Raiffeisen Certificates

Bonus Certificates

Bonus Certificates combine the opportunity to generate solid returns with partial protection of the invested capital down to the barrier.

This product category has a reduced risk compared to a direct investment into the underlying (share, index or commodity), and qualifies for almost every market phase.

Classification by Zertifikate Forum Austria:

Investment Products without Capital Protection

- The **underlying** of a Bonus Certificate can be a share, an index, a commodity or a "basket" made thereof.
- The **starting value** is the price level used as the basis to calculate barriers. It is usually the closing price of the underlying at the initial valuation date.
- The **barrier** is determined at the beginning of term and is the level of the underlying which should not be touched or undercut so that the bonus mechanism remains active. The distance to the barrier is the safety buffer.
- The **bonus level** is the underlying's price used to determine the redemption provided that the bonus mechanism was not suspended during the observation period and the underlying quotes between the barrier and the bonus level at the end of the term.

You are willing to forego the capital protection but do not wish to take the full market risk? Attractive yields with partial protection - this is what bonus certificates offer. Even if the stock market prices move sideways.

Bonus Certificates
Tailwind in Sideways Moving Markets

The Idea Behind

A direct investment in individual companies, i.e. the purchase of shares involves market risk. If the markets are doing well, many investors are afraid to buy high. Sideways moving markets lack the opportunity to generate yields above market level. With the right investment product, you can generate yields even during such stock market phases.

Bonus Certificates are the all-rounders of investment, because they also offer yield opportunities when the stock markets do not show a clear direction. Investors receive fixed interest payments during the term or a conditional bonus amount - a solid return is therefore within reach, provided a certain price threshold has not been reached. Only if the safety buffer (distance to the barrier) has been used up the partial protection for the invested money ceases to apply.

Basic Functionality

At the issue date, the certificate's barrier (safety mechanism) and profit opportunities (bonus amount or interest payments) are specified. These are determined depending on term, volatility and expected dividends and remain unchanged during the term.

However, if the barrier is touched or, undercut the bonus mechanism ceases to apply and the certificate is redeemed at the end of the term according to the underlying's performance.

Bonus Certificates carry the market risk of the underlying if the barrier was violated.

Bonus Certificates
are especially suitable for the following
market development of the underlying

↓	↘	→	↗	↑
~~declining~~	slightly declining	sideways trending	slightly rising	rising[1]

1 ... see product variant Bonus Certificates without cap

Therefore these investment products have a lower risk compared to a direct investment into the underlying. But the optimized payout profile has its price: For the protection down to the barrier and attractive profit opportunities, the investor forgoes dividend payments yielded by the underlying and accepts a maximum payout ("cap").

Important Formulas and Key Figures

- **Distance to the Barrier in %**
  Distance of the underlying to the barrier
  → the greater the distance, the higher the safety buffer, the lower the risk

$$\left(\frac{\text{price underlying} - \text{barrier}}{\text{price underlying}}\right) \times 100$$

- **Bonus Yield in %**
  Absolute yield until the end of the term if the barrier was neither touched nor undercut

$$\left(\frac{\text{bonus level x subscription ratio}}{\text{ask price certificate}} - 1\right) \times 100$$

- **Maximum Amount (Cap)**
  Maximum payout at the end of the term

- **Surcharge**
  Indicates how much more expensive the certificate is compared to the underlying
  → the higher the surcharge, the higher the risk of a loss if the barrier is touched or undercut

Product Variations

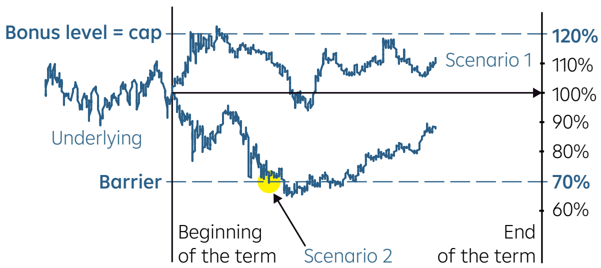
- **Bonus Certificates with Cap**

At the start of the term, at the initial valuation date, the Bonus Certificate's starting value (usually the closing price of the underlying), the barrier and the bonus level are determined. In addition, the cap, which is mostly equal to the bonus level, is fixed. The cap represents the underlying's price up to which the investor participates at the maximum and is equivalent to the maximum payout.

During the term, the Bonus Certificate's price is continuously compared to the barrier: as long as the underlying neither touches nor undercuts the barrier, the bonus mechanism remains active and the bonus amount is paid out at the end of the term.

If the barrier is touched or undercut and the safety buffer has been completely used up, the bonus mechanism no longer applies. Redemption at the end of the term is effected according to the performance of the underlying (percentage performance of the underlying from the starting value to the closing price at the final valuation date).

Two Possible Scenarios at Maturity
for the Bonus Certificate with Cap



- **Scenario 1:** Underlying always ABOVE the barrier
  → redemption according to bonus level/cap
- **Scenario 2:** Barrier touched or undercut
  → redemption according to underlying's performance

Even if the bonus mechanism is deactivated, the cap remains active. Therefore in case of a barrier event investors do not participate in price increases of the underlying beyond the cap.

The Raiffeisen Certificates product range includes three series of Bonus Certificates to which we attach particular importance:

Bonus&Safety **Particularly Deep Barrier for High Partial Protection**	**Bonus&Growth** **Unlimited Yield Opportunity with Rising Prices**	**Bonus Unlimited** **Build up Capital Step by Step**
Due to the high safety buffer for the invested capital, the series also appeals to investors with a lower risk tolerance.	Investors can significantly reduce the risk of loss with Bonus&Growth without having to compromise on performance.	Certificate Savings from 100 euros per month with Bonus Unlimited makes it possible to gradually build up assets through capital markets.
Specifically, Bonus&Safetystands for a barrier of less than 50% (i.e. safety buffer of 50% or more) with renowned indices as the underlying.	The combination of partial protection, bonus amount and unlimited participation means that you are well prepared for various market scenarios.	Investors participate in the performance of shares. The invested capital is partially protected against unfavourable price movements.

- **Bonus Certificates without Cap**

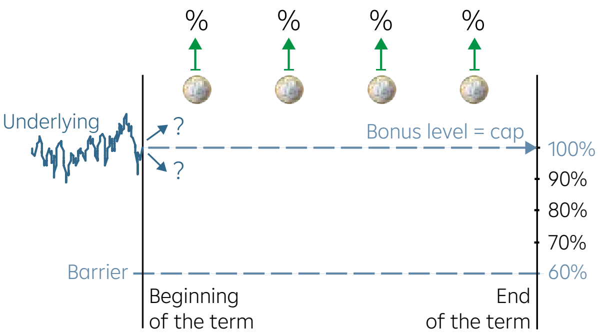
Bonus Certificates without cap offer unlimited yield opportunity. If the positive performance of the underlying exceeds the bonus level, redemption at the end of the term is effected according to the underlying's performance. In exchange for the unlimited yield opportunity, the investor accepts a lower safety buffer or lower bonus level compared to a Bonus Certificate with cap.

- **Bonus Certificates with Coupon**

Bonus Certificates with coupon have a fixed interest rate which is paid out annually during the term, regardless of the underlying's performance.

Bonus level and cap are equal to 100% of the starting value. Investors obtain 100% of the nominal value if no barrier event occurs during the term (barrier was neither touched nor undercut). If the barrier was touched or undercut during the observation period, redemption at the end of the term is effected according to the underlying's performance, however, due to the cap, up to the nominal value at the maximum.

Fixed interest payments during the term of the Bonus Certificate with coupon



Regardless of a barrier event, interest is paid out in any case. The fixed interest rate can thus be considered an additional safety buffer.

- **Bonus Certificates with Multiple Underlyings**

This type of Bonus Certificates refers to more than one underlying. During the term, each underlying is continuously compared to the respective barrier. If the barrier is touched or undercut by at least one of the underlyings, the bonus mechanism is suspended. Regardless of which underlying violated the barrier, redemption at the end of the term depends on the worst performing underlying. Bonus Certificates with more than one underlying offer higher yield opportunities but at the same time they have a higher risk.

- **Further Product Variants Are:**

Capped Plus+ Bonus Certificates

The barrier is observed only at the end of the term (closing price at the final valuation date). Plus+ Bonus Certificates are therefore suited to investors who accept a slightly lower bonus yield in exchange for a larger safety mechanism.

Capped Twin Win Certificates

If the barrier remains untouched throughout, an additional scenario take place: at the end of the term, not only the positive performance up to the maximum amount is paid out on a one-to-one basis, a negative price performance of the underlying is also converted into yield with the Twin Win Certificate.

Reverse Bonus Certificates

If the price of the underlying asset rises, the price of the certificate falls and vice versa. The barrier is set above the starting value. As long as the underlying does not increase up to the barrier or higher, with the Reverse Bonus Certificate pays the bonus amount is paid out at the end of the term. Investors therefore tend to assume a falling or only slightly rising underlying price.

Influencing Factors on the Price of the Bonus Certificate

Bonus Certificates can be purchased and sold on trading days on the secondary market. The Bonus Certificate's price during the term is subject to various influencing factors. The table below outlines the major parameters and their changes with their impact on the price of the Bonus Certificate. On the condition that the Bonus Certificate's barrier was not touched or undercut and therefore the bonus mechanism is still active.

	Price of the underlying		Implied (expected) volatility		Remaining term of the certificate		Expected dividends	
Influencing factor	rising ↑	↓ falling	rising ↑	↓ falling	—	↓ short	rising ↑	↓ falling
Bonus Certificate	rising ↑	↓ falling	falling ↓	↑ rising	—	↑ rising	falling ↓	↑ rising

Example 1: **Capped Bonus Certificate**

Benni has 1,000 euros that he wants to invest in the stock market. The risk diversification of a share index and an additional safety buffer are important to him. Therefore, he decides on the following defensive Bonus Certificate with cap on an index, with a barrier at 49% (this corresponds to a distance to the barrier of 51%):

Underlying	XY index
Index price at beginning of term	1,000 points
Term of the Bonus Certificate	5 years
Nominal value	EUR 1,000
Issue price	100%
Bonus level = cap	118% of the starting value (= 1,180 points)
Barrier	49% from the starting value (= 490 points)
Observation of the barrier	continuously
Bonus amount per nominal value	EUR 1,180

The closing price of the index on the first valuation day is the starting value. The barrier (49% of the starting value) and the bonus level = cap (118% of the starting value) are calculated on this basis. During the term, the price of the underlying is continuously compared with the barrier. On the final valuation day (end of the term), one of the following two scenarios occurs:

- **Scenario 1:** Underlying always quoted ABOVE the barrier of 49%
  → **Benni receives the payout for the bonus amount of 1,180 euros.** The bonus yield - based on the issue price - amounts to 18% over the total term of five years, or 3.366% p.a.

- **Scenario 2:** Barrier of 49% has been TOUCHED or undercut during the observation period and the index is trading 45% below the starting value on the final valuation day. → The certificate is redeemed at 550 euros. The negative performance of the index of -45% is realised by the investor. **Benni incurs a loss of 450 euros.**

  Even if the barrier of 49% of the starting value is touched or undercut during the term, therefore the bonus mechanism is suspended and the maximum payout amount (cap) remains in place. Even if the index is quoted at 130% at the end of the term, for example, the maximum redemption remains capped at 1,180 euros.

- **What Should You Pay Attention to with All Certificate Types?**

Issuer Risk:
As a bearer bond, a certificate is not subject to Austria's deposit protection. If, in the event of insolvency, the issuer is unable to meet its obligations from the certificate, or is only able to meet them in part, certificate holders may lose a substantial part of the capital invested, or even a total loss. This risk is often also referred to as "issuer risk" or "creditworthiness risk".

Possibility of Bail-in:
The Federal Act on the Recovery and Resolution of Banks ("BaSAG") applies. The BaSAG regulates the possibility of the regulatory resolution of banks that have run into difficulties. Holders of certificates may be affected by such a regulatory measure with their claims to payment(s) (the so-called "bail-in"), and this may result in the loss of a substantial part of the invested capital or even a total loss for all types of certificates.

What You Should Concider Before the Purchase of Bonus Certificates:

- **Market risk:** The price of the Bonus Certificate is dependent on the underlying's performance. An unfavourable performance of the underlying may result in price fluctuations of the certificate during the term. This may result in a partial or even total loss of the invested capital.

- **Barrier event:** If the barrier of the Bonus Certificate is touched or undercut during the term, the protection mechanism is suspended. In this case, the investor is exposed to the market risk on a one-to-one basis and a substantial capital loss is possible. The redemption at the end of the term is then usually one-to-one with the underlying performance.

- **Price performance:** During the term, the certificate's price is not only dependent on the underlying's performance but on various influencing factors such as the underlying's volatility, interest rates, issuer's solvency or remaining term. Selling the Bonus Certificate prior to maturity may result in a partial or even total loss of the invested capital.

- **Yield limitation:** Depending on the product structure, a Bonus Certificate may have a maximum payout amount (e.g. cap/maximum amount or fixed interest amount).

- **Currency risk:** If the underlying quotes in a currency that is different and the product does not provide for currency hedging, changes in the exchange rate during the term of the Bonus Certificate will also affect the value of the certificate. This can additionally increase the loss from the Bonus Certificate due to the market risk.

- **Payouts of the underlying:** Dividends and comparable claims from the ownership of the underlying are taken into account in the certificate's structure and are not paid out.

Please also note our comprehensive information on our website raiffeisencertificates.com/kundeninformation and raiffeisencertificates.com/basag.

Especially when markets do not have a clear direction, Bonus Certificates show their strengths to the fullest!

Philipp Arnold
Head of Department
Certificates Sales & Marketing

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Under certain circumstances the issuer is authorized to redeem the certificates prior to the agreed repayment date.

Issuer Risk/Creditor Participation ("bail-in"): Any payments during or at the end of the term of the certificates depend on the solvency of the issuer ("issuer risk"). Investors are therefore exposed to the risk that Raiffeisen Bank International AG might be unable to fulfil its payment obligations in respect of the described financial instrument such as in the event of insolvency ("issuer risk") or an official directive ("bail-in"). The resolution authority may also issue such an order before any insolvency proceedings if the issuer is judged to be in crisis. Under these circumstances the resolution authority has wide-ranging powers to take action (so-called "bail-in instruments"). For example, it can reduce the claims of investors in respect of the described financial instruments to zero, terminate the described financial instruments, or convert them into shares of the issuer and suspend investors' rights. More detailed information is available at raiffeisencertificates.com/basag. Further important risk information - see base prospectus.

The information presented does not constitute binding tax advice. Tax treatment of investments is dependent on the personal situation of the investor and may be subject to change. As regards tax treatment and impact on the investor's individual tax situation, the investor is advised to consult with a tax advisor.

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