

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	Knock Out/In Previous Coupon Swap
Issuer of this document	Nordea Bank Abp (hereafter "Nordea")
Regulated by	Finnish Financial Supervisory Authority
Produced	04.05.26

What is this product?

Description

A knock-out swap is an agreement between two parties to pay (receive) a fixed interest rate in a given period against receiving (paying) a floating rate in the same currency and period. The swap will, however, be cancelled at no cost if the reference rate for the floating rate is fixed at or beyond a specified barrier at the specific fixing dates for the floating leg.

The fixed rate is fixed for the entire life of the swap at inception whereas the floating rate is fixed at the beginning of the individual interest periods, normally 3- or 6-month periods.

The reference rate for the floating rate is based on an official interbank fixing – eg Euribor or Libor.

The remaining part of this description solely relates to the situation where the barrier has not been breached. The value of a knock-out swap is path-dependent, ie the value of the knock-out swap depends both on the value of the interest rate swap and on the development of the reference rate during the life of the knock-out swap. The type of knock-out swap depends on whether the knock-out barrier is higher or lower than the prevailing level of the reference rate. If the barrier is lower than the reference rate, the swap is called a down-and-out swap. Conversely, if the barrier is higher than the reference rate, the swap is called an up-and-out swap.

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

The agreement is mutually binding until the barrier is breached or until maturity of the swap. 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 Knock Out/In Previous Coupon Swap is aimed at professional clients and eligible counterparties, who are interested in hedging income. The Knock Out/In Previous Coupon 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 specific risks involved with a knock-out swap are that the payoff has a binary feature. Either the reference rate trades at or beyond the barrier level and the knock-out is activated, ie the interest rate swap is cancelled, or the barrier level is not breached during the lifetime of the knock-out swap and the payments of the swap will be similar to a regular interest rate swap.

Thus, if a knock-out swap is bought for hedging reasons the position remains hedged until the barrier level is breached and the knock-out swap is cancelled.

The market value of a knock-out swap is exposed to changes in the market rate of interest and to the implied interest rate volatility. The changes in market value depend on the relation between the chosen fixed rate and barrier, and the level and shape of the yield curve and implied interest rate volatility curve. A knock-out payer swap is subject to risk on 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.

Market Parameters	Knock Out/In Previous Coupon Swap	
	Influence on market value when increasing	Influence on market value when decreasing
Market rate of interest rate	+/-	+/-
Steepness of yield curve	+/-	+/-
Implied yield curve volatility	+/-	+/-
FX spot rate (put on ccy1)	+/-	+/-
Interest rate ccy1 (put on ccy1)	+/-	+/-
Interest rate ccy 2 (put on ccy1)	+/-	+/-
FX rate volatility (put on ccy1)	+/-	+/-
Time to maturity (put on ccy1)	+/-	+/-
FX spot rate (call on ccy1)	+/-	+/-
Interest rate ccy1 (call on ccy1)	+/-	+/-

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.