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: Double Barrier Knock-In Option
Issuer of this document	Nordea Bank Abp (hereafter "Nordea")
Regulated by	Finnish Financial Supervisory Authority
Produced	22.09.20

What is this product?

Description
A double barrier knock-in option is an agreement between two parties to enter into a predefined European FX option if the underlying currency cross trades at or beyond either of the two predetermined barriers within the life of the option. A double barrier knock-in option has one barrier on either side of the chosen strike price.

The product and risk description for a regular European FX option is available in a separate product guide. The remaining part of this description solely relates to the situation where neither of the barriers has been breached.

Compared to a regular option the double barrier knock-in option is path-dependent, ie the value of the option depends both on the price of the underlying currency cross relative to the strike price and on the performance of the underlying currency cross during the life of the option.

The closer the knock-in levels are to the spot price for the underlying currency cross, the more expensive the option, as the probability increases that either barrier will be reached and hence activate the underlying European FX 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: Double Barrier Knock-In Option is aimed at professional clients and eligible counterparties, who are interested in hedgingincome. The FX Option: Double Barrier Knock-In 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. The market value of a double barrier knock-in option is exposed to changes in the FX spot rate, the FX rate volatility and the market rate of interest in both currencies.

In the following we express the FX spot rate as units of ccy2 per one unit of ccy1. When referring to put or call, it is put or call on ccy1.

When buying a double barrier knock-in option the loss is limited to the premium paid, whereas the potential for a profit is unlimited.

When selling a double barrier knock-in option the potential profit is limited to the premium received, while the risk of a loss is unlimited.

An FX double barrier knock-in option has a binary feature. Either the currency cross trades at or beyond either barrier level and the option becomes a regular European FX option, or neither of the barrier levels is breached during the lifetime of the option and the value of the knock-in option drops to zero at expiry. Thus, if the knock-in option is bought for hedging reasons the position remains unhedged until either barrier level is breached and the knock-in option becomes active.

Bought double barrier knock-in options are subject to risk on the market parameters listed in the matrix below.

Note that for an FX double barrier knock-in option a spot rate change that moves in the direction of the closest of the two knock-in barriers is generally positive for the option value. Therefore, if the spot is close to the lower barrier, the option value will decrease if the FX spot rate moves up. If instead the spot is close to the upper barrier, the option value will increase if the FX spot rate moves up.

Higher volatility and longer time to maturity are also positive for the market value. Assuming that the double barrier knock-in option has been activated it is subject to risk, corresponding to a regular European FX option (see FX option product and risk description).

* 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: Double Barrier Knock-In Option	
Market Parameters	Influence on market value when increasing	Influence on market value when decreasing
FX spot rate (call on ccy1)	+/-	+/-
Interest rate ccy1 (call on ccy1)	+/-	+/-
Interest rate ccy 2 (call on ccy1)	+/-	+/-
FX rate volatility (call on ccy1)	+	-
Time to maturity (call on ccy1)	+	-
FX spot rate (put on ccy1)	+/-	+/-
Interest rate ccy1 (put on ccy1)	+/-	+/-
Interest rate ccy 2 (put on ccy1)	+/-	+/-
FX rate volatility (put on ccy1)	+	-
Time to maturity (put on ccy1)	+	-

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.