

# 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>	Ratchet Swap
<b>Issuer of this document</b>	Nordea Bank Abp (hereafter "Nordea")
<b>Regulated by</b>	Finnish Financial Supervisory Authority
<b>Produced</b>	04.10.19

## What is this product?

### Description

A ratchet swap is an agreement between two parties to pay (receive) a ratchet rate in a given period against receiving (paying) a floating rate plus a spread in the same currency and period.

The ratchet rate is set at an agreed level at inception (the initial ratchet rate), and it is then reset for every fixing period as the lower of

- the ratchet rate for the previous period
- the prevailing reference rate

Thus the ratchet rate can either stay flat or decrease over the lifetime of the swap.

Both the ratchet rate and the floating rate are fixed at the beginning of the individual interest periods, normally 3-, 6- or 12-month periods. The floating rate is based on the official interbank fixings – eg Euribor or Libor. The reference rate for the ratchet rate payment can be based on either official interbank fixings or on a constant maturity swap rate, which typically will be based on an official swap fixing, eg ISDAFIX. In case an official swap fixing does not exist, the conditions for the reference rate can be agreed specifically between the two parties.

The notional amount in a ratchet swap is used solely as the basis for calculating the interest payment. Cash flows under a ratchet swap consist solely of the interest payments. Typically, a net settlement arrangement will be agreed, so that the ratchet- and floating-rate payments fall due on the same payment dates.

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

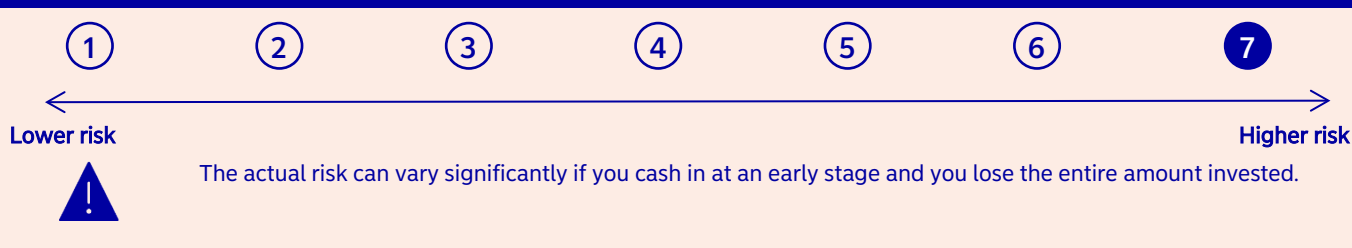
The agreed transaction is mutually binding until maturity. However, it will be possible to terminate the transaction before maturity. As the market value of the transaction may have changed since it was initiated, an early termination will usually involve a payment of the present market value from one party to the other.

### Intended investor

The product Ratchet Swap is aimed at professional clients and eligible counterparties, who are interested in hedging income. The Ratchet Swap is a product for informed investors and advanced investors.\* The intended retail investor has a high risk tolerance.

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

### Risk indicator



The summary risk indicator is a guide to the level of risk of this product compared to other products with a similar risk profile sold by Nordea. It shows that the potential risks that the product will lose money because of movements in the markets or because the issuer of this product or the counterparty (which may be Nordea), as applicable, is not able to pay you.

We have classified this product as 7 out of 7, which is the highest risk class.

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 ratchet swap is exposed to changes in the market rate of interest and to changes in the implied interest rate volatility.

The market value of a ratchet swap is exposed to 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.

Ratchet Swap		
Market Parameters	Influence on market value when increasing	Influence on market value when decreasing
Market rates of interest	+	-/0
Implied interest rate volatility	+	-

## What happens if Nordea Bank Abp [LEI: 529900ODI3047E2LIV03] 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 can I complain?

Any complaint regarding the product or the conduct of the persons within Nordea advising on, or selling the product can be submitted under the following website <https://www.nordea.fi/en/personal/get-help/tell-us-what-you-think-about-our-services.html>, in written form to Nordea Bank Abp, Palveluasiamies, Snellmaninkatu 6, PL 103, 00101 Helsinki.

## Other relevant information

Additional documentation may be available and could in such case be requested from Nordea and is also available on the website [www.nordea.com](http://www.nordea.com).