Capital Protection Certificates

Capital Protection Certificates offer either full (100%) capital protection, capital protection above 100% or capital protection with a deductible (e.g. 90%) at the end of the term for the invested capital and at the same time enable the safety-oriented audience of investors to participate in the performance of shares, indices or commodities.

Depending on the structure of the certificate, investors participate directly in the performance of the underlying and/or earn interest income.

Classification by Zertifikate Forum Austria: **Investment Products** with Capital Protection

- The **underlying** for a Capital Protection Certificate can be a share, an index, a commodity or a "basket" of these.
- **Capital protection** refers to the protection of the invested capital - exclusively - at the end of the term. If the capital protection is 100%, the investor receives at least 100% of the nominal value back at the end of the term. During the term, the value of the Capital Protection Certificate may fall below the agreed capital protection amount. If the Capital Protection Certificate is sold before the end of the term, part of the capital invested may therefore be lost. Decreases in value due to inflation are not covered by the capital protection.
- The **participation factor** indicates the extent to which investors participate in the performance of the underlying at the end of the term. A disproportionate participation of more than 100% is also possible.
- An **interest rate** (fixed or variable) stands - in addition to participation - for another form of income opportunity. If the interest rate is fixed, it is paid out regardless of the performance of the underlying.

Do you like to play it safe? Securing of the invested money through capital protection at the end of the term combined with the opportunities of the capital market is what makes these investment products so special.

Capital Protection Certificates Success with Certainty

The Idea Behind

Capital Protection Certificates are suitable for investors who want to have their invested capital fully protected at the end of the term (at 100%) or with a deductible (for example with capital protection of 90%) and at the same time want to participate in a positive performance of equities or commodities. Therefore, these certificates can serve as an ideal entry product into the world of securities for many safety-oriented investors. Due to the capital protection at the end of the term, investors receive the protected capital back, for example 100% or 90% of the nominal value - depending on the product design. The equity or commodity component makes the yield possible if its performance matches the market opinion of the investor.

Basic Functionality

Capital Protection Certificates refer to one or more underlyings. These can be shares, indices and commodity underlyings as well as combinations of these. Certain thematic areas, such as sustainable investments, can also be specifically mapped with these financial instruments. Thanks to different payout profiles, investors with a Capital Protection Certificate can not only profit from rising markets, but also generate yields in sideways-trending market phases.

Product Variations

As different Capital Protection Certificates can be structured differently, each certificate has to be considered separately. In general, there are investment products with interest payments (coupon-oriented) and investment products with participation (growth-oriented). In the Raiffeisen Certificates product range, the product name of coupon-oriented Capital Protection Certificates contains the suffix "Bond", while our growth-oriented Capital Protection Certificates are labelled "Winner".

Capital Protection Certificates
are particularly suited for the following
market expectation of the underlying:

↓	↘	→	↗	↑
~~declining~~	~~slightly declining~~	sideways trending	slightly rising	rising

- **„Bond": Coupon-Oriented**

Coupon-oriented Capital Protection Certificates provide either fixed or variable interest. Interest payments are often effected several times during the term, i.e. annually. Fixed interest implies a "fixed" interest payment. Variable interest payments depend on the underlying's performance and the conditions predefined for the payout.

- **„Winner": Growth-Oriented**

Growth-oriented Capital Protection Certificates enable the investor to participate in the positive performance of the underlying and are suited to "bullish" investors with a positive market expectation for the underlying. The participation can differ:

A) **Participation in the underlying:** Depending on the participation factor, investors participate up to a certain percentage in the positive performance of the underlying during the term. The participation factor indicates higher or lower participation in the performance of the underlying in calculating the amount of the redemption. Consequently, a higher participation factor has a higher yield opportunity.

B) **Average participation:** Depending on the participation factor, investors participate in the positive average performance of an underlying. The underlying price on the participation factor is compared with the starting value (closing price of the underlying at the beginning of term). The respective performance is calculated and the average is determined at the end of the term. Participation in the underlying: Depending on the participation factor, investors participate up to a certain percentage in the positive average performance of the underlying during the term. Compared to a direct investment, the averaging may mitigate price slumps towards the end of the term (see example 3).

- **Coupon and Growth-Oriented Capital Protection Certificates**

Raiffeisen Certificates product range includes certain Capital Protection Certificates located in between coupon and growth-oriented. They pay out a predefined amount at the end of the term if certain market situations apply. Depending on the structure, sideways prices can lead to yields above the market level with capital protection at the end of term.

Capital Protection Above or Below 100%

100% capital protection means that your invested money is fully protected at the end of the term.

If the capital protection is more than 100%, the redemption at the end of the term is higher than the nominal value of EUR 1,000. For example, 110% capital protection → Redemption at EUR 1,100 or more. The higher redemption therefore results in the minimum yield.

For example, with 90% capital protection and a nominal value of EUR 1,000, the redemption at the end of the term is EUR 900 or more. The loss potential at the end of the term is a maximum of EUR 100 (see example 2).

Influencing Factors on a Capital Protection Certificate

The structuring of the certificate at the issue date (subscription period or primary market) and its price during the term (secondary market) are subject to various influencing factors.

Due to the similarity of capital protection certificates to traditional bonds, the general level of interest rates is an important influencing factor that needs to be taken into account. The higher interest rates are the more attractive the structuring of the certificate gets. In a high interest rate environment Capital Protection Certificates have a shorter term and/or higher yield opportunities. The same applies to standard bonds which yield higher interest in a high interest rate environment. If interest rates rise during the term of the Capital Protection Certificate, this negatively impacts the certificate's price on the secondary market. Vice versa, falling interest rates during the term have a positive impact. However, a change in interest rates does not affect the certificate's redemption at the end of the term.

Moreover, the performance of the Capital Protection Certificate on the secondary market depends on the underlying's performance. If the underlying displays a positive performance, the certificate also posts a rise during the term and enables the investor to generate attractive yield by selling the certificate prior to maturity. Vice versa a negative performance of the underlying may translate into a decrease of the Capital Protection Certificate's price below the issue price during the term. However, the certificate is capital protected at the end of the term. Despite this, selling the certificate prior to maturity may result in a loss.

Further influencing factors are the issuer's solvency, the underlying's volatility, the underlying's dividend yield and the certificate's remaining term.

Example 1: Growth-Oriented Capital Protection Certificate with Participation

Beate buys a Capital Protection Certificate at EUR 1,000 with 100% capital protection at the end of the term and 100% participation on an index, and with the following key figures:

Index price at beginning of term	1,000 points
Term of the Capital Protection Certificate	5 years
Nominal value	EUR 1,000
Issue price	100%
Capital protection	100% at the end of term
Participation factor	100% at the end of term

Calculation for Example 1

Index price at beginning of term	1,000 points
Index price at end of term	1,500 points
→ **Index performance**	+ 50%

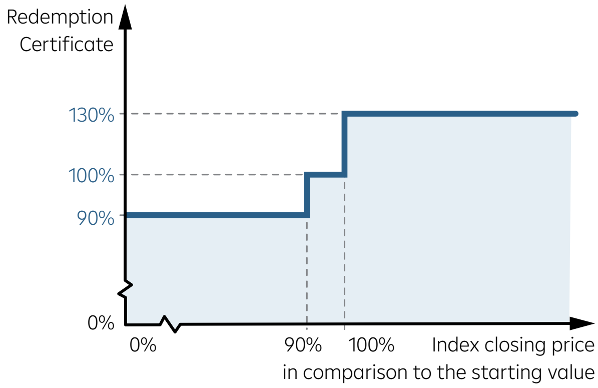
Performance x participation factor 50% x 100%	= 50%
Capital protection + participation 100% + 50%	= 150%
→ **Redemption at end of term**	150%

Assuming the index is quoted at 1,500 points after five years. This +50% performance is multiplied by the participation factor. With 100% participation, this corresponds to a 50% yield, which is paid out at the end of the term in addition to the capital protection. The redemption at the end of the term is therefore 150% of the nominal value.
Beate recieves 1,500 euros after five years.

Example 2: Capital Protection with 90% at the End of the Term

Basti invests 1,000 euros in a Capital Protection Certificate with 90% capital protection and a maximum redemption of 130% (maximum amount). The underlying is an index.
This means: Basti earns a 30% yield at the end of the term if the price of the underlying index is the same or higher. In the event of negative price developments of more than -10%, the capital protection of 90% takes effect at the end of the term, which means a loss of 10% for Basti. Specifically, the following four exemplary scenarios could occur at the end of the term:

Redemption Profile of a Capital Protection Certificate with 90% Capital Protection at the End of Term:



- Index performance + 43% → redemption at 130%
  Basti receives 1,300 euro at the end of the term.
- Index performance + 19% → redemption at 130%
  Basti receives 1,300 euro at the end of the term.
- Index performance - 5% → redemption at 100%
  Basti earns 1,000 euros at the end of the term.
- Index performance - 30% → redemption at 90%
  Basti earns 900 euros at the end of the term.

Example 3: Growth-Oriented Capital Protection Certificates with Participation and Averaging

Betty buys a certificate for 1,000 euros with 100% capital protection at the end of the term and 110% participation in the positive average performance of the XY index with the following key figures:

Index price at beginning of term	1,000 points
Term of the Capital Protection Certificate	7 years
Nominal value	EUR 1,000
Issue price	100%
Capital protection	100% at the end of term
Participation factor	110% in the positive Ø performance
Valuation date	annual

On the seven annual valuation day, the respective index level is recorded and compared with the starting value, or the performance compared with the starting value is calculated from this.

Assuming that the index performs positively in the initial years of the term, followed by a price collapse after five years. The average performance of the seven annual valuation days calculated at the end of the term is +37% and is paid out in addition to the nominal value at the end of the term. This means that the redemption at the end of the term is 140.7% of the nominal value.

After seven years Betty gets 1,407 euros paid back.

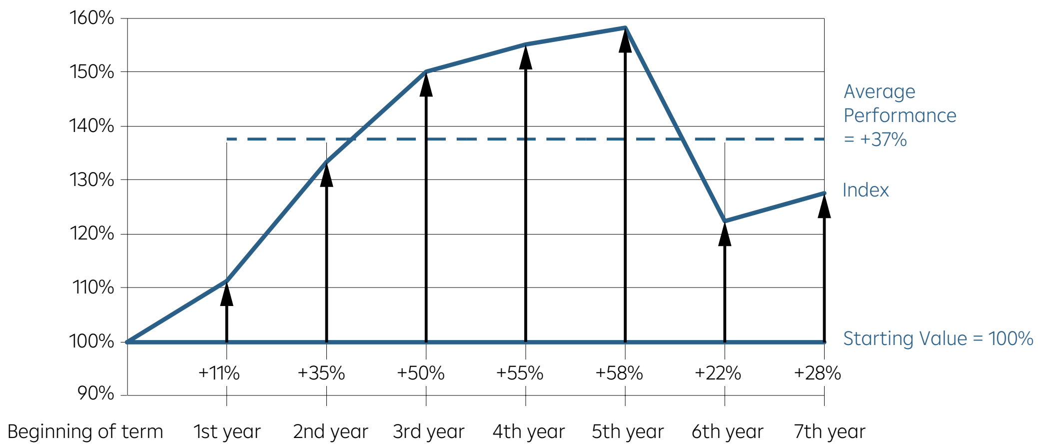
Calculation for Example 3

	Index price	corresponds to
Start of term	EUR 1,000	100%

	Index price	performance
1st Valuation date	EUR 1,110	+ 11%
2nd Valuation date	EUR 1,350	+ 35%
3rd Valuation date	EUR 1,500	+ 50%
4th Valuation date	EUR 1,550	+ 55%
5th Valuation date	EUR 1,580	+ 58%
6th Valuation date	EUR 1,220	+ 22%
7th Valuation date	EUR 1,280	+ 28%
→ **Ø Index performance**		+ 37%

Performance x participation factor 37% x 110%	= 40.7%
Capital protection + participation 100% + 40.7%	= 140.7%
→ **Redemption**	140.7%

Index Performance during the Term Compared to the Starting Value with Averaging



- **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 Capital Protection Certificates:

- **Market risk:** The price of the Capital Protection 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. Selling the certificate prior to maturity may result in a partial loss of the invested capital.

- **Capital protection:** The capital protection only applies at the end of term. During the term, the certificate price may drop below the agreed capital protection. Loss in value due to inflation is not covered by capital protection.

- **Price performance:** During the term, the Capital Protection 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 Capital Protection Certificate prior to maturity may result in a partial loss of the invested capital.

- **Limited yield opportunity:** Depending on the product design, a Capital Protection Certificate may have a maximum redemption (maximum amount).

- **Currency risk:** If the underlying quotes in a currency that is different to the Capital Protection Certificate's currency, and the certificate is not currency hedged, exchange rate fluctuations during the term impact the price of the Capital Protection Certificate.

- **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.

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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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