

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	Flippable Swap
Issuer of this document	Nordea Bank Abp (hereafter "Nordea")
Regulated by	Finnish Financial Supervisory Authority
Produced	11.12.24

What is this product?

Description

A flippable swap is an agreement between two parties to enter into an initial interest rate swap (the initial swap) paying (receiving) either a fixed interest rate or a floating rate plus a spread in a given period against receiving (paying) a floating rate in the same currency and period where one of the parties has the right to cancel the initial swap on one or more specified date(s). If the initial swap is cancelled, it is flipped to another interest rate swap (the final swap). Both the initial and the final swap are in the same currency and have the same maturity date, but they differ in payment terms. If the initial swap is cancelled/flipped, the final swap can no longer be cancelled.

The seller of the cancellation right is compensated by the buyer by paying (receiving) a lower (higher) fixed or floating rate than the prevailing market rate in the interest rate swap market.

A fixed rate in the initial swap is fixed until either cancellation or maturity. If the swap has been cancelled/flipped, the fixed rate in the final swap is fixed until maturity. The floating rate in both the initial and the final swap is fixed either at the beginning or at the end of the individual interest periods, normally 3- or 6-month periods.

The reference rate for the floating-rate payment is based on the official interbank fixings – eg Euribor or Libor.

The notional amount in a flippable swap is used solely as the basis for calculating the interest payment. Cash flows under a flippable swap consist solely of the interest payments.

Typically, a net settlement arrangement will be agreed, so that the fixed- and floating-rate payments fall due on the same payment dates. The price is subject to change until the transaction is agreed upon. The agreed transaction is mutually binding until maturity although it can be cancelled/flipped by the buyer of the cancellation right at the specified dates. However, it will be possible for either party 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 Flippable Swap is aimed at professional clients and eligible counterparties, who are interested in hedging income. The Flippable 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 product is exposed to changes in the market rate of interest and changes in the implied interest rate volatility.

The initial swap will be cancelled (payments flipped) if the prevailing market value at one of the pre-specified cancellation dates exceeds the value of continuing the initial swap.

Thus, by selling the right to cancel the initial swap, the position's net value is characterised by no lower limit but an upper limit up until the cancellation of the initial swap. The risk on the final swap is, however, similar to that of a regular interest rate swap. The product and risk description for an interest rate

* 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.

Flippable Swap		
Market Parameters	Influence on market value when increasing	Influence on market value when decreasing
Market rate of Interest	+/-	+/-
Steepness of yield curve	+/-	+/-
Implied interest rate volatility	+/-	+/-

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.