

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	Equity Asian Quanto Basket (Buy)
Issuer of this document	Nordea Bank Abp (hereafter "Nordea")
Regulated by	Finnish Financial Supervisory Authority
Produced	22.09.20

What is this product?

Description

An equity Asian quanto basket option (EAQBO) is an agreement between two parties giving the buyer (the holder) the right to receive a payout which is the greater of zero and the difference between the basket return and the agreed strike price on a specified future date (expiry date). The payout is cash settled at a specified maturity date after the expiry date.

The underlying instruments in the basket can be shares in specific companies or equity indices. The weight of each underlying instrument is specified as a percentage of the basket notional. The payout will be in the same currency as the basket notional, which can be different from the denomination currencies of the underlying shares or equity indices.

The basket return is calculated as the arithmetic mean of the reference prices of the underlying instruments on specified observation dates. The observation dates for the basket can be any agreed business day. It can either be at the initial trade date or maturity date only or they can be determined periodically on a daily, weekly, monthly, quarterly or yearly basis.

An EAQBO can either be

- an equity Asian quanto basket call, in which case the payout will be the greater of zero and the difference between the basket return minus the strike price, or
- an equity Asian quanto basket put, in which case the payout will be the greater of zero and the difference between the strike price minus the basket return.

The agreement is binding for the seller of the option. It may be possible to terminate the transaction before the maturity date. As the market value of the transaction may have changed since it was initiated, an early termination will usually involve the initial seller paying the present market value to the initial buyer.

Non-listed equity options, such as EAQBOs, are non-standardised products where trade details like time to maturity and strike price of the option will be individually agreed. The price (premium) is subject to change until the transaction is agreed upon.

Non-standardised equity options are traded and settled through the broker issuing the option. The options will adhere to the rules set out by ISDA.

Intended investor

The product Equity Asian Quanto Basket (Buy) is aimed at professional clients and eligible counterparties, who are interested in capital growth, hedging, leveraged participation and income. The Equity Asian Quanto Basket (Buy) 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 an EAQBO is exposed to changes in the prices of and the relation between the underlying instruments, in the following called shares. The market value of an EAQBO is exposed to the individual share prices, share price volatility and the projected dividend and to the correlation between share prices, the market rate of interest and the time to maturity.

When buying an option the loss is limited to the premium paid, whereas the potential for a profit is unlimited. When selling an option the profit is limited to the premium received, while the risk of a loss is unlimited.

If the EAQBO notional is denominated in a currency different from the denomination currency of an underlying instrument, the EAQBO is also subject to risk with regard to changes in the FX rate between those two currencies and the correlation between the FX rate and the performance of the underlying instrument. This will, however, neither affect the market value at expiry nor the payout at maturity.

As the non-standardised equity option is not listed on a stock exchange or similar authorised market, the liquidity will be lower than for a listed equity option, which can make pricing less efficient.

A bought/sold equity Asian quanto basket call (EAQBC) 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.

Equity Asian Quanto Basket (Buy)		
Market Parameters	Influence on market value when increasing	Influence on market value when decreasing
Share price	+	-
Share price volatility	+	-
Correlation	+	-
Dividend	-	+
Interest rate	+	-
Time to maturity	+	-

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.

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	0
% p.a. of nominal	0

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.	-	-
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.	-	-
Transaction costs	All execution costs and charges associated with the buying or selling of the financial instrument performed by Nordea or another party.	The costs and charges will be presented in full at the point of sale	
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.	-	-
Incidental costs	Any costs and charges tied to events during the holding period of the financial instrument – such as performance fees.	-	-

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.