

Financial instruments are all types of instruments that are intended to be traded on the securities market. They can be divided into complex and non-complex instruments. Before you trade in a financial instrument, we are required to ascertain whether you have sufficient knowledge and experience to understand the properties and risks involved in trading in financial instruments. Below is some information about the most important qualities and risks associated with a type of instrument in which you have shown an interest. If you do not have sufficient knowledge and experience, we recommend that you do not trade in this instrument.

Introduction

Non-Capital Protected Equity Linked Notes are classed as complex financial instruments. The notes are issued by an issuer, e.g. SEB. The note is linked to a derivative, which is linked to the performance of an underlying asset, for example an equity or an equity index.

There are various types of Non-Capital Protected Notes. The notes have a set term and are not capital protected, which means there is a risk of losing all or parts of your invested initial capital.

Types of Non-Capital Protected Equity Linked Notes

There are various types of Non-Capital Protected Equity Linked Notes. You can read more about them below.

Non-Capital Protected Note with a coupon

The note is designed for investors looking for a potential periodic coupon. The coupon is linked to the performance of an underlying asset.

Two important terms to learn are **coupon barrier** and **redemption barrier**. If the performance of the underlying asset is above or equal to its coupon barrier on the observation date a coupon is paid. If the performance of the underlying asset is below the coupon barrier on the observation date, no coupon will be paid. If the performance of the underlying asset is above the redemption barrier, the note matures and the initial invested capital plus one or more coupons are paid. However, as long as the performance of the underlying asset is below the redemption barrier on the observation date, the investment continues.

If the performance of the underlying asset is exposed to the risk barrier at maturity, the investor is exposed to the negative performance of the underlying asset and receives a redemption amount based on its final value (capital loss). Read more about this term under "Risk barrier".

Non-Capital Protected Notes with coupons are suitable for investors who have a weak to a moderately positive view of the market for the underlying asset.

Non-Capital Protected Note with a maximum return

The note is designed to have a maximum possible return irrespective of the performance of the underlying asset. If the underlying asset has a higher performance than the maximum return it has no impact on the return of the note.

If the performance of the underlying asset is exposed to the risk barrier at maturity, the investor is exposed to the negative performance of the underlying asset and receives a redemption amount based on its final value (capital loss). Read more about this term under "Risk barrier".

Non-Capital Protected Notes with a maximum return and risk barrier are suitable for investors who have a weak to a moderately positive view of the market for the underlying asset.

Non-Capital Protected Notes with leverage

The note is designed for investors looking for an increased upside potential when the underlying asset has a positive performance.

The return on the note depends on the performance of the underlying asset and on the participation rate, which expresses how large a part of the underlying assets positive performance you will receive. If the participation rate is greater than 100 per cent, the investor receives more than the positive performance of the underlying asset. For example, if the underlying asset rise by 20 per cent and the participation rate is 150 per cent, then the investor will receive the invested initial capital plus an additional return of 30 per cent at maturity.

If the performance of the underlying asset is exposed to the risk barrier at maturity, the investor is exposed to the negative performance of the underlying asset and receives a redemption amount based on its final value (capital loss). Read more about this term under "Risk barrier".

Non-Capital Protected Notes with leverage are suitable for investors who have a positive view of the market for the underlying asset and who want to have leverage on their investment.

Reverse Convertible

The investment is linked to one or more underlying equities or equity indices. It produces a return similar to interest, i.e. a fixed, guaranteed return on the repayment date. If the underlying asset has a positive performance, the invested amount plus the fixed return is paid. If, on the other hand, the underlying asset has a negative performance, the invested initial capital minus the negative performance in the underlying asset is paid.

Reverse Convertibles are suitable for investors who have a weak to a moderately positive view of the market for the underlying asset.

Risk barrier

Non-Capital Protected Notes may have a risk barrier that identifies the level of reduction in the performance of the underlying asset that can be tolerated before the invested initial capital is exposed to risk. If the underlying asset has a negative performance but is not exposed to the risk barrier, the invested initial capital is protected. If the underlying asset has a negative performance and is exposed to the risk barrier, the nominal amount of the investment is paid, adjusted (i.e. reduced) by the negative performance, which means that you could theoretically lose the entire invested capital.

Costs

When you invest in a Non-Capital Protected Note, you usually pay a commission fee, which is calculated according to the invested capital. A brokerage fee is also included in the price of the investment. The brokerage fee is deducted as a one-off cost on the settlement date. Among other things, it covers the cost of risk management, production, distribution, secondary market and any licenses.

Risk

In the context of investment, the term "risk" denotes the probability that the invested capital will decline in value. A higher risk often means a greater opportunity for a high return, but at the same time the risk of losing the invested capital increases.

Price risk/liquidity risk

Most Non-Capital Protected Notes are listed on the stock exchange and traded via the stock exchange trading system. This means that you can sell or buy during the life of the investment. The market price may be higher or lower than it was at the time of purchase. In certain market situations, however, it may be difficult or impossible to trade a Non-Capital Protected Note during the life of the investment. It is then referred to as illiquid.

Exchange rate risk

With certain Non-Capital Protected Notes, exchange rate changes can also affect the return on the investment, both positively and negatively.

Credit risk

When you invest in a Non-Capital Protected Note, you are taking a credit risk on the issuer, i.e. the entity that issues the investment, such as SEB. Repayment of the nominal amount and any return assumes that the issuer can fulfil this commitment on the repayment date. Should the issuer not be sufficiently solvent, for example if they go bankrupt, you could lose the entire capital you invested.

More information

All information about SEB's Non-Capital Protected Notes can be found in our marketing material, the final terms and conditions and the base prospectus. The specific terms and conditions are laid out clearly in the documents for the respective Non-Capital Protected Note. For this reason, it is important that you read through the information. You will find this at www.seb.se.

If the Non-Capital Protected Note is issued by any entity other than SEB, you will need to approach that entity to obtain the equivalent documents.



Things to remember:

- The historical return of a financial instrument is not a guarantee of future return. The value of financial instruments can rise or fall, and it is not certain that you will get back all the capital you have invested.
- In order to trade in these instruments, you must familiarise yourself with the terms and conditions that apply to trading in financial instruments. The contracts that apply depend on the instrument you are trading in.
- Certain instruments require you to be liable to make payments in future. It is important that you are prepared to comply with your undertaking.
- Check the information on the statement and other reporting relating to your holdings, and inform us immediately of any errors.
- Regularly monitor changes in the value of your holdings and positions.
- You are responsible for taking any action necessary to reduce the risk of losses.
- Always ask for supplementary marketing material or further information with more details about the financial instrument you are interested in.

Check your experience

How long have you invested in this type of instrument?

- No experience
 Less than one year
 1 to 5 years
 More than 5 years

What is the average amount of money you have invested in this type of instrument?

- Up to 50 000
 Up to 100 000
 Up to 250 000
 Up to 500 000
 More than 500 000

How many times per year have you traded in this type of instrument?

- Up to 2
 Up to 5
 Up to 10
 More than 10

Check your knowledge:

1. A Non-Capital Protected Note is...

- A) ... purely a bond
B) ... a security linked to a so-called derivative, which is linked, for example, to an equity
C) ... purely an equity

2. What happens if the issuer, the entity issuing a Non-Capital Protected Note, goes bankrupt?

- A) You get nominal amount back, but no return
B) The entire invested initial capital may be lost
C) You get nominal amount back and a return

3. What costs are associated with buying SEB's Non Capital Protected Note and reverse convertibles in connection with issue?

- A) Commission and brokerage fee
B) Management fee
C) Commission only

4. How much does the Non-Capital Protected Note pay back at maturity if the underlying asset has had a negative performance but is not exposed to the risk barrier?

- A) The investment repays nominal amount
B) The investment repays nominal amount, adjusted (i.e. reduced) by the negative performance
C) The investment repays nominal amount back plus a return

5. What happens if the price movement of the underlying asset is below the coupon barrier on the measurement date in a coupon Non-Capital Protected Note?

- A) The investment pays a coupon
B) The investment is redeemed early
C) The investment does not pay a coupon

6. A Non-Capital Protected Note with leverage would suit you...

- A) ... if you have a positive view of the market for the underlying asset
 - B) ... if you believe the market is volatile for the underlying asset
 - C) ... if you have a negative view of the market for the underlying asset
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7. Which of the following applies to a Non-Capital Protected Note with a maximum level?

- A) Increases beyond the maximum level affect the value of the Non-Capital Protected Note
 - B) Increases beyond the maximum level do not affect the value of the Non-Capital Protected Note
 - C) Increases below the maximum level do not affect the value of the Non-Capital Protected Note
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