

Structured Products, Unstructured

4. Bonus Notes



What are they?

A type of structure product linked to an underlying asset such as a stock, index, or basket of equities.

Designed to provide conditional downside protection against market declines through a predefined barrier level.

If the underlying remains above this barrier during the investment term, you receive a fixed “bonus” return.

Depending on product’s conditions, you might receive an additional participation to underlying’s positive performance at maturity.

Why use them?

Enhanced return potential

Offers a fixed “bonus” even if the underlying performs only moderately, delivering higher potential returns than direct equity exposure in stable markets.

Conditional protection

Offers downside cushioning through a predefined barrier.

Customisable structure

Flexible in terms of underlying, barrier, maturity, and bonus level.

Portfolio diversification

Adds differentiated risk/return exposure alongside traditional assets.

How do they work?

A bonus level (predefined positive return) is set at issuance.

If the underlying stays above the barrier during the note's life:

→ You receive the bonus return
(or participate in upside, depending on structure).

If the barrier is breached:

→ Protection is lost, and you are exposed to downside performance.

Illustrative example

Bonus Note on the S&P 500 Index

Bonus Level: 7% p.a. | Currency: USD | Maturity: 1 year

Barrier Level: 60% of initial level

If the index stays above 60% of its initial level during the term:

- You will receive +7% bonus return at maturity
- Plus, potential participation in any upside (depending on terms)

If the index falls below 60% barrier at any point during the term:

- You lose the bonus protection
- At maturity, you are fully exposed to the downside of the index

Points to consider

Market risk

Outcomes depend on underlying performance.

Barrier breach risk

Once the barrier is breached, downside protection is lost.

Limited upside

Returns could be capped at the fixed bonus level, and investors do not benefit from large market rallies.

Complexity

Payoff structures can be complicated and require full understanding.

In summary

Bonus Notes = Conditional Protection + Fixed Bonus Return

A way to earn enhanced returns in stable or mildly bullish markets with conditional downside protection.

Glossary

Barrier Level

A predefined price level of the underlying; if breached, the protection feature may be lost.

Bonus Level

The fixed return paid at maturity if the underlying remains above the barrier.

Maturity

The end date of the investment when the payoff (bonus or underlying-linked return) is determined.

Underlying

The asset to which the Bonus Note is linked, typically a single stock, equity index, or basket of equities.

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