



Key Information Document

Interest Rate Swap

Purpose

This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, costs, risks and potential gains and losses of this product and to help you compare it with other products.

Product

The Manufacturer of this product is Luminor Bank AS (further – Luminor). Contact us on +371 67015323 for more information or visit www.luminor.ee. Luminor is under the supervision of the Estonia's Finantsinspeksioon (further – FSA). This Key Information Document was published on 2019 02 21.

ALERT

You are about to purchase a product that is not simple and may be difficult to understand.

What is this product?

Type. An Interest Rate Swap is an over the counter (OTC) contract where a series of floating interest payments are exchanged for a series of fixed interest payments for an agreed period of time.

Below calculations are based on 5 Years against 3 Months EURIBOR Interest Rates Swap.

Objectives. The objective of trading an Interest Rate Swap is to avoid adverse changes in rising (or falling) interest rates. You and Luminor agree to the terms of the Interest Rate Swap, under which you agree to pay Luminor a fixed interest amount and Luminor agrees to pay you a floating interest amount for an agreed period of time or vice versa. If the interest rate is negative, this effectively means that a payer of negative rate actually receives interest which is accrued based on negative rate and vice versa a receiver of a negative rate is actually paying the amounts accrued based on a negative rate.

Payments under an Interest Rate Swap consist solely of interest payments. The notional amount is used solely for calculating the interest payments, hence no exchange of notional amounts will be made under the interest rate swap.

The fixed interest amount is based on a fixed interest rate that remains the same during the term of the product. The fixed interest amount is paid by you on pre-agreed payment dates and is calculated on the basis of the fixed interest rate multiplied with the notional amount and the day count fraction.

The floating interest amount is based on a floating interest reference rate that is determined in the beginning of each interest rate period. The floating interest amount is paid by Luminor on pre-agreed payment dates and is calculated on the basis of the floating interest rate (plus, in the event this is agreed upon, a spread) multiplied with the notional amount and the day count fraction.

The Interest Rate Swap is a bilateral agreement that cannot be terminated unilaterally by either you or Luminor. This is a non-transferrable transaction that cannot be transferred to a third party. It is a product that is entered into for its term, although early termination may occur in the event of default of either you or Luminor. Event of default is specified in more detail in the agreement between you and Luminor. The Interest Rate Swap may also be terminated upon mutual agreement. The amount, if any, you receive or pay on such early termination is likely to be different from the scenarios described in this document.

Warning! You may not be able to terminate Interest Rate Swap even though you or Luminor have terminated or discontinued a product or commercial flow that this product is aimed to hedge.

Intended Retail Investor. This product is aimed at corporate clients willing to manage their interest rate exposure who have sufficient knowledge and/or experience to understand this product and to assess associated risks, have financial capacity to enter into this product and to bear any potential loss related thereto and need to hedge against adverse changes in interest rates.

Term. An Interest Rate Swap generally has no recommended holding period. Term is agreed between you and Luminor.

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

Risk Indicator



The risk indicator assumes you keep the product till maturity of the transaction. You may not be able to cash in early. You may have to pay significant extra costs to cash in early.

The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets. We have classified this product as 7 out of 7, which is the highest risk class. This rates the potential losses from future performance at a very high level. Values may fluctuate significantly in times of high volatility or market/economic uncertainty. As a result, margin calls may be made quickly and/or frequently. In the event of default, Luminor shall seek to immediately terminate, cancel and close-out all or part of any outstanding positions, and any shortfall will be borne by you. When this product is combined with other products or commercial positions, the total portfolio might have a different net risk profile. This product does not include any protection from future market performance, so you could lose some or all of your investment. If we are not able to pay you what is owed, you could lose your entire investment. Trade only after you have acknowledged and accepted the risks.

Performance Scenarios

Investment: 10 000 EUR		1 Year	3 Years	5 Years (Recommended holding period – till maturity.)
Stress scenario	What you might get back after costs	-100.00 EUR	-100.00 EUR	-100.00 EUR
	Average return each year	-101.00%	-101.00%	-101.00%
Unfavourable scenario	What you might get back after costs	1,465.72 EUR	91.90 EUR	-65.31EUR
	Average return each year	-85.34%	-99.08%	-100.65%
Moderate scenario	What you might get back after costs	5,836.37 EUR	1,891.15 EUR	582.25 EUR
	Average return each year	-41.64%	-81.09%	-94.18%
Favourable scenario	What you might get back after costs	21,066.33 EUR	18,943.37 EUR	13,245.48 EUR
	Average return each year	110.66%	89.43%	32.45%

This table shows the money you could get back or pay over 5 years, under different scenarios, assuming transaction amount of 10 000 EUR. The scenarios shown illustrate how your investment could perform. You can compare them with scenarios of other products. The scenarios presented are an estimate of future performance based on evidence from the past and are not an exact indicator. What you get will vary depending on how the market performs and how long you keep the product. The stress scenario shows what you might get back in extreme market circumstances, and it does not take into account the situation where Luminor is not able to pay you. This product cannot be easily ended. This means it is difficult to estimate how much you would get back if you end the product before maturity. You will either be unable to cash in early or you will have to pay high costs or take a large loss if you do so. The figures shown include all the costs of the product itself but may not include all the costs that you pay to your advisor or distributor. The figures do not take into account your personal tax situation, which may also affect how much you get back.

What happens if Luminor is unable to pay you?

When buying this product you assume a credit risk on the issuer. In the event of the issuers bankruptcy, the holder of the product will have an unsecured claim versus the issuer (this case – Luminor). Note that the product is not covered by any deposit guarantee scheme.

What are the costs?

The Reduction in Yield (RIY) shows what impact the total costs you pay will have on the investment return you might get. The total costs take into account one-off, ongoing and incidental costs.

The amounts shown here are the cumulative costs of the product itself, for recommended holding period. They include potential early exit penalties. The figures assume the transaction amount of EUR 10 000. The figures are estimates and may change in the future.

Cost over time

The person selling you or advising you about this product may charge you other costs. If so, this person will provide you with information about these costs and show you the impact that all costs will have on your investment over time.

Investment: 10 000 EUR	If you hold the instrument for 5Y (Recommended holding period - till maturity.)
Total costs	100 EUR
Impact on return (RIY)	1,00 %

Composition of costs

The table below shows:

- the impact each year of the different types of costs on the investment return you might get at the end of the recommended holding period;
- the meaning of the different cost categories.

This table shows the impact on return per year			
One-off costs	Entry costs	1,00 %	The impact of the costs you pay when entering your investment. The impact of the costs already included in the price. This includes the costs of distribution of your product.
	Exit costs	N.A.	The impact of the costs of exiting your investment when it matures.
Ongoing costs	Portfolio transaction costs	0 %	The impact of the costs of us buying and selling underlying investments for the product.
	Other ongoing costs	0 %	The impact of the costs we take each year for managing your investments and the costs presented in Section II.

How long should I hold it and can I take money out early?

Recommended holding period: till the maturity of transaction.

This product is designed for staying invested until the maturity date. This product cannot be easily cashed in. This means that it will be difficult to estimate how much you would get back if you cash in before the maturity date. You will either be unable to cash in early or you may have to pay high costs or take a large loss if you do so.

How can I complain?

If you as a client or a prospective client of Luminor have raised a question or an issue with Luminor for instance with your account manager or another employee of Luminor without receiving a satisfactory answer you may file a complaint with Luminor as per below.

	Estonia	Latvia	Lithuania
Internet Bank	www.luminor.ee	www.luminor.lv	www.luminor.lt
Mail	Luminor Bank AS, reg. code: 11315936, address: Liivalaia 45, 10145, Tallinn, Estonia	Luminor Bank AS Latvian Branch, reg. No 40203154352, address: Skanstes iela 12, LV-1013, Riga, Latvia	Luminor Bank AS Lithuanian branch, company code 304870069, address: Konstitucijos ave. 21A, 03601 Vilnius, Lithuania
Branch	Any branch	Any branch	Any branch

If our reply appears inappropriate or for some other reason the you wish that the complaint be examined by a third party, you can contact following:

- Estonia's Finantsinspeksiioon;
- Latvia's Financial and Capital Market Commission;
- Lithuania's Bank of Lithuania or
- Your country's judicial dispute settlement institutions according to the procedure prescribed by them.

Other relevant information

The derivative master agreement governing the product is provided to you as separately agreed. Arrangements for mitigating credit risk may also be agreed between you and Luminor when required.



The information contained in this Key Information Document does not constitute a recommendation to buy or sell the product and is no substitute for individual consultation with your bank or advisor. Additional product information is available on request.