

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	Listed Options on Bond Futures
Issuer of this document	Nordea Bank Abp (hereafter "Nordea")
Regulated by	Finnish Financial Supervisory Authority
Produced	06.09.24

What is this product?

Description

A bond future contract is a standardised agreement to buy or sell a notional bond at a specified date in the future. At expiry the buyer of the bond future contract receives a bond chosen by the seller. The seller chooses which bond to deliver from a predefined group of deliverable bonds for that particular bond future contract. The seller receives cash for the bond based on the final future price.

The movement of 1/100 in the price of the future is known as one tick. The value of a movement of one tick determines how much the value of one future contract reacts to changes in the future price.

One standardised future contract is defined as a certain notional value (eg EUR 100,000). E.g. a Bund future has a contract size of EUR 100,000 and a one tick value of EUR 10.

A sold bond future can be used to hedge the value of bond investments.

Fulfilment of the future contract will be guaranteed by a clearing house, which steps in immediately after a trade is conducted between the buyer and the seller, to act as buyer towards the seller and seller towards the buyer. The clearing house ensures that the mutual obligations of the parties are always fulfilled.

When a future contract is made, no money changes hands between the buyer and the seller. The parties to a future contract put up collateral to the clearing house. Before expiry there may be regular (eg daily or monthly) settlements where the change in market value is settled.

Thus if the future price has risen (fallen), the buyer receives (pays) cash in the settlement while the seller pays (receives) an equal cash amount. Because of this, the parties to a future contract may be forced to put up more collateral or be able to withdraw money from their collateral accounts.

The price is subject to change until the transaction is agreed upon.

The agreed transaction is mutually binding until maturity and cannot be cancelled.

However, it will be possible to terminate the transaction before maturity through an opposite transaction (buying and selling one contract nets to zero). As the market value of the transaction may have changed since the last regular settlement, an early termination will usually involve a payment of the present market value from one party to the other.

Intended investor

The product Listed Options on Bond Futures is aimed at professional clients and eligible counterparties, who are interested in hedging. The Listed Options on Bond Futures is a product for 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, the total portfolio will have a significantly different profile than the one for this product alone.

The market price of a bond future is determined by the market rate of interest for the deliverable bonds, and the interest rate until the expiry of the contract.

The market value of a bond future is exposed to the market parameters listed in the matrix below (note that the market value of a sold bond future contract is moving exactly opposite to a bought future contract).

* 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.

Listed Options on Bond Futures		
Market Parameters	Influence on market value when increasing	Influence on market value when decreasing
Price of underlying future (bought call option)	+	-
Time to expiration (bought call option)	+	-
Implied volatility (bought call option)	+	-
Price of underlying future (bought put option)	-	+
Time to expiration (bought put option)	+	-
Implied volatility (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	3000
% p.a. of nominal	3.0

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.	1500	1.5
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.