premium you paid will not be returned.
- The Swaption with Cash Settlement (payer) is a bilateral agreement that cannot ordinarily be terminated unilaterally by either you or Nordea. It is a product that is entered into for its term, although early termination may occur in the event of a default of either you or Nordea. The agreement between you and Nordea provides that if certain exceptional events occur (1) Nordea may make adjustments to certain products and/or (2) Nordea or you may terminate the product early. These events are specified in more detail in the agreement between you and Nordea. The product may also be terminated upon mutual agreement. The amount (if any) you receive or pay on such early termination is likely to be different from the scenarios described in this document.
- Nordea and you may agree on an optional early termination for Nordea as part of the product terms. The optional early termination allows Nordea to terminate the product at specific dates prior to maturity for settlement at market value.
- You may not be able to terminate this product even though you or Nordea have terminated or discontinued a product or a commercial flow that this product is aimed to hedge.
- Illustrative terms are set out below, which are illustrative of the terms of a Swaption with Cash Settlement (payer), but which do not reflect the exact terms you agree with Nordea. The exact terms will be set out in an individual trade confirmation.

| | |
|---|---|
| **Trade date** | 09.02.18 |
| **Start** | 14.02.19 |
| **Maturity** | 16.02.24 |
| **Currency** | EUR |
| **Nominal amount** | 431 034 EUR |
| **Amortisation** | Bullet |
| **Expiry date** | 03.01.19 |

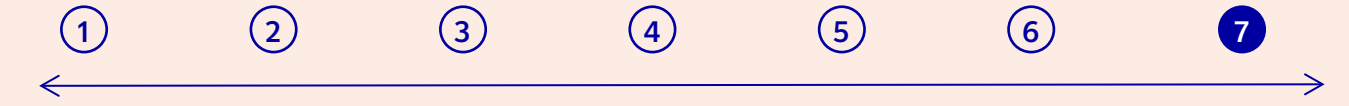
| | |
|---|---|
| **Floating interest rate/Reference rate** | 3-month Euribor |
| **Underlying interest rate swap - floating interest rate** | 3-month Euribor |
| **Underlying interest rate swap - fixed interest rate** | 0,49 % |
| **Underlying interest rate swap - fixed interest rate payment dates** | Quarterly, starting 18.02.19 until 16.02.24 |
| **Underlying interest rate swap - floating interest rate payment dates** | Quarterly, starting 18.02.19 until 16.02.24 |
| **Premium** | 10000,00 EUR |
| **Cash settlement date** | 14.02.19 |
| **Day count - fixed rate** | ACT 360 |
| **Day count - floating rate** | ACT 360 |

**Intended retail investor**

The product Swaption with Cash Settlement (payer) is aimed at retail clients, who are interested in hedging and who have a long-term investment horizon of more than 5 years. The Swaption with Cash Settlement (payer) is a product for informed investors or advanced investors.* The investor is able and willing to bear losses beyond the investment amount and puts no emphasis on capital protection. On a scale of risk ranging from 1 (very low risk tolerance; very low to low return) to 7 (very high risk tolerance; highest return) the product Swaption with Cash Settlement (payer) falls in risk category 7.

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

**Risk indicator**




The risk indicator assumes you keep the product for 5 years.
You may not be able to end your product early. You may have to pay significant extra costs to end your product early.

The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you. We have classified this product as 7 out of 7, which is the highest risk class. This rates the potential losses from future performance at a very high level, and poor market conditions are very unlikely to impact the capacity of Nordea Bank Abp to pay you.
When this product is combined with other products or commercial positions, the total portfolio will have a different net risk profile.
This product does not include any protection from future market performance so you could incur significant losses.
If we are not able to pay you what is owed, you could incur significant losses.

### Performance scenarios

| **Investment 10 000 EUR*** **Scenarios** | | **5 years** (Recommended holding period) |
|---|---|---|
| Stress scenario | **What you might get back or pay after costs** | 0 EUR |
| | Average return each year | -100 % |
| Unfavourable scenario | **What you might get back or pay after costs** | 0 EUR |
| | Average return each year | -100 % |
| Moderate scenario | **What you might get back or pay after costs** | 0 EUR |
| | Average return each year | -100 % |
| Favourable scenario | **What you might get back or pay after costs** | 730,19 EUR |
| | Average return each year | -92,7 % |

This table shows the money you could get back or pay over the next 5 years, under different scenarios, assuming that you invest 10 000 EUR. The scenarios shown illustrate how your investment could perform. You can compare them with the scenarios of other products. The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this investment varies, and are not an exact indicator. What you get will vary depending on how the market performs and how long you keep the investment. The stress scenario shows what you might get back in extreme market circumstances, and it does not take into account the situation where Nordea Bank Abp is not able to pay you. This product cannot be easily ended. This means it is difficult to estimate how much you would get back if you end before maturity. You will either be unable to end early or you will have to pay high costs or make a large loss if you do so. The figures shown include all the costs of the product itself, but may not include all the costs that you pay to your advisor or distributor. The figures do not take into account your personal tax situation, which may also affect how much you get back.
* The calculation is based on the notional of the contract (in this example 431 034 EUR).

* 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 happens if Nordea Bank Abp is unable to pay out?

When buying the product you assume a credit risk on the issuer. In the event of the issuers bankruptcy, the holder of the product will have an unsecured claim versus the bank. Note that the product is not covered by any deposit guarantee scheme.

## What are the costs?

The Reduction in Yield (RIY) shows what impact the total costs you pay will have on the performance of the product. The total costs take into account one-off, ongoing and incidental costs.
The amounts shown here are the cumulative costs of the product itself, for the recommended holding period. They include potential early exit penalties. The figures assume you invest 10 000 EUR. The figures are estimates and may change in the future.

### Costs over time

The person selling you or advising you about this product may charge you other costs. If so, this person will provide you with information about these costs, and show you the impact that all costs will have on your investment over time.

| Investment 10 000 EUR | If you cash in at the recommended holding period |
|---|---|
| Total costs | 6 465,51 EUR |
| Impact on return (RIY) per year | 183,89 % |

### Composition of costs

The table below shows:

- The impact each year of the different types of costs on the performance of the product at the end of the recommended holding period.
- What the different cost categories mean.

### This table shows the impact on return per year

| | | | |
|---|---|---|---|
| One-off costs | Entry costs | 0,3 % | The impact of the costs you pay when entering your investment. |
| | Exit costs | n.a. | The impact of the costs of exiting your investment when it matures. |
| Ongoing costs | Portfolio transaction costs | 0 % | The impact of the costs of us buying and selling underlying investments for the product. |
| | Other ongoing costs | 0 % | The impact of the costs that we take each year for managing your investments and the costs presented in Section II. |

## How long should I hold it and can I take money out early?

### Recommended holding period: 5 years

This product is designed for staying invested until the maturity date.
This product cannot easily be cashed in. This means that it will be difficult to estimate how much you would get back if you cash in before the redemption date. You will either be unable to cash in early or you may have to pay high costs or make a large loss if you do so.

## How can I complain?

Any complaint regarding the product or the conduct of the manufacturer or persons within Nordea advising on, or selling the product can be submitted under the following website https://www.nordea.fi/tietoa-nordeasta/tietoa-nordeasta/palveluasiamies.html, in written form to Nordea Bank Abp, Palveluasiamies, 2219 Household, 00020 NORDEA or via email to palveluasiamies@nordea.com.

## Other relevant information

The derivative master agreement governing the product is provided to you as separately agreed. Arrangements for mitigating credit risk may also be agreed between you and Nordea when required. The information contained in this Key Information Document does not constitute a recommendation to buy or sell the product and is no substitute for individual consultation with your bank or advisor. Nordea uses an independent external vendor to calculate the performance scenarios according to the methodology prescribed in the PRIIPs regulation and the supplementing regulatory technical standard. The methodology may cause the performance scenarios to be substantially more favourable (or less favourable) than the performance implied by Nordea's estimates, market consensus and implied market prices. Hence, Nordea' view is that an investment decision should not be based on the performance scenarios.