

# 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>	CPI Swap
<b>Issuer of this document</b>	Nordea Bank Abp (hereafter "Nordea")
<b>Regulated by</b>	Finnish Financial Supervisory Authority
<b>Produced</b>	22.09.20

## What is this product?

### Description

A CPI swap is an agreement between two parties to pay (receive) a nominal interest rate in a given period against receiving (paying) an inflation rate in the same currency and period. This also includes the version where the currency of the underlying inflation index is different from the payment currency, ie, the quanto version. 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 6- or 12-month periods. The reference rate for the floating rate is based on official interbank fixings – eg Euribor or Libor. The inflation rate is fixed at the end of the individual interest periods, normally 6- or 12-month periods. The inflation rate is calculated on the basis of official consumer price indices – eg HICPxT for Europe, FRCPI for France, UKRPI for the UK, CPI-NSA for the US or DKCPI for Denmark. Other indices can be agreed. It is calculated as the percentage change in the index between the current and the previous fixing date. A consumer price index represents the monetary value of a basket of goods and services. Expectations of the trend in an inflation index are traded in the market as the future inflation that makes an investor indifferent between nominal and inflation-linked investments. The collection of the expected inflation rates at different tenors constitutes an inflation curve.

The notional amount in a CPI swap is used solely as the basis for calculating the payments. The notional amount in itself is 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 CPI Swap is aimed at professional clients and eligible counterparties, who are interested in preservation of their capital, capital growth and hedging, income and other investment objectives. The CPI 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 CPI swap is exposed to changes in the market rate of interest and to changes in the inflation curve.

For a quanto version the market value is also exposed to changes in the implied volatility of the exchange rate between the payment currency and the currency of the underlying inflation index and to changes in the implied correlation between the inflation index and the exchange rate.

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

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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.

Market Parameters	CPI Swap	
	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	+/-	+/-
Implied FX rate volatility (applies to quanto versions)	+/-	+/-
Implied correlation (FX rate, inflation index- applies to quanto versions)	+/-	+/-

## 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.