

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 Target Redemption Forward
Issuer of this document	Nordea Bank Abp (hereafter "Nordea")
Regulated by	Finnish Financial Supervisory Authority
Produced	06.09.24

What is this product?

Description

This product is a OTC derivative contract in the form of a forward relating to currencies.

Objectives

- The objective of this product is to give you multiple rights for pre agreed amounts and obligations for other pre agreed amounts to exchange one currency for another currency at an agreed fixed rate (TARF rate) on specified future dates (expiry dates) provided that a pre-agreed cumulative profit (Target level) is not reached, which would terminate the remaining rights and obligations.
- The product achieves its objective by you and Nordea agreeing to the terms of the FX Target Redemption Forwards (TARFs) under which (1) Nordea gives you a series of rights to exchange an agreed amount of one currency (Ccy1) for another currency (Ccy2) at an agreed fixed rate (TARF rate) on multiple expiry dates, (2) you undertake a series of obligations to exchange possibly different amounts of Ccy1 for Ccy2 at the same fixed rate (TARF rate) on the same expiry dates and (3) you and Nordea agree on a maximum cumulative profit (Target level). The fixing rate on each expiry date compared to the TARF strike (or strikes) determines which amount is exchanged.
- Two cases are possible. The two-interval TARF is defined by a single strike that is equal to the TARF rate. The amount to be exchanged is then depending on whether the fixing rate is above or below the TARF rate. The three-interval TARF is defined by two strikes, High strike and Low strike. In this case the amount to be exchanged at each fixing depends of whether the fixing rate is above the High strike, between the High strike and the Low strike or below the Low strike.
- Each expiry dates fixing rate is compared to TARF rate and if in-the-money for the customer, the difference between the two rates is added to the cumulative profit. When the cumulative profit reaches the Target Level the product terminates and there are no remaining rights or obligations.
- The fixing rate on each expiry date determines whether your right for an agreed amount, or your obligation amount of Ccy1 will be exchanged for Ccy2 at the agreed TARF rate (provided that the product has not been terminated due to reaching the Target level). The actual payments of the agreed amounts will take place at a specified date (settlement date) after the expiry date. If neither your right nor your obligation is exercised on the relevant expiry date (as a result of termination), no exchange of agreed amounts will take place on that expiry date.
- Usually you will not be required to pay any upfront option premium for this product. If upfront premium is paid, it will not be returned.

Intended investor

The product FX Target Redemption Forward is aimed at retail clients, professional clients and eligible counterparties, who are interested in capital growth and hedging and income. The FX Target Redemption Forward is a product for basic investors, informed investors and advanced investors.*

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

Market risk

The market value of the FX Target Redemption Forwards (TARF) is exposed to changes in the current exchange rate between the currencies, in the market interest rates in both currencies, in the implied market volatility of the currency pair and the time to maturity. An increase (decrease) in spot price, volatility or interest rates will lead to an change in the market value of the FX Target Redemption Forward (TARF). Depending on market conditions, there may be substantial fluctuations in the market price of this product. We classify this product as having high risk.

Counterparty Credit Risk

When buying this product you assume a credit risk on Nordea Bank Abp. In the event that Nordea Bank Abp is unable to fulfil its payment obligations under this product, you may not receive any amount from Nordea Bank Abp. Note that the product is not covered by any investor compensation or deposit guarantee scheme.

* Basic investors have basic knowledge of relevant financial instruments and/or with no financial industry experience. 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.

Termination

The FX Target Redemption Forward (TARF) is a bilateral agreement that cannot ordinarily be terminated unilaterally by either you or Nordea. It is a product that is entered into for its term, although early termination may occur in the event of a default of either you or Nordea. The agreement between you and Nordea provides that if certain exceptional events occur (1) Nordea may make adjustments to certain terms and/or (2) Nordea or you may terminate the product early. These events are specified in more detail in the agreement between you and Nordea. The product may also be terminated upon mutual agreement. The early termination payment will be determined by the market value of the product at the time of termination. The early termination payment is not a penalty charge. The amount represents the economic value of what Nordea would expect to have paid or received if the product continued as agreed. Depending on market conditions at the time of the early termination, the early termination payment could result in a substantial loss for you. You may not be able to terminate this product even though you or Nordea have terminated or discontinued a product or a commercial flow that this product is aimed to hedge.

FX Target Redemption Forward		
Market Parameters	Influence on market value when increasing	Influence on market value when decreasing
FX spot rate	+/-	+/-
Interest rate	+/-	+/-
Product's time to maturity	N/A	+/-
FX volatility	+/-	+/-

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.