COMMERZBANK

Product Group

# Long Only Transactions (Options Purchases)

## In this information sheet, Commerzbank provides information on the underlying characteristics as well as the opportunities and risks of the Long Only Transactions product group.

**General characteristics and investment opportunities**

These products involve the purchase of call options or put options denominated in euro or another currency and linked to an underlying, e.g. an individual share or an equity index. By investing in these products, investors pay a premium and can benefit disproportionately from the expected performance of the underlying. Depending on their individual design, these products are generally suitable for speculating on rising or falling prices of the underlying or for hedging a securities portfolio in whole or in part. For a long call position, investors need to consider that they only receive the underlying shares after exercising the option and therefore do not receive any dividends or hold any voting rights during the option term.

**Typical product characteristics**

When an investor buys an option on the options & futures exchange, the investor acquires the right, but is not obliged, to buy (= call) or sell (= put) a certain quantity (e.g. 1 contract = 100 shares) of an underlying at a specific price (= strike price).
The most important product parameter is the strike price; this indicates the price the underlying must exceed (call) or fall below (put) for the option to have an intrinsic value. On the expiration date, the intrinsic value determines whether an option expires worthless or can be exercised and, accordingly, whether the underlying is purchased (=call) or delivered (=put). Alternatively, investors may close out the option on the options & futures exchange before expiration. Instead of delivery of the underlying, the option position may be settled in cash (e.g. for index options).
In addition to the intrinsic value, the price or the premium of an option is determined by the time value during its term. The time value is essentially determined by the remaining term and the expected price volatility of the underlying. At expiration, the time value of an option is always zero.

**Material risks of the product group**

By investing in options, investors benefit from return opportunities, but are also exposed to additional material risks. These include the following:

Risk of loss: An investor may receive lower sales proceeds, e.g. for a call option because the price of the underlying has fallen or for a put option because the price of the underlying has risen or other parameters (e.g. falling volatility or loss of time value). This can lead to a total loss.

Foreign currency risk - Investors are exposed to currency risk when investing in a foreign currency option as performance could be adversely affected by exchange rate movements.

Credit risk: investors are exposed to the risk of insolvency, i.e. the risk that Commerzbank AG may become excessively indebted or unable to honour its payment obligations.

Liquidation risk: Investors are exposed to the risk that - despite a favourable price trend - the options position cannot be liquidated or liquidated at a fair market price. This might be because of the inability to find a matching counterparty, an insufficient number of market participants, poor trading volumes or general market disruptions.

**Further information and costs**

For further details on these aspects and the product, please refer to the relevant basic information sheet of the options & futures exchange. In principle, inflation trends impact your investment performance. A resulting loss of purchasing power affects both the income generated and your capital invested.

When acquiring, holding and eventually selling securities and derivatives, costs will impact returns.
For further details on the characteristics and risks of the products, please refer to the brochure “Basic Information on Forward Transactions”.