A structured product is a tailored investment solution, using a combination of traditional financial instruments, (for example, bonds) and derivatives (for example, options). This combination allows investors to adjust the level of risk to their optimal acceptable level, while benefiting from movements in the underlier (for example, a stock, an exchange rate, etc.).

USES OF STRUCTURED PRODUCTS

Because of the many combinations available, structured products can meet the most specific requirements of each investor:

- **Structure:**
  the currency in which the product will be denominated, the investment horizon (one month, five years, etc.)
- **Underlier(s):**
  equities, bonds, indices, interest rates, exchange rates, commodities, funds, etc.
- **Anticipation:**
  rise, stability or fall in the underlier (during the life of the product or on maturity)
- **Objective:**
  regular income, participating in performance, hedging against risks, etc.
- **Acceptable level of risk:**
  total or partial protection of capital invested at maturity, no protection
- **Issuer (and guarantor, if any):**
  level of financial standing required, evaluation of default risk.

  Structured products are the result of the combination of several financial instruments. The risks associated with this type of investment should be examined carefully. They are aimed at more aware investors who should consult their private banker to obtain the information necessary to understand this type of investment.

CATEGORIES OF STRUCTURED PRODUCTS – RISK / RETURN

There are three broad product types, depending on the "acceptable risk/ expected return" trade-off and investment targets.

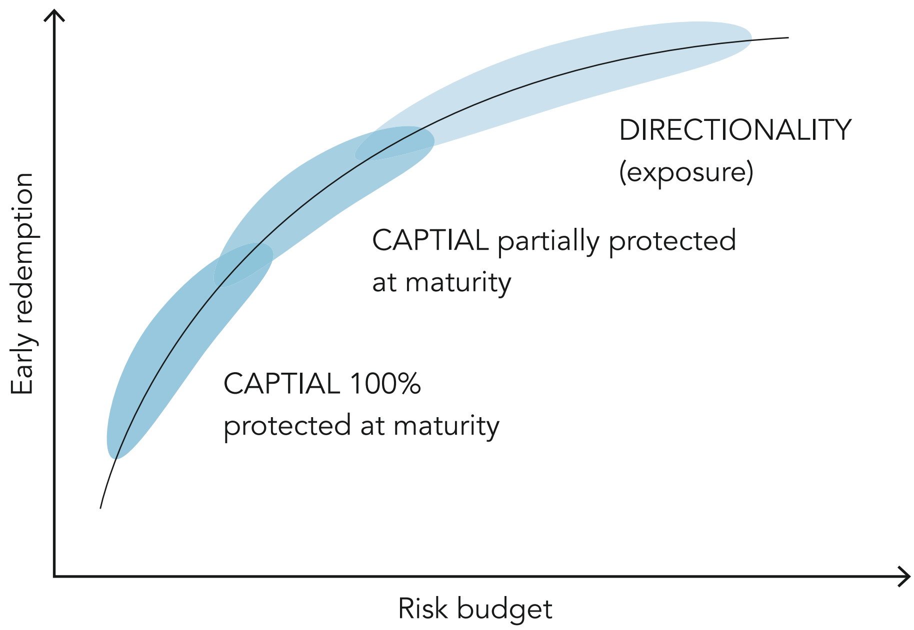
- **Products offering 100% capital protection on maturity**
  Here the return target is lower than for other types of product. The priority objective is the redemption at maturity of capital initially invested.

→ Redemption of capital is subject to issuer solvency (and solvency of the guarantor, if any). The financial "standing" of an issuer is generally evaluated by one or more ratings agencies (see the ratings table in the Bonds section).

- **Products with partial or conditional protection of capital at maturity**
  The level of risk accepted for this category of products is higher and allows investors to have higher return targets. Examples:

→ 90% partial protection
repayment of capital at maturity will be a minimum of 90% of capital initially invested, whatever the changes in the underlier (subject to the solvency of the issuer and of the guarantor, if any).

→ conditional protection
redemption at maturity of the capital initially invested is subject to one or more conditions being met (for example, the underlier must not hit a predefined level at maturity or during its life).



- **"Directional" products with high exposure to the financial markets, with no capital protection:**
  The priority will be higher return, in exchange for giving up protection of capital on maturity. The return and redemption at maturity depend on the movement in the underlier (sometimes with leverage).

OVERVIEW OF ADVANTAGES, DISADVANTAGES AND RISKS OF INVESTING IN STRUCTURED PRODUCTS

ADVANTAGES		DISADVANTAGES	
TAILORED INVESTMENT SOLUTION	Structured products are flexible investment solutions that can meet specific expectations/ constraints that cannot be achieved with a single financial instrument.	RISK OF DE-FAULT…	…of the issuer (and of the guarantor, if any) The risk of insolvency of the structured product issuer (or of its guarantor, if any) must be taken into account.
ADAPTATION TO INVESTOR PROFIL	Structured products can offer different levels of capital protection on maturity and so can be adapted to all risk profiles, from the most defensive to the most dynamic.	RELATIVE CAPITAL PROTECTION	While a structured product may offer capital protection, this is only guaranteed on final maturity and not during the product's life.
RISK MONITO-RING AND HED-GING	The structured products may be used as risk-hedging instruments and also to invest in a theme by partially or totally neutralising a risk (exchange, rate,…).	VALUATIONS AND PRICE MOVEMENTS	The value of the structured product may diverge from that of its underlier because the product is a combination of various financial instruments. The spread between the bid and ask price is often wider than for a traditional instrument.
DIVERSITY OF STRUCTURES AND UNDERLIERS	Many types of instrument can be used to design products, allowing great diversity in terms of structure (guaranteed or conditional income, frequency of income, etc.) and underliers (sometimes not accessible as direct investments).	LOSS OF INCOME COMPARED WITH PURCHASING THE UNDERLIER	Over the same period, the specifics of a structured product (conditional income, limited exposure, etc.) can give rise to a loss of income compared with direct investment in the same underlier (where that is possible), with however the level of risk accepted being different.

RISKS SPECIFIC TO STRUCTURED PRODUCTS	
LOSS OF CAPITAL	The risk of loss of capital depends on the level of capital protection offered by the structured product. This risk can be offset with a structured product offering 100% capital protection on maturity. This protection is still, however, dependent on the solvency of the issuer (and of the guarantor, if any).
EXCHANGE	Exchange risk depends mainly on the underlier and therefore on the instruments used to make up the structured product. It is nil for a structured product denominated in the investor's benchmark currency.
INTEREST RATE	The interest rate risk depends on the instruments making up the structure and can have a twofold impact: at the level of the valuation of the product during its life and at the level of the expected return. An increase in interest rates can drive down the value of the bond (which might be one of the components of the product) and reduce the return distributed by a fixed-income product. A structure may pay floating-rate income to keep down the impact of movements in interest rates.
VOLATILITY	Various types of instruments can be used in the composition of a structured product, each with their own specific degree of volatility. Movements in the prices of a structured product are difficult to anticipate over its lifetime.
LIQUIDITY	It is often more difficult (and sometimes impossible) to sell a structured product before its maturity than to sell other financial instruments that are actively traded on a regulated market. This liquidity risk generally takes the form of a lower resale price.
EXTRAORDINARY EVENTS	The Base Prospectus and the Final Terms (legally required documents for structured products) provide for a certain number of adjustment or substitution arrangements to reflect the impact of any such extraordinary events on the product (early redemption for tax reasons or because of market disruption – a "Market Disruption Event" – such as trading in the underlier being suspended, etc.); the sum repaid to the client can therefore be less than that which would have been obtained by applying the prevailing redemption formula under normal circumstances.