

## Key information document

### **Purpose**

This document contains key information about the present investment product. This is not a marketing material. The legislation provides for that the present information is intended to help investors understand the nature, risks, costs, potential benefits and losses of this product and to help compare it with other products.

### **Product**

<b>Name of the product</b>	SWAP transaction
<b>Name of the producer</b>	AS "PNB Banka"
<b>Contact information</b>	More information available by phone (+371) 67041100 or at <a href="http://www.pnbbanka.eu">www.pnbbanka.eu</a>
<b>Supervisory authority:</b>	Financial and Capital Market Commission
<b>Date of production:</b>	The date of the transaction

You are going to buy a product, which is not simple and may be difficult to understand.

### **Description of the product**

<b>Type</b>	Over the counter (OTC) transaction - Foreign exchange instrument
<b>Aims</b>	A fixed-term purchase of one currency with immediate agreement of the Parties on the resale of that currency on a fixed future date, at a certain rate and in the same amount. SWAP transaction is actually a combination of two currency exchange transactions – SPOT (settlement today) and FORWARD (future settlements).
<b>For whom the product is intended</b>	The product is intended for private investors, which are interested in hedging and operations with leverage effect. The client should be an experienced investor and/or have good knowledge about the products of financial instruments.

### **Risks related to purchase of the product**

The risk scale shows risk classification from 1 to 7 (where 1 means very low risk with low profit, while 7 – very high risk with very high profit). SWAP transactions are assigned category 7, which shows the possibility of potential losses of further activity. The client may lose funds due to the changes in prices happening on the market, moreover the ability of the producer to settle with the client may be affected by adverse market conditions (large fluctuations).

The risk classification has been established, taking into account that the transaction is concluded for 6 months.



The client should take into account the risk, related to the changes of exchange rate and the rates of currencies involved in the transaction, as the payment will be received in one currency, but the resulting income received will depend on the exchange rate of both currencies. The aforesaid indicator does not take account of this risk.

SWAP product does not contain protection against further results from market performance, therefore it is possible that a client loses all or a part of your investments.

## Example

In case of *SWAP* transaction, on the day of initial settlement the client makes payment in base currency and receives the principal amount in the listed currency (where the base currency is converted according to the initially established *Spot* rate). On the final settlement day the client pays the principal amount in the listed currency and receives the base currency (where the amount in the base currency is the conversion result of the principal amount of the listed currency according to the initially established future exchange rate).

<b>Base currency</b>	EUR
<b>Transaction currency</b>	USD
<b>The established amount in base currency</b>	10,000
<b>The initial exchange date</b>	02.01.2018
<b>The initial transaction rate (the client buys EUR)</b>	1,2
<b>The final date of currency exchange</b>	03.06.2018
<b>The secondary (final) transaction rate (the client sells EUR)</b>	1,2150

The below table shows the amount of money, which the client may receive after one day in accordance with different scenarios, assuming that 10,000 EUR were invested. The amount of money depends on the market changes and the term of the agreement; data in scenarios are based on the results of previous activity and may not be regarded as precise future indicators. The indicated figures contain all costs, related to the product. The table does not contain taxes, which may affect the final income.

<b>Scenarios for investment of 10,000 EUR for 180 days</b>	<b>Client's gain after payment of all costs</b>	<b>Average return on investments per year</b>
<b>Positive scenario</b>	10 958	9,58%
<b>Moderate scenario</b>	9 952	-0,48%
<b>Pessimistic scenario</b>	8 790	-12,10%
<b>Stress scenario*</b>	8 364	-16,36%

\*Stress scenario shows the amount which may be received in exceptional market circumstances. It should be noted that it does not contain situations, in which the producer is unable to pay.

### What happens when the producer is unable to disburse funds?

The client should take account of the risk, that issuer may be unable to meet their commitments in respect the product, for example, in case of insolvency or based an administrative order. The Deposit Guarantee Law does not apply to SWAP transactions. If the producer is unable to make payments, the client will not receive any payments, related to this product.

### What are the costs?

All costs of the client are included in the exchange rate up to 1%, which means also effect on the annual profitability, reduction in yield (RIY). AS PNB Banka does no apply any additional costs to SWAP products.

One-off costs	Costs of making the investment	1%	Included in the price when the related exchange transaction is concluded
	Costs of termination of the investment	0%	Effect of costs when the investment is terminated
Fixed costs	Portfolio transaction costs	0%	Costs, arising from purchasing/selling for the purposes of portfolio management
	Other fixed costs	0%	Annual costs of investment management

### Advisable term of holding and the possibility of early termination of the agreement

The transaction may not be terminated earlier than established in the agreement. If the client wants to repurchase the currency earlier, an opposite transaction may be concluded. The Bank does not set a specific term for SWAP transactions. The client should take into account that the minimal term is 1 days, but the maximal - 1 year. The term of the agreement depends on the goals of the client, therefore the client itself has to make the decision.

### How to submit a complaint?

A client may submit a complaint, related to a product or service, both orally and in writing by sending an e-mail to [welcome@pnbbanka.eu](mailto:welcome@pnbbanka.eu) or via online bank, as well as by sending a letter to the following address: 15-2 Elizabetes Street, Riga LV-1010, Latvia.

### Additional information

The legal grounds of forward transactions is specified in the document "Description of Financial Instruments and Investment Services". In order to get full information about this product, the client has to familiarise with the document "The execution policy of orders in financial instruments". Documents are available on the website of the Bank [www.pnbbanka.eu](http://www.pnbbanka.eu). For more information, please call 67041100 or visit customer service centres.