

# Key Information Document

## 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

### Name of Product:

### Interest Rate Collar

Manufacturer:

Luminor Bank AS

<https://luminor.ee/contact-us>

Call +372 628 3300 for more information

Luminor Bank AS is under the supervision of the Estonian Financial Supervision and Resolution Authority (further – [FSA](#)).

This Key Information Document was created on 2024-02-28.

**You are about to enter into a product, which is not simple and may be difficult to understand.**

## What is this product?

**Type.** This product is an OTC (“over-the-counter”) derivative contract.

**Term.** The maturity date of the product will be agreed upon when entering into the contract.

**Objectives.** The product is used to hedge interest rate risk. This is an agreement between the bank and the client, where the parties agree on a payment if the interest rate on the value date is higher than the interest cap or lower than the interest floor. For this, you need to pay an option premium.

If the reference interest rate on the value date is

- higher than the interest cap, then the bank will pay you the difference in interest rates;
- lower than the interest floor, then you will have to pay the difference in interest rates to the bank;
- equal to or between the interest base/ceiling, neither party will make the interest payment.

The payment shall be made on the basis of the difference between the agreed interest cap/floor and the interest rate on the value date and the underlying nominal amount. The nominal amount is used only as the basis for calculating interest payments, it is paid by neither you nor Luminor.

Your specific contract details (e.g. nominal amounts, maturity) will be agreed upon on an individual basis. The example product parameters shown below are based on assumptions and/or regulatory requirements and serve as a basis for the illustrative performance scenarios and costs.

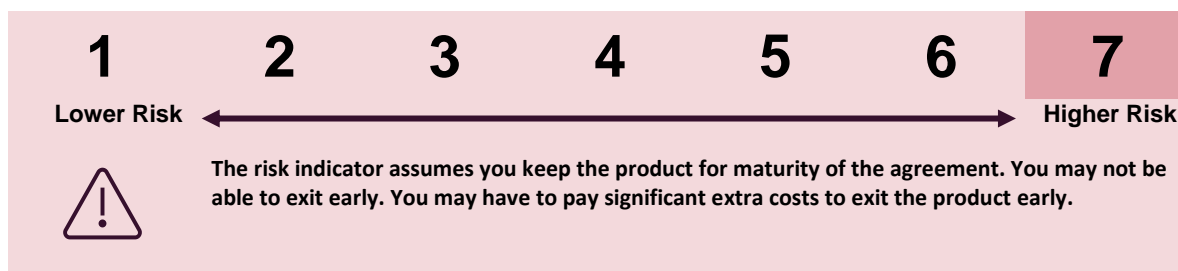
Nominal Amount	894,294.40 EUR
Reference Interest Rate:	EURIBOR-3M p.a.
Cap:	3.0000%
Floor:	2.0000%
Valuation Date:	Q
Option Premium (Investment):	10,000.00 EUR
Term:	5 years

### Intended Retail Investor.

The product is meant for retail clients, who intend to keep the product for the entire agreed term, can bear any loss incurred as a result of market movements during or at the end of the agreed term, have sufficient knowledge and/or experience with this or a similar product, and want to use the product for hedging purposes.

# 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. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you. We have classified this product as 7 out of 7, which is the highest risk class.

We classify all over the counter derivatives as the highest risk class.

This rates the potential losses from future performance at a very high level. Probability that poor market conditions will affect Luminor's capacity to pay you is low.

In some circumstances you may be required to make further payments to pay for losses. **The total loss you may incur may significantly exceed the amount invested.**

This product does not include any protection from future market performance so you could lose some or all of your investment.

If Luminor is not able to pay you what is owed, you could lose your entire investment.

However, you may benefit from a consumer protection scheme (see the section 'what happens if we are unable to pay you'). The indicator shown above does not consider this protection.

## Performance Scenarios

What you will get from this product depends on future market performance. Market developments in the future are uncertain and cannot be accurately predicted. The scenarios shown are illustrations based on results from the past and on certain assumptions. Markets could develop very differently in the future.

Recommended Holding Period: 5 years  
Example nominal amount: 894,294.40 EUR

Scenario:		If you exit after 1 year	If you exit after 5 years
<b>Minimum</b>	<b>There is no guaranteed minimum return.</b> You could lose some or all your investment. You may have to make significant payments to cover losses.		
<b>Stress</b>	What you might get back after costs	7,181 EUR	11,882 EUR
	Average return each year	-28.2%	3.5%
<b>Unfavourable</b>	What you might get back after costs	7,997 EUR	26,987 EUR
	Average return each year	-20.0%	22.0%
<b>Moderate</b>	What you might get back after costs	9,539 EUR	47,995 EUR
	Average return each year	-4.6%	36.8%
<b>Favourable</b>	What you might get back after costs	11,045 EUR	71,942 EUR
	Average return each year	10.4%	48.4%

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. The stress scenario shows what you might get back in extreme market circumstances. The scenarios represent possible outcomes, which have been calculated based on simulations using the reference asset's past performance over up to five past years.

## What happens if Luminor Bank AS is unable to pay you?

You are exposed to the risk that Luminor or its affiliates may not be able to fulfil its obligations arising from this product in the event of insolvency or an official order ("bail-in-regime"). Luminor customer investments are protected as per the terms and

conditions of Estonian Guarantee Fund in the amount of up to 20,000.00 EUR per investor. More information is available at <https://www.luminor.lt/en/private/deposit-and-investment-insurance> and <https://www.tf.ee/eng/protection-of-investors/>

## What are the costs?

### Costs over time

The tables below show the amounts that are taken to cover different costs. These amounts depend on the nominal amount, hold long you hold the product, and market performance. The amounts shown here are illustrations based on an example nominal amount.

Assumptions:

- Investment amount of 10,000.00 EUR;
- On the first year, you achieve a net performance of 0.00%. For the other periods we have assumed the product performs as shown in the moderate scenario.

	<b>If you exit after 1 year</b>	<b>If you exit after 5 years</b>
Total costs	5,000.00 EUR	2,500.00 EUR
Annual cost impact (*)	50%	-107.09%

(\*) This illustrates how costs reduce your return each year over the holding period. This illustrates costs in relation to the investment amount of the PRIIP.

### Composition of costs

<b>One-off costs upon entry or exit</b>		<b>If you exit after 1 year</b>
Entry costs	25.00% of the premium amount	2,500.00 EUR
Exit costs	25.00% of the premium amount. These costs only apply if you exit the product before maturity (the end of the term).	2,500.00 EUR

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

**Recommended holding period: 5 years**

The product is concluded for the agreed term. However, the possibility of an early termination can be agreed. An early termination mean lead to significant extra costs. In this case, you will receive or pay a liquidation price based on the market value of the product and the costs and, if applicable, an additional margin.

## How can I complain?

Complaints about the product or the sales/advisory process can be submitted to Luminor Bank AS at Liivalaia 45, 10145 Tallinn or via email to [info@luminor.ee](mailto:info@luminor.ee).

## Other relevant information

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.

You can download the latest version of this document from the website of Luminor Bank AS ([www.luminor.ee](http://www.luminor.ee)).