

# Factor Certificates

**LEVERAGE PRODUCTS** WITHOUT KNOCK-OUT

"You have a solid market opinion,  
focus on a strong trend and  
are willing to take above average  
risk? Then go for Factor  
Certificates – they stand out for a  
constant factor, have no  
knock-out barriers  
and are open-ended."

Factor Certificates enable investors to participate with a leverage effect in the underlying's performance. The certificates have a constant leverage factor; no knock-out and are open-ended.



- The **underlying** of a Factor Certificate is usually a share, an index or a commodity.
- **Long** Factor Certificates enable investors to generate above average profit in rising markets, **Short** Factor Certificates in falling markets.
- The **leverage factor** is a constant leverage enabling the investor to participate in the underlying's price movements.
- The **factor level** is adjusted in a daily basis to ensure the constant leverage factor. The factor level determines the amount to be financed (long) or invested (short) by the issuer.
- The **threshold** defines the maximum daily price performance of the underlying in percentages, from which the leverage is reset to the leverage factor. This prevents the knock-out and minimizes the risk of immediate total loss of the invested capital.



*Certificates by*



**Raiffeisen  
CENTROBANK**

## Factor Certificates

### Follow the trend with a leverage effect

#### The idea behind

„The trend is your friend“ is a well-known stock exchange saying. This holds particularly true for Factor Certificates. With a constant leverage effect and without knock-out investors can take advantage of clear market trends and participate disproportionately in positive or negative performances of stock and commodity markets:

- Factor Certificates usually serve for short-term deposit hedging or
- to follow a phase with strong trends

With Long Factor Certificates investors expect prices to rise, with Short Factor Certificates falling prices are anticipated. By choosing a particular leverage factor, the experienced trader manages the risk. The higher the leverage factor, the higher the risk – if the underlying develops opposite to the investor's expectation, losses (Long Factor Certificates) and gains (Short Factor Certificates) disproportionately affect the certificate's performance.

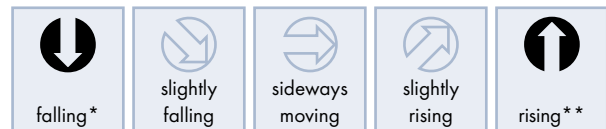
#### Functionality

The certificate's performance correlates with the underlying's performance. The daily performance equals the underlying's percentage change multiplied by the leverage effect determined at the issue date (without taking interest rate effects into account). During the term, the leverage factor remains constant.



Factor Certificates work best in phases with strong trends. In sideways moving markets, Factor Certificates show a weaker performance compared to the underlying. Due to the leverage factor, significant losses can occur.

Factor Certificates qualify for the subsequent market expectations of investors:



\*Short Position \*\* Long Position

#### ▫ Daily adjustment:

The certificate is adjusted on a daily basis. The Factor Certificate mirrors the daily performance of the underlying – based on the reference price at the previous day (closing price, settlement price) – with a leverage effect and constant factor.

#### ▫ Intraday adjustment:

If there are strong movements in the underlying's price in an unfavourable direction, an intraday adjustment is made. If the intraday performance exceeds the threshold of the certificate, a new trading day is simulated and the protection level is taken as referential value for the new performance calculation. Further participation in the performance of the underlying now takes place from the new reference value. In this way, an immediate total loss can be avoided.

#### ▫ Multi-day holding period:

If the investor holds the certificate for a longer period of time, the certificate's performance can differ from the leveraged performance of the underlying. If the underlying's performance matches the investor's anticipation, there is a cumulative positive effect. If the underlying performs contrary to the investor's expectations, absolute losses are less in relation to percentage losses due to the cumulative effect.

In volatile sideways moving markets the cumulative effect can negatively impact the certificate's performance.

**Product variants**▫ **Long Factor Certificates**

The leverage factor is positive. A rise of the underlying has a positive disproportionate effect on the performance of the Long Factor Certificate.

▫ **Short Factor Certificates**

The leverage factor is negative. A decrease of the underlying has a positive disproportionate effect on the performance of the Short Factor Certificate.

**EXAMPLE 1: Short Factor Certificate**

<b>Underlying</b>	XY share
<b>Share price</b>	EUR 25
<b>Leverage factor</b>	-3
<b>Purchasing price Factor Certificate</b>	EUR 10

**ASSUMPTION 1A:** The share posts an intraday decrease of 3% to EUR 24.25. The certificate's performance thus comes to +9% → new price of the Factor Certificate = EUR 10.90

**ASSUMPTION 1B:** The share posts an intraday increase of 2% to EUR 25.50. The performance of the Factor Certificate comes to -6% → new price of the Factor Certificate = EUR 9.40

**EXAMPLE 2: Cumulative effect in case of a multi-day holding period**

The investor acquires a Long Factor Certificate at EUR 100 on a share with a leverage factor of +4.

Calculation day	Price of the share	Performance of the share of the certificate		Price of the certificate	equals absolutely
Investor's market expectation comes true → cumulative effect increases absolute profit					
1.	EUR 100.00	-	-	EUR 100.00	-
2.	EUR 102.00	+ 2%	+ 8% (EUR 100)	EUR 108.00	+ EUR 8.00
3.	EUR 104.00	+ 1.96%	+ 7.84% (EUR 108)	EUR 116.47	+ EUR 8.47
Total	-	+ 4%	+16.47% (EUR 100)	-	+ EUR 16.47

Investor's market expectation does not come true → cumulative effect reduces absolute losses					
1.	EUR 100.00	-	-	EUR 100.00	-
2.	EUR 98.00	- 2%	- 8% (EUR 100)	EUR 92.00	- EUR 8.00
3.	EUR 96.00	- 2.04%	- 8.16% (EUR 92)	EUR 84.49	- EUR 7.51
<b>Total</b>	-	- 4%	<b>- 15.51% (EUR 100)</b>	-	- EUR 15.51

No clear market trend → Certificate's performance differs from underlying's performance					
1.	EUR 100.00	-	-	EUR 100	-
2.	EUR 98.00	- 2%	- 8% (EUR 100)	EUR 92	- EUR 8.00
3.	EUR 100.00	+ 2.04%	+ 8.16% (EUR 92)	EUR 99.51	+ EUR 7.51
<b>Total</b>	-	0%	<b>- 0.49% (EUR 100)</b>	-	- EUR 0.49

▫ **What should you bear in mind for all types of certificates?**

Certificates bear an "issuer risk" and the possibility of a "bail-in".

As bearer bonds, certificates are not covered by the deposit insurance scheme. The certificate holder is exposed to the risk that the issuer might be unable to fulfil its obligations in respect of the certificate, such as in the event of insolvency (inability to pay/over-indebtedness). Such risk is referred to as "issuer risk" or "credit risk". In addition, the Austrian Act on Recovery and Resolution ("BASAG") applies which governs procedures to resolve and recover banks. Holders of certificates might be affected by such supervisory measures ("bail-in") as regards their claims. In all types of certificates a loss of the total or substantial part of the capital invested is possible.

More detailed information is available at [www.rcb.at/en/customerinformation](http://www.rcb.at/en/customerinformation)



## Factor Certificates – details you should be aware of:

- **Leverage, leverage effect:** Due to the Factor Certificate's leverage effect price fluctuations of the underlying have an above average impact on the Factor Certificate's price. Yet a minor, unfavourable performance of the underlying can result in a major loss even a total loss of the invested capital. The likelihood to suffer a total loss increases.
- **Financing costs:** The provision of capital required for the leverage the Factor Certificate incurs financing costs. These are taken into account by daily adjusting the strike and the threshold and result in a decrease in the Factor Certificate's value.
- **Roll over:** Factor Certificates on commodity underlying are mostly based on commodity futures with a limited term. Prior to their expiry, they are rolled over to a new futures contract. Depending on the market situation, the roll over may result in profit or losses which are taken into account for the multiplier.
- **Losses in sideways moving market:** Due to the daily adjustment to maintain a constant leverage, profit generated from a favourable underlying's performance is lower in absolute terms than losses incurred by an unfavourable underlying's performance. In sideways moving markets, Factor Certificates incur ongoing losses.
- **Market risk:** The value of a Factor Certificate is dependent on the underlying's performance. An unfavourable performance of the underlying may result in price fluctuations of the certificate. This may result in a partial or even total loss of the invested capital.
- **Currency risk:** If the underlying quotes in a currency that is different to the certificate's currency, and the certificate is not currency hedged, exchange rate fluctuations during the term impact the price of the Factor Certificate. Due to the market risk, this may increase the potential loss.
- **Payouts of the underlying:** Dividends and similar payouts of the underlying are taken into account in the certificate's structuring and are not paid out.

Please note the information on issuer and bail-in risk in the section "Basic Knowledge of Certificates" as well as the comprehensive information available on the website at [www.rcb.at/en/customerinformation](http://www.rcb.at/en/customerinformation)





**"A strong market opinion and investment experience are the fundamentals of a trading strategy in Factor Certificates."**

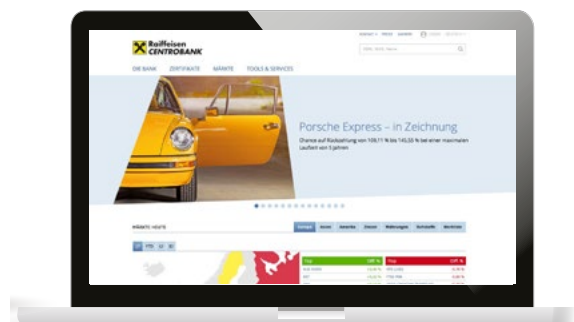
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## FURTHER INFORMATION

Website: [www.rcb.at](http://www.rcb.at)

On the website of Raiffeisen Centrobank AG you will find current prices as well as all relevant marketing and legal documents relating to our certificates. In addition, we inform you about new subscriptions and the latest news in the world of certificates. The responsive design of the RCB website also allows an optimal use on a smartphone or tablet. [www.rcb.at](http://www.rcb.at)



## Video series: Certificates Knowledge Compact

Within the video series "Certificates Knowledge Compact" certificates expert Stefan Neubauer explains the functionality and payout profiles of the following certificate categories: Capital Protection Certificates, Bonus Certificates, Express Certificates and Reverse Convertible Bonds.

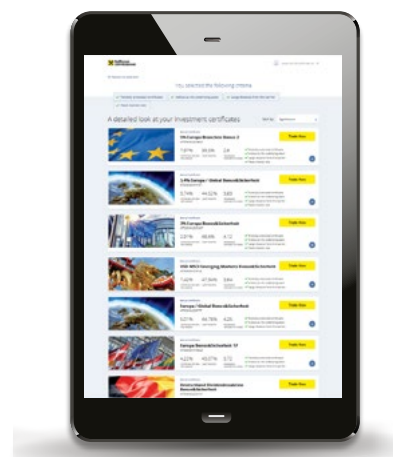
[www.rcb.at/en/certificates/know-how](http://www.rcb.at/en/certificates/know-how)



## Certificate Finder

The investment certificate finder is intended to provide an introduction to the world of capital protected certificates, bonus certificates, and reverse convertible bonds from our vast range of products (roughly 8,000 investment certificates). It is based on around 30 products that are updated in line with the market conditions every two weeks. The investment certificate finder allows you to define whether the invested capital should be protected (capital protected certificates) or whether you prefer only partial protection in favour of a higher return (bonus certificates/reverse convertible bonds). At the end of the process, the available products with the most matches are sorted based on the other criteria you select.

[www.certificatefinder.at](http://www.certificatefinder.at)



## Product hotline

You can contact our certificate experts on the product hotline.

By phone: **+43151520484**

By e-mail: [produkte@rcb.at](mailto:produkte@rcb.at)



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## IMPRINT

according to Austrian media law

**Media owner and publisher:**

Editing, production and design  
Raiffeisen Centrobank AG

**Place of publication:**

Tegetthoffstraße 1  
1015 Vienna  
Austria

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## ONE TEAM – ONE PASSION FOR CERTIFICATES

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