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	FX Option: European Digital Option
Issuer of this document	Nordea Bank Abp (hereafter "Nordea")
Regulated by	Finnish Financial Supervisory Authority
Produced	02.11.21

What is this product?

Description

An FX digital option is an agreement between two parties giving the buyer of the option the right to receive an agreed amount of cash (the payout) if and only if the FX spot rate of the underlying currency pair is trading at or beyond an agreed barrier at the exact time of expiration of the option.
If the FX spot rate of the underlying currency pair is trading at or beyond the barrier at expiry of the option, the payout will fall due at the option's maturity date, normally two business days after the expiry date. The payout has to be agreed at inception and must be settled in one of the currencies in the underlying currency pair of the option.
The price is subject to change until the transaction is agreed upon.
The agreement is binding for the seller of the option. However, it will be possible to terminate the transaction before maturity. If the transaction has a market value, an early termination may involve the initial seller paying the present market value to the buyer.

Intended investor

The product FX Option: European Digital Option is aimed at professional clients and eligible counterparties, who are interested in capital growth and hedging, income and other investment objectives. The FX Option: European Digital Option is a product for informed investors and advanced investors.*

What are the risks and what could I get in return?

The product and 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 FX digital option is exposed to changes in the FX spot rate, the FX rate volatility, the market rate of interest in both currencies and the time to expiry of the option.
In the following we express the FX spot rate as units of ccy2 per 1 unit of ccy1. The term call or put refers to call or put on ccy1.
The FX digital option is said to be in-the-money(out-of-the-money) when the forward rate of the underlying currency pair corresponding to the maturity date of the option is trading above (below) the barrier for a call on ccy1. Vice versa the FX digital option is said to be in-the-money (out-of-the-money) when the forward rate of the underlying currency pair corresponding to the maturity date of the option is trading below (above) the barrier for a put on ccy1.
The further in-the-money (out-of-the-money) the option is, the more expensive(cheaper) the FX digital option becomes. For an in-the-money (out-of-the-money) FX digital option, an increment in FX rate volatility will lead to a lower (higher) price of the option.
When buying an FX digital option the loss is limited to the premium paid, whereas the potential for a profit is limited to the agreed payout. When selling an FX digital option the profit is limited to the premium received, while the risk of a loss is limited to the agreed payout. The risks in an FX digital option are thus limited and known in advance.
The market value of an FX digital option 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.

	FX Option: European Digital Option	
Market Parameters	**Influence on market value when increasing**	**Influence on market value when decreasing**
FX spot rate (in-the-money)	+	-
FX rate volatility (in-the-money)	-	+
Interest rate ccy1 (in-the-money)	-	+
Interest rate ccy2 (in-the-money)	+	-
Time to expiration (in-the-money)	-	+
FX spot rate (out-of-the-money)	+	-
FX rate volatility (out-of-the-money)	+	-
Interest rate ccy1 (out-of-the-money)	-	+
Interest rate ccy2 (out-of-the-money)	+	-
Time to expiration (out-of-the-money)	+	-

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	4000
% p.a. of nominal	4.0

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.	2000	2.0
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 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.