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	Securities borrowing
Issuer of this document	Nordea Bank Abp (hereafter "Nordea")
Regulated by	Finnish Financial Supervisory Authority
Produced	06.09.24

What is this product?

Description
Securities borrowing is a temporary transfer of securities (equities/bonds) from Nordea (the lender) to the customer (the borrower) traded over the counter (OTC). The security loan is done as a transfer of title, which entails that the legal ownership is temporarily transferred from Nordea to the customer. This implies that the customer may be forced to flag for an increase in holdings. During the period of the loan, the customer covers the borrowed securities with collateral in the form of either cash or securities. The collateral is placed with Nordea. The market value of such collateral must at all times be equal to the market value of the securities lent out, adjusted by a haircut (in percent) agreed between the two parties. The security loan will then be margined on a day-to-day basis adjusting the collateral composition. In the event that the customer fails to comply with Nordea's demand for additional collateral, Nordea will have the right to liquidate all or parts of the customer's collateral.
Securities borrowing transactions are usually agreed on an open basis, so the lender (the borrower) may at any time demand recall (redelivery) of the securities on loan. A recall must follow local market settlement cycles. In this situation both parties must reverse their commitments. Any fees, dividends, coupon interest or other distributions related to the securities during the life of the loan will be claimed by Nordea. Nordea will pay manufactured dividend/coupon on the posted non-cash collateral. Cash placed as collateral will always be repaid with interest. The interest rate will either be fixed or floating; terms will be negotiated between the customer and Nordea.
Securities borrowing is done on a best-effort basis, potential delays and their effects on the settlement of the loan will not be charged to Nordea. Before selling short, the customer must check availability to borrow the stock. Securities' borrowing is governed by the Global Master Securities Lending Agreement (GMSLA) or a local stock loan agreement (SLA). The fee of a security loan is quoted as basis points per annum on the market value of the underlying securities. The fee is driven by supply and demand where important factors affecting the fee are corporate actions such as takeovers, mergers and rights issues, but also the underlying liquidity of the stock and the agreed collateral schedule affect the fee. The fee is subject to change until the transaction is agreed upon. During the life of the loan, a renegotiation of the fee is possible, and if both parties agree the new fee will be applied. The fee is accumulated day by day and paid monthly by the customer to Nordea.

Intended investor
The product Securities borrowing is aimed at professional clients and eligible counterparties. The Securities borrowing is a product for .*

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.

Market risk

The market risk associated with entering into a short position includes an unlimited downside risk since the securities will be returned to Nordea at the prevailing market value regardless of the price performance of the underlying securities. The customer may be forced to buy back the securities at a higher market price in order to return them.
The market risk associated with the securities borrowing transaction consists of potentially large fluctuations in the value of the posted collateral. A negative change in the value will force the customer to post more collateral to keep the existing securities on loan. The posted collateral value will be directly affected by a failure of the underlying issuer to pay its obligation to the market. The customer can alternatively eliminate such a demand for additional collateral by returning parts of the borrowed securities. In the event that the customer fails to comply with Nordea's demand for additional collateral, Nordea will have the right to liquidate all or parts of the customer's collateral.
If the underlying securities and the collateral are denominated in different currencies, the trade includes a currency risk. A weakening of the collateral currency against the denominated currency of the underlying securities will imply a margin call/adjustment since the collateral will be relatively lower valued.
The product involves interest rate risk if cash is posted as collateral since such cash collateral is repaid with interest.

Counterparty credit risk

A securities borrowing transaction contains credit risk exposure for the customer since the collateral value is adjusted by a haircut; this means that the value of the posted collateral exceeds that of the borrowed securities. Credit risk is any credit event that occurs

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preventing either party from paying back its obligations under the contract. In case of a Nordea default, it may not be possible to return the placed collateral.

	Securities borrowing	
Market Parameters	Influence on market value when increasing	Influence on market value when decreasing
Not applicable	Not applicable	Not applicable

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.

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.

Investment (based on above nominal)	Cumulative Costs
Combined cost to buy and exit the product	1000
% p.a. of nominal	1

Composition of costs on purchase of the product

Detailed Costs	Description	Amount in EUR	%
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.	1000	1
Transaction costs	All execution costs and charges associated with the buying or selling of the financial instrument performed by Nordea or another party.	20	1
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.