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BSW Product Classification

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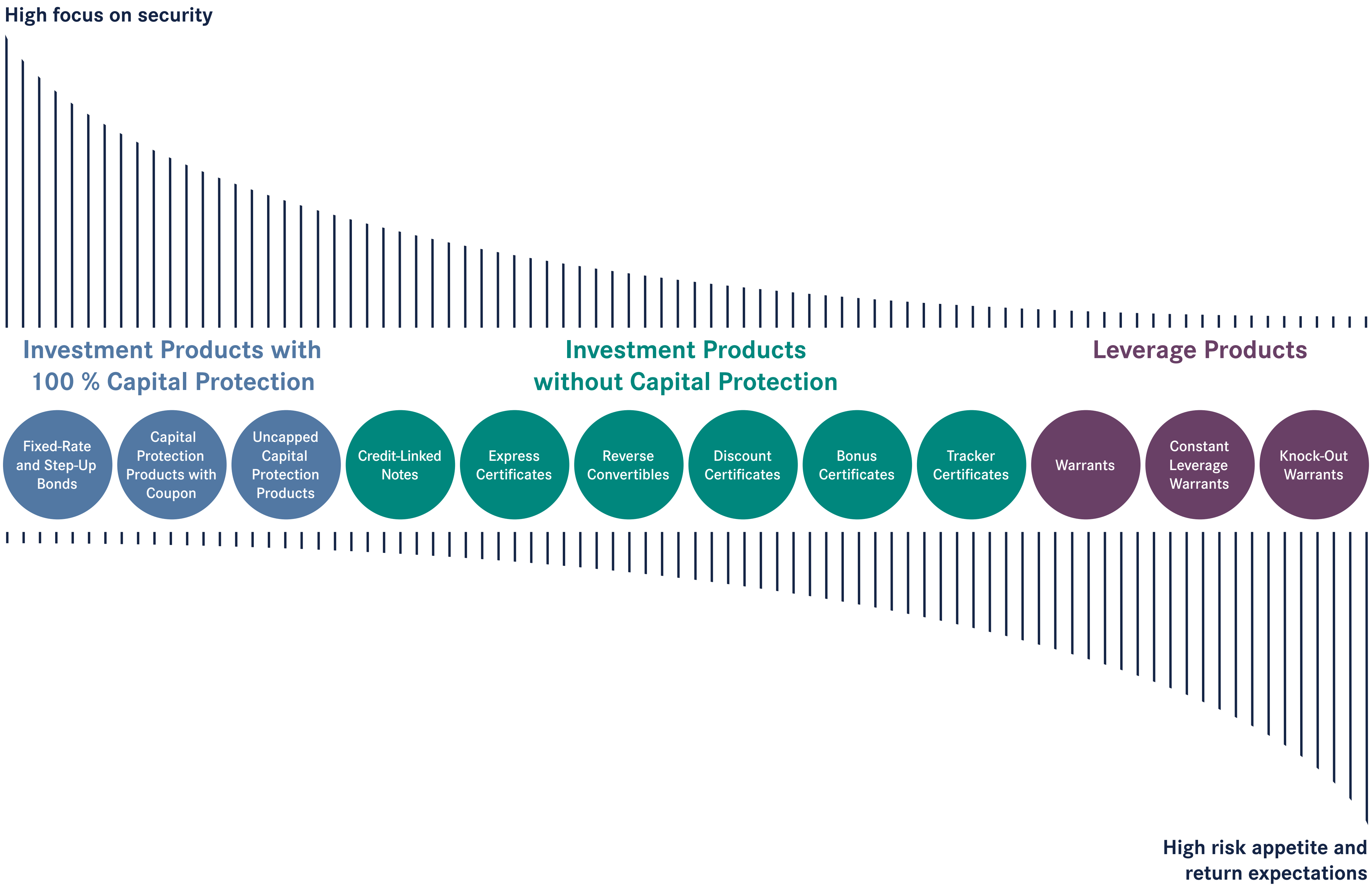
BSW Product Classification



Investment Products with 100 % Capital Protection

	Fixed Rate and Step-Up Bonds	Capital Protection Products with Coupon	Uncapped Capital Protection Products
Primary investment objective	Capital preservation + interest income	Capital preservation + interest income	Capital preservation + participation
My market expectation	No market expectation for an underlying asset necessary, **coupon payments** take place independently of market developments.	The **coupon amount** may depend on reference interest rates and inflation indices, the development of which should be evaluated.	↗ **rising**
My strategy	I'm looking for predictable interest income. Security is more important to me than higher potential returns.	I'm looking for interest income. Security is more important to me than higher potential returns.	I want to participate in price gains of the underlying, but not in price losses.
My return potential	Fixed coupon payments on defined dates.	Coupon payments on defined dates.	Participation in the price gains of an underlying at maturity.
My risks	Capital protection by the issuer exists only at maturity, interim losses possible (e.g., if interest rates rise).	Capital protection by the issuer exists only at maturity, interim losses possible (e.g., if interest rates rise). In the case of floating-rate products, the development of reference interest rates can lead to a default on coupon payments.	No returns if the underlying performs negatively. Capital protection only exists at maturity; interim price losses possible (e.g., if interest rates rise). Participation may be limited by a cap (upper limit).
Issuer risk	In legal terms, all **investment products** are debt securities. An investment therefore involves **issuer risk** (total loss in the worst case).		
Scenarios at maturity	**Positive scenario**: 100 % repayment at par value.	**Positive scenario**: 100 % repayment at par value.	**Positive scenario**: Participation in price gains of the underlying. **Negative scenario**: Repayment of the amount offered capital protection (at least 100 % of a calculated amount).
Important parameters in product selection	• Term, yield, other structuring features (e.g., the issuer's right to call the product). • The products are generally offered within a subscription phase.	Term, yield, exact knowledge of the structuring features is important (e.g., linking to reference interest rates or inflation indices, the issuer's right to call the product).	• The lower the strike price, the earlier the participation in price gains begins. • Participation rates can be greater, equal to, or less than 1. • Note any maximum repayment amount (cap).
Note the product design	This section describes the basic and typical designs of **investment products**. Product variants with different features are possible within each product category. Before making an investment, the relevant product information sheet or Key Information Document (KID) should always be checked for the appropriate design.		

Investment Products without Capital Protection

	Credit-Linked Notes	Express Certificates	Reverse Convertibles
Primary investment objective	Yield optimisation	Return optimisation / risk reduction	Return optimisation / risk reduction, defensive alternative to direct investment
My market expectation	Expectation that no credit event will occur at the reference debtor. Only then will **coupon payments** be made and repayment take place at par value.	➔ **sideways**	➔ **sideways**
My strategy	I'm looking for interest rates above the market rate.	If a share (or index) moves sideways, I receive a defined coupon payment and early repayment at par value.	I am prepared to receive a share or an index at a certain price level (= strike price) – in return I receive a coupon. The coupon payments are independent of the share price performance.
My return potential	Opportunity for fixed coupon payments on fixed dates in return for taking on the credit risk of a specific reference debtor.	Defined coupon payments and early repayment are possible on certain dates, provided the condition (share price ≥ termination level) is met. In the case of fixed-coupon express certificates, coupon payments are made regardless of the share price performance.	Fixed coupon payments on defined dates regardless of the actual share price performance.
My risks	If a credit event occurs at the reference debtor, coupon payments and repayment are partially or entirely cancelled (possibility of total loss).	If the share price is below the barrier on an observation date or on the final observation date, this may result in the cancellation of payments and/or a redemption amount that depends on the closing price of the share (or physical delivery of the shares). Some product variants may also have barriers that are continuously observed (not just on a specific observation date).	If the share price is below the strike price on the observation date, the shares are physically delivered or a corresponding payment is made. Losses are incurred if the value of the shares/payment plus the coupons received is less than the purchase price of the reverse convertible.
Issuer risk	In legal terms, all **investment products** are debt securities. An investment therefore involves **issuer risk** (total loss in the worst case).		
Scenarios at maturity	**Positive scenario**: No credit event and repayment at par value. **Negative scenario**: Credit event, early maturity, no or only partial payment of coupons, repayment at below par value (up to a total loss).	**Positive scenario**: Share price on an observation date at or above the termination level: Coupon payment and (early) repayment of the par value. **Negatives scenario**: Share price on the final observation date is below barrier: Physical delivery of shares or corresponding payment.	**Positive scenario**: Share price on the observation date at or above the strike price: Repayment at par value. **Negative scenario**: Share price on the observation date below the strike price: Physical delivery of shares in accordance with the subscription ratio or corresponding payment.
Important parameters in product selection	The better the **credit rating of the reference debtor**, the lower the **coupon**.	• The lower the **termination level**, the higher the probability of early maturity. • The lower the **barrier** the higher the probability of full repayment at par value. • The higher the probability of early maturity, the lower the **coupon**.	The lower the **strike price** (and thus the risk of physical delivery of shares), the lower the coupon payments.
Note the product design	This section describes the basic and typical designs of **investment products**. Product variants with different features are possible within each product category. Before making an investment, the relevant Key Information Document (KID) should always be checked for the appropriate design.		

Investment Products without Capital Protection

	Discount Certificates	Bonus Certificates	Tracker Certificates
Primary investment objective	Return optimisation / risk reduction, defensive alternative to direct investment	Return optimisation / risk reduction	Capital growth / diversification
My market expectation	➔ **sideways**	➔ **sideways** / ↗ **rising**	↗ **rising**
My strategy	I invest in a share or an index at a discount, achieve a defined maximum return even with sideways moving markets, and can cushion slight price losses.	I expect rising or sideways-trending share or index prices and/or would like to receive at least a certain bonus amount – the condition for this is that a specific barrier is not breached.	I expect the price of an index / a commodity to rise and would like to participate in it.
My return potential	Known, limited profit potential (up to the cap).	If the share price never falls below the barrier during the observation period, then (at a minimum) a bonus amount is paid at maturity.	Profits through almost linear participation in rising prices of an index or commodity. Any administration fees reduce profits. Additional profit opportunities and risks of loss may arise with commodity futures underlyings.
My risks	If the share price is below the cap on the observation date, the shares are physically delivered or a corre-sponding payment is made. Losses are incurred if the value of the shares/payment is below that of the purchase price of the certificate.	Falling share prices during the term of the product can lead to a breach of the barrier and thus deactivate the bonus mechanism. As a result, the entitlement to payment of the bonus amount expires and the investor receives a payment at maturity that reflects the performance of the shares (or physical delivery of the shares).	Losses due to almost linear participation in falling prices of an index or commodity. Any administration fees increase losses. Additional profit opportunities and risks of loss may arise with commodity futures underlyings.
Issuer risk	In legal terms, all **investment products** are debt securities. An investment therefore involves **issuer risk** (total loss in the worst case).		
Scenarios at maturity	**Positive scenario**: Share price on the observation date at or above the cap: Repayment of the maximum amount. **Negative scenario**: Share price on the observation date under the cap: Physical delivery of shares or a corresponding payment.	**Positive scenario**: Barrier is not breached: Payment of the bonus amount or an even higher share price. **Negative scenario**: Barrier is breached: Physical delivery of the shares (or a corresponding payment).	• As a rule, an **open-end product** without maturity limit, profits/losses are realised on redemption. • The issuer may exercise its right to call the product (e.g., in the case of de facto worthless products).
Important parameters in product selection	• The lower the **cap**, the higher the loss-cushioning discount on the share. • The higher the cap, the higher the potential return.	• The lower the **barrier**, the higher the probability of payment of the bonus amount and the lower the bonus return. • Take note of any maximum repayment amount **(cap)**.	Note any **administration fees**. **Index Certificates**: Note the composition of the underlying index. Note the index methodology with regard to dividend treatment (perfor-mance index vs. price index). **Participation Certificates**: Note price factors and special features of commodity markets. **Exchange rate hedging (quanto)**: Reduces opportunities and risks from exchange rate fluctuations.
Note the product design	This section describes the basic and typical designs of **investment products**. Product variants with different features are possible within each product category. Before making an investment, the relevant Key Information Document (KID) should always be checked for the appropriate design.		

Leverage Products

	Warrants	Constant Leverage Warrants	Knock-Out Warrants
Primary investment objective	Leveraged exposure / hedging	Leveraged exposure	Leveraged exposure / hedging
My market expectation	**Rising (call)** ↗ **Falling (put)** ↘	**Rising (long)** ↗ **Falling (short)** ↘	**Rising (call/long)** ↗ **Falling (put/short)** ↘
My strategy	I expect the price of an underlying to **rise sharply** (call) or **fall sharply** (put) and want exposure to this with leverage, usually with a short-term investment horizon.	I expect the price of an underlying to **rise** (long) or **fall** (short) and want exposure to this with a very short investment horizon and **constant leverage**.	I expect the price of an underlying to **rise** (call/long) or **fall** (put/short) and want to participate in this with leverage over a short-term investment horizon.
My return potential	Leverage can result in **high relative profits** through exposure to **rising** (call) or **falling** (put) prices.	A constant leverage factor on a daily basis can result in **high relative profits** through exposure to **rising** (long) or **falling** (short) prices.	Leverage can result in **high relative profits** through almost linear exposure to **rising** (call/long) or **falling** (put/short) prices.
My risks	**Total loss** if the share price on the observation date is below the strike price (call) or above the strike price (put).	**Total loss** (or very high loss) even in sideways trending markets with continuous upwards and downwards price movements (long and short) or with sharply falling prices (long) or sharply rising prices (short).	**Total loss** (or very high loss) if the knock-out barrier is breached: Product expires worthless (or almost worthless).
Issuer risk	In legal terms, all **leverage products** are debt securities. An investment therefore involves **issuer risk** (total loss in the worst case).		
Scenarios at maturity	**Positive scenario**: Share price on the observation date is above the strike price (call) or below the strike price (put), resulting in repayment of the intrinsic value. **Negative scenario**: Share price on the observation date is below the strike price (call) or above the strike price (put), resulting in a total loss.	• As a rule, an **open-end product** without maturity limit, profits/losses are realised on redemption. • The issuer may exercise its right to call the product (e.g., in the case of de facto worthless products).	• As a rule, an **open-end product** without maturity limit, profits/losses are realised on redemption. • If the knock-out barrier is breached, the product matures immediately and expires worthless (or almost worthless). • The issuer may exercise its right to call the product (e.g., in the case of de facto worthless products).
Important parameters in product selection	The position of the strike price relative to the current price of the underlying asset (out of the money, at the money, in the money), the implied volatility and the residual term largely determine pricing, opportunities, and risks, and should be known before investing.	• The higher the **factor** the higher the leverage, but also the higher the risk of total loss. • The constant leverage requires daily referencing. Due to the resulting **path dependency**, it is not possible to make solid earnings forecasts if the holding period exceeds one trading day.	• The closer the **knock-out barrier** is to the current price of the underlying, the stronger the leverage effect, but also the higher the risk of total loss. • Note the **financing costs** by which the strike price is adjusted daily.
Note the product design	This section describes the basic and typical designs of **leverage products**. Product variants with different features are possible within each product category. Before making an investment, the relevant Key Information Document (KID) should always be checked for the appropriate design.		

BSW Product Classification Overview

Investment Products with 100 % Capital Protection

Fixed-Rate and Step-Up Bonds
are usually offered within a subscription phase. They have a defined term (which can end prematurely if the issuer has the right to call the product), pay coupons at a defined rate on specific dates, and are repaid in full on maturity. These products have no underlying asset and are not linked to a reference interest rate.

Capital Protection Products with Coupon
pay coupons (the amount of which may depend on the performance of one or more **reference interest rates** or inflation indices) on predefined dates for a defined maximum term (which can end prematurely if the issuer has the right to call the product), and are repaid in full on maturity.

Uncapped Capital Protection Products
are linked to the performance of at least one **underlying asset** and reflect its positive performance at maturity based on a defined participation rate. Even if the underlying asset performs negatively, they repay at least the amount offered capital protection at maturity.

Investment Products without Capital Protection

Credit-Linked Notes
are based on the creditworthiness (credit rating) of a reference debtor and make coupon payments of a defined amount on specific dates for a defined maximum term, provided that **no credit event** (e.g., default, insolvency) occurs at the reference debtor.

Express Certificates
pay coupons and/or mature early if the price of their **underlying asset** reaches or exceeds a defined **termination level** or does not fall below a **barrier** on one of the observation dates or within a defined observation period. If there is no early maturity and the **barrier** has not been breached on the final observation date, the final coupon will be paid and the certificate will be repaid at par value. Otherwise, payment is made on maturity that is dependent on the closing price of the underlying asset (or there is physical delivery of shares).

Reverse Convertibles
pay a fixed coupon regardless of the performance of their **underlying asset**, however, the performance determines the type and amount of repayment: If the underlying asset is quoted above a defined **strike price**, repayment is made at 100 % of par value on the repayment date, otherwise the underlying asset is physically delivered in accordance with the subscription ratio or a corresponding payment is made.

Investment Products without Capital Protection

Discount Certificates
allow investors to invest in an **underlying asset** at a discount on the current price. In this way, moderate price losses can be cushioned, but in return investors only participate in rising prices up to a defined **maximum amount** (the cap).

Bonus Certificates
pay a defined bonus amount at maturity, even if their **underlying asset** moves sideways or falls slightly. The prerequisite for this is that a specified **barrier** has not been breached within the observation period. If the barrier is breached, the bonus mechanism does not apply. In this case, on maturity, the underlying asset is physically delivered or a corresponding payment is made.

Tracker Certificates
track the performance of an index, basket of shares, or commodity on an almost linear basis without leverage and enable diversified investments in regional markets, sectors, or global trends or commodities.

Leverage Products

Call Warrants **Put Warrants**
provide leveraged exposure to rising (call) or falling (put) prices of an underlying asset. The price of the warrants is also influenced by other factors (volatility, residual term, etc.).

Long Constant Leverage Warrants **Short Constant Leverage Warrants**
provide leveraged exposure to price rises (long or call) or price falls (short or put) of an underlying asset, with a constant, predefined factor. This factor describes the leverage, which is kept constant on a daily basis.

Long Knock-Out Warrants (Call) **Short Knock-Out Warrants (Put)**
track the absolute price movements of an underlying asset on an almost linear basis and provide leveraged exposure to rising (call or long) or falling (put or short) prices through the lower capital investment. If a knock-out barrier is breached, the product matures immediately and generally expires worthless.

Contact us

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