

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	Repo, Reverse Repo and Buy-sellback
Issuer of this document	Nordea Bank Abp (hereafter "Nordea")
Regulated by	Finnish Financial Supervisory Authority
Produced	06.09.24

What is this product?

Description

A repo is an agreement between two parties in which one party sells a bond to the other and at the same time agrees to repurchase (=repo) the bond at a specified later date. The price of both the sale and the repurchase is agreed at the time of inception.

The agreement is equivalent to a combination of a spot bond transaction and a bond forward transaction where the bond bought (sold) spot is the same as the bond sold (bought) forward.

A repo is a loan which has a bond as collateral. The party that sells the bond raises cash and offers the bond as collateral. The repurchase price includes interest (the repo rate) incurred on the loan during the repo period.

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.

When a client sells a bond to Nordea and repurchases it with a later settlement date, the deal is called a repo deal. When a client buys a bond from Nordea and sells it back with a later settlement date, the deal is called a reverse repo deal.

Classic repo versus buy and sellback

In a classic repo, the seller of the bond retains all economic benefits of the ownership of the bond during the repo period. The sale and repurchase are consequently booked as one transaction. By contrast, a buy and sellback (alternatively sale and buyback) is formally booked as two separate transactions, and any coupon payments in the period go to the buyer in the buy and sellback deal. Effectively the original owner is, however, compensated for the coupon payment at the end of the transaction.

A classic repo may be executed with an open or fixed-term repurchase date and the collateral may be substituted if the counterparties agree.

The open end classic repo is available in a separate description.

Intended investor

The product Repo, Reverse Repo and Buy-sellback is aimed at professional clients and eligible counterparties, who are interested in capital growth and hedging and income. The Repo, Reverse Repo and Buy-sellback 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 market value of a repo is exposed to changes in the market rate of interest influencing the price of the underlying bond and the repo rate.

The bond borrower in a repo assumes the full market risk on the bond used as collateral in the case of the lender's default.

The market value of a repo is equivalent to a combination of the market value of a spot bond transaction and the market value of a bond forward transaction. Separate risk descriptions are available for these products.

The risk related to the price performance of the bond used as collateral is not removed by entering into a repo.

The buyer of a bond in a repo assumes the full credit risk of the seller. In the case of default the buyer may suffer a loss if the market value of the bond used as collateral has decreased.

Market Parameters	Repo, Reverse Repo and Buy-sellback	
	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. The product is not covered by any deposit protection scheme. Thus, you could lose the entire amount invested.

* 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.

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	200
% p.a. of nominal	0.2

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.	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.	100	0.1
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.