

# 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>	FX Option: Double Barrier Knock-Out 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 FX double barrier knock-out 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 one currency against another currency at a specified price (strike price) on a specified future date (expiry date). The actual settlement of the amounts will take place at a specified date (maturity date) after the expiry date. The option will, however, automatically become inactive if the underlying currency cross trades at or beyond either of the two predefined barriers within the life of the option.

Subject to initial agreement it is possible to cash-settle the value of the option against a specified reference rate if the option is still active at the time of expiry. The value of the option is then calculated at the time of expiry and the resulting amount is settled in one of the underlying currencies at a specified date after the expiry date (cash settlement date).

The remaining part of this description solely relates to the situation where the barrier has not been breached.

This type of option, compared to a basic option, is path-dependent, ie the value of the option depends on both the price of the underlying currency cross relative to the strike price and on the performance of the underlying cross during the life of the option. The closer the knock-out barriers are to the spot price for the underlying currency cross, the less expensive the option, as the probability increases that either barrier will be reached and hence activate the knock-out feature and thus make the option worthless.

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-Out Option is aimed at professional clients and eligible counterparties, who are interested in preservation of their capital, capital growth, hedging, leveraged participation, income and other investment objectives. The FX Option: Double Barrier Knock-Out 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 an FX double barrier knock-out 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 an FX double barrier knock-out option the loss is limited to the premium paid, whereas the potential for profit is also limited. When selling an FX double barrier knock-out option the potential profit is limited to the premium received, while the risk of a loss is limited by the barriers.

An FX double barrier knock-out option has a binary feature. Either the currency cross trades at or beyond either of the two barriers and the option's value drops to zero, or neither of the two barriers is breached during the lifetime of the option and the value of the knock-out option becomes similar to a regular option at expiry.

Thus, if the knock-out option is bought for hedging reasons the position may become unhedged if either barrier is breached as the option becomes worthless. It is therefore important to establish a new hedge if the knock-out option is deactivated. Note that for an FX double barrier knock-out option a spot rate change that makes the option more in-the-money (ie up for the call, down for the put) is positive for the option's price. However, if the spot rate moves too close to the barrier, it will have an opposite effect on the option's price. Higher volatility and longer time to maturity are also positive when the spot rate is far from the barrier but change in the same way when the spot rate moves close to the barrier.

Bought FX double barrier knock-out options are subject to risk on 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: Double Barrier Knock-Out 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 ccy2 (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 ccy2 (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.