

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 Call/Put Spread Asian Quanto Basket EU (Buy)
Issuer of this document	Nordea Bank Abp (hereafter "Nordea")
Regulated by	Finnish Financial Supervisory Authority
Produced	19.05.2020

What is this product?

Description

An equity call/put spread Asian quanto basket option is an agreement between two parties and consists of one bought and one sold call Asian quanto basket (referred to as "AQB") option, or one bought and one sold put AQB option. AQB means that the underlying instrument – an individual share, an individual index or a basket of shares or indices – can have initial and final fixing values calculated as arithmetic averages of the instrument's price on specified observation dates (so called "Asian" feature) and that the notional amount can be specified in a different currency than the denomination currency of the underlying instrument (so called "quanto" feature).

AQB option gives the buyer the right, but not the obligation, to buy (call) or sell (put) the underlying instrument at a specified price (strike price) on a specified future date (expiry date, can involve several preceding observation dates) and settled on the maturity date. If an equity call spread AQB option is bought, the buyer effectively buys a call AQB option and simultaneously sells another call AQB option with a higher strike price (vice versa if the same equity call spread AQB option is sold). An equity put spread AQB option is also effectively a package of two AQB options: If an equity put spread AQB option is bought, the buyer effectively buys a put AQB option and simultaneously sells another put AQB option with a lower strike price (vice versa if the same equity put spread AQB option is sold).

Since equity call/put spread AQB options include both a bought and a sold option of the same type (call/put), the option payoff is limited in size compared to a single call/put AQB option. Due to this fact, the products are typically used in situations where the underlying instrument is expected to move only a certain amount: Assuming rational behaviour, the width between the bought and sold strike prices is set to be equal to the width between the current and the expected future instrument level ("expected" refers here to the personal view of the underlying instrument's performance).

The performance of the underlying instrument is measured at expiry by dividing the calculated final fixing value by the calculated initial fixing value and then subtracting the strike price (call) or subtracting the calculated division from the strike price (put); in both cases strike price is measured in relation to the calculated initial fixing value in percentage terms. Besides the underlying performance, the final option payoff is determined by the option type (call/put), strike prices (the width of them) and gearing. If the gearing is lower/higher than one, the option payoff is smaller/greater than the underlying performance measured until the cap (call) / floor (put) level.

The agreement is binding for the seller of the equity call/put spread AQB option. However, it may be possible to terminate the agreement before the maturity date. As the market value of the agreement may have changed since it was initiated, an early termination usually involves a payment of the present market value to the buyer.

Non-listed equity options, such as equity call/put spread AQB options, are non-standardised products where trade details like time to maturity and strike prices of the option are individually agreed on. 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.

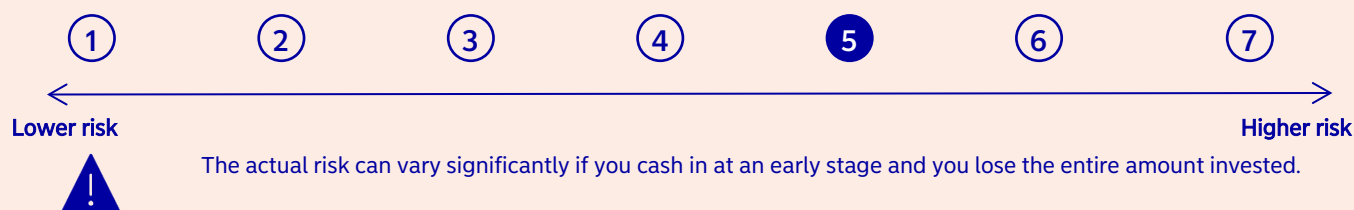
Intended investor

The product Equity Call/Put Spread Asian Quanto Basket EU (Buy) is aimed at professional clients and eligible counterparties, who are interested in capital growth, hedging, leveraged participation and income. The Equity Call/Put Spread Asian Quanto Basket EU (Buy) is a product for informed investors and advanced investors.* The intended retail investor has a medium risk tolerance.

* 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 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 with a similar risk profile sold by Nordea. It shows that the potential risks that the product will lose money because of movements in the markets or because the issuer of this product or the counterparty (which may be Nordea), as applicable, is not able to pay you.

We have classified this product as 5 out of 7, which is a medium-high risk class.

When buying an equity call/put spread AQB option, the loss is limited to the paid premium and the potential profit is limited by the width of the strike prices and the gearing. When selling an equity call/put spread AQB option, the potential profit is limited to the premium received and the loss is limited by the width of the strike prices and the gearing.

The market value of an equity call/put spread AQB option is exposed to the price movements of the underlying instrument, the volatility of the underlying instrument and so called volatility skew (the difference in the market priced volatility for the bought and sold AQB option), the projected dividend, the market rate of interest, the time to maturity, and in case the underlying instrument is a basket, the correlation between the basket components.

As an equity call/put spread AQB option is effectively a package of two call/put AQB options, it is not possible to unambiguously state the effect of general market movements on the market value of the agreement.

If the equity call/put spread AQB notional is denominated in a currency different from the denomination currency of the underlying instrument, the equity call/put spread AQB 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 non-standardised equity options are 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.

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.

Equity Call/Put Spread Asian Quanto Basket EU (Buy)		
Market Parameters	Influence on market value when increasing	Influence on market value when decreasing
Not Applicable	Not Applicable	Not Applicable

What happens if Nordea Bank Abp [LEI: 529900ODI3047E2LIV03] 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.	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.	to be disclosed on transaction level	to be disclosed on transaction level
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 can I complain?

Any complaint regarding the product or the conduct of the persons within Nordea advising on, or selling the product can be submitted under the following website <https://www.nordea.fi/en/personal/get-help/tell-us-what-you-think-about-our-services.html>, in written form to Nordea Bank Abp, Satamaradankatu 5, FI-00020 NORDEA, Helsinki.