4. General information and risk information on financial instruments and investments

a. Preliminary remarks

Different investment products and the related opportunities and risks are described in the following.

Risk means the non-achievement of an expected return of the invested capital and/or the loss of the invested capital up to its total loss. Such risk may have various causes depending on the type of product - causes inherent to the product, the markets or the issuers. Such risks cannot always be foreseen in advance, which is why the following list is not exhaustive.

The risk resulting from the product issuer's credit rating always depends on the individual case and requires special attention from the investor.

The description of the investment products follows the most common product characteristics. However, the specific features of the individual product are decisive. This description can therefore not replace the thorough review of the specific product by the investor.

b. General investment risks

Currency risk

If a foreign currency transaction is selected, the profit and/or the performance of this transaction does not only depend on the local return of the security on the foreign market, but also strongly on the development of the exchange rate of the foreign currency with regard to the basic currency of the investor (e.g. euro). A change to the exchange rate can therefore increase or reduce the revenue and the value of the investment.

Transfer risk

In transactions with a foreign element (e.g. foreign debtor), there is, depending on the relevant country, the additional risk that the realisation of the investment is prevented or complicated due to political or foreign exchange measures. Furthermore, problems may occur during the order processing. In foreign currency transactions, such measures may also cause that the foreign currency is no longer freely convertible.

Country risk

The country risk is the credit risk of a country. If the relevant country constitutes a political or economic risk, this may have a negative impact on all partners resident in such country.

Liquidity risk

The possibility to purchase, sell and/or close an investment at any time at competitive prices is called tradability (= liquidity). A market is a liquid market if an investor can trade his securities without causing that an average-size order (measured on the sales volume usual at the market) leads to noticeable price fluctuations or cannot be settled at all or only at a significantly changed price level.

Credit risk

Credit risk means the risk that the partner becomes unable to pay, i.e. the possible inability to meet their obligations finally or when due, such as dividend payment, interest payment, redemption, etc. Alternative terms for credit risk are debtor risk or issuer risk. This risk can be evaluated by means of the so-called “rating”. A rating is an evaluation scale for the assessment of issuers' creditworthiness. The rating is prepared by rating agencies. The credit and country risks are evaluated in particular. The rating scale extends from “AAA” (best credit rating) to “D” (worst credit rating).

Interest rate risk

The interest rate risk results from possible future changes to the market interest rate level. During the term of fixed-interest bonds, an increasing market interest rate level leads to price losses; a declining market interest rate level leads to price gains.

Price risk

The price risk is the potential value fluctuation of individual investments. With committed transactions (e.g. forward exchange transactions, futures, writing options), the price risk may require a hedging (margin) and/or the increase of its amount, i.e. the binding of liquidity.

Risk of total loss

Risk of total loss means the risk that an investment may become worthless, e.g. due to its structure as a temporary right. A total loss may occur, in particular, if the issuer of a security is no longer able to meet its payment obligations for economic or legal reasons (insolvency). The risk of total loss also exists if issuers of securities experience financial difficulties and the resolution authority responsible for the issuer applies resolution tools, such as cancelling shares of shareholders or applying the instrument of creditor participation (bail-in) to unsecured bonds, which may cause the full write-down of the bonds.

Credit purchase of securities

The credit purchase of securities constitutes an increased risk. The borrowed money must be repaid irrespective of whether the investment is successful or not. In addition, the credit costs reduce the profit.

Order placement

Purchase or sales orders to the Bank (order placement) must include as a minimum what investment is to be purchased/sold in what number/nominal value and during which period.

Price limit

By marking “best” (without price limit) on the order, you accept every possible price, which means that any required capital investment/ sales proceeds remain uncertain. You can limit the purchase price of a stock exchange order and thus the capital investment by setting a purchase limit; purchases exceeding the price limit are not executed. With a selling limit, you define the lowest selling price acceptable to you; sales under such price limit are not executed.

Please note: A stop market order is only activated as soon as the price formed on the stock exchange corresponds to the selected stop limit. As from its activation, the order is valid as “best order”, i.e. without a limit. The price actually achieved can thus considerably deviate from the selected stop limit, particularly with illiquid securities.

Time limit

You can limit the time during which your order is valid. The validity of orders without a time limit is in accordance with the customs of the relevant stock market. Please contact your customer adviser for more information on further order codes.

Guarantees

The term “guarantee” can have different meanings. One the one hand, it means the promise of a third party (which is not the issuer) that it will ensure the fulfilment of the issuer's liabilities. On the other hand, it may be the promise of the issuer itself that it will render a specific service irrespective of the development of certain indicators that would, in principle, be decisive for the amount of the issuer's obligation. Guarantees may also refer to the most varied other circumstances.

Capital guarantees are usually enforceable only at end of term (repayment), so that price fluctuations (price losses) are quite possible during the term. The quality of a capital guarantee significantly depends on the guarantor's credit rating.

Tax aspects

Please contact your customer adviser if you wish to receive information on the general tax aspects of the various investments. You should assess the effects of an investment on your personal tax situation jointly with your tax adviser.

Risks on stock markets, particularly on ancillary markets (such as Eastern Europe, Latin America, etc.)

There is no direct connection to a large number of the ancillary market stock exchanges, i.e. all orders must be forwarded by phone. Errors and/or time delays may occur. On some ancillary stock markets, limited purchase and selling orders are not possible. Therefore, limited orders may only be issued after a corresponding phone enquiry to the broker on site, which can lead to time delays. It is also possible that such limits are not implemented at all.

At some ancillary stock markets, it is difficult to get updated prices on a permanent basis, which makes a current assessment of existing customer positions more complicated. If a trading quotation is discontinued on a stock exchange, it may no longer be possible to sell such securities on the exchange in question. A transfer to another stock exchange may also cause problems. In certain exchanges of secondary markets, the trading hours by no means correspond to Western European standards. Short trading hours of only three or four hours per day can lead to bottlenecks or failure to process securities orders.