

# 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

<b>Product name</b>	OTC equity option
<b>Issuer of this document</b>	Nordea Bank Abp (hereafter "Nordea")
<b>Regulated by</b>	Finnish Financial Supervisory Authority
<b>Produced</b>	22.09.20

## What is this product?

### Description

An OTC equity option is an agreement between two parties giving the buyer (the holder) the right, but not the obligation, to buy (call) or sell (put) a given amount of shares in a specific company, or index, at a specified price (strike price) at a specified future date. Depending on the style of the option, it can either be exercised at any time before or at the expiry date (American-style option), or it can be exercised at the expiry date only (European-style option).

Settlement is either cash settlement (cash amount calculated as the difference between the strike and reference price is paid) or physical settlement (the underlying instrument is delivered).

In case of cash settlement, the method determining the reference price must be specified when the transaction is agreed upon. The price is subject to change until the transaction is agreed upon.

The agreement is binding for the seller of the option. It may be possible to terminate the transaction before maturity. 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 buyer.

OTC equity options are non-standardised products where trade details like time to maturity and the chosen strike price of the option will be individually agreed. A non-standardised product can, in all trading details, be a copy of a standardised option and will then be named a look-alike. Some look-alikes will be settled as a listed option with regular margin adjustments.

Non-standardised 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 OTC equity option is aimed at retail clients, professional clients and eligible counterparties, who are interested in hedging income. The OTC equity option 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.

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

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

The market value of an equity option is exposed to the forward price of the underlying share, the time to expiry and the implied volatility.

A bought equity option is exposed to the market parameters listed in the matrix below.

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\* 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.

Market Parameters	OTC equity option	
	Influence on market value when increasing	Influence on market value when decreasing
Share Price (bought call option)	+	-
Share Price Volatility (bought call option)	+	-
Time to Maturity (bought call option)	+	-
Share Price (bought put option)	-	+
Share Price Volatility (bought put option)	+	-
Time to Maturity (bought put option)	+	-

## 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.