Reverse Convertible Bonds

Reverse Convertible Bonds without and with barrier have a high interest rate: the interest amount is fixed and is paid out in any case - regardless of the performance of the underlying asset(s).

At the end of the term, the closing price of the underlying share(s) is relevant: the redemption is either made in full at 100% of the nominal value or investors receive shares booked to the securities account (keyword: "physical delivery"). If the underlying share performs differently than expected, you can become a shareholder of the company.

Classification by Zertifikate Forum Austria:
Investment Products without Capital Protection

- The **underlying** for a Reverse Convertible Bond is usually a share. A combination of different shares is also possible. Several underlyings increase the risk on the one hand, but on the other hand allow for a higher yield (higher fixed interest rate).

- The **interest rate** of a Reverse Convertible Bond is fixed at the beginning of the term. The interest amount is paid out regardless of the performance of the underlying. The payment can be divided several times during the term or defined once at the end of the term.

- The **strike price** is determined at the beginning of the term. This corresponds to the price level of the underlying that determines whether the redemption of the nominal value at the end of the term is made at 100% of the nominal value or by physical delivery of shares.

- If **shares** are **delivered** at the end of the term, investors in a Reverse Convertible Bond become shareholders. The number of shares is determined at the beginning of the term. The market value of the delivered shares will usually be below the nominal value of the Reverse Convertible Bond. If the underlying is composed of the performance of several shares, shares of the company with the worst performance are delivered in the case of physical delivery.

Are you looking for an investment product with a fixed income that suitable for many market phases? With the purchase of a Reverse Convertible Bond, investors receive a fixed interest rate and a defined term. Reverse Convertible Bonds with a barrier are also the yield generators in conditionally falling markets.

- Reverse Convertible Bonds with a **barrier** offer an additional safety mechanism: As long as this price level is neither touched nor undercut by the underlying, the protection mechanism remains intact. The distance to the barrier represents the safety buffer. Near the barrier, above-average price movements of the Reverse Convertible Bond can also occur during the term.

Reverse Convertible Bonds
Steady Yields through Fixed Interest Rate

The Idea Behind

As the name "Reverse Convertible Bond" suggests, this certificate category combines features of equities with those of classic bonds. With the purchase of a Reverse Convertible Bond, investors receive a fixed interest rate that is significantly above the usual market interest rate. In return, the investor accepts the risk that, in the event of an unfavourable performance of the underlying share, this share will be booked into the securities account and therefore have to accept a price loss.

The Reverse Convertible Bond is particularly suitable for those who assume a sideways trend of the underlying, i.e. little fluctuation in (share) prices. The fixed interest rate provides buyers of Reverse Convertible Bonds with a solid yield above the general market interest rate level, even if the underlying asset does not rise. However, if the market opinion turns out to be different than expected, redemption takes place through physical delivery of the shares at a correspondingly lower price.

In different variants, Reverse Convertible Bonds can do even more: for example, Reverse Convertible Bonds with a barrier have additional protection built in and investors can achieve attractive yields with a Reverse Convertible Bond despite slightly falling share prices.

Basic Functionality

When issued, the Reverse Convertible Bond has a defined term, a fixed interest rate, a fixed strike price and is offered at a specific nominal value. These parameters remain constant over the term.

The interest rate on the nominal value is paid out in any case, regardless of how the price of the underlying develops. The redemption of the nominal value at the end of the term is based on the closing price of the underlying on the final valuation date and is made either at the nominal value or by delivery of the number of shares defined at the beginning of the term.

Reverse Convertible Bonds
are especially suitable for the following market development of the underlying:

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

1 ... see product variant Reverse Convertible Bond with barrier

These investment products therefore have a reduced risk compared to a direct investment in the underlying. On the other hand, the investor forgoes dividends from the underlying during the term of the Reverse Convertible Bond and accepts the yield opportunity limited to the fixed interest rate.

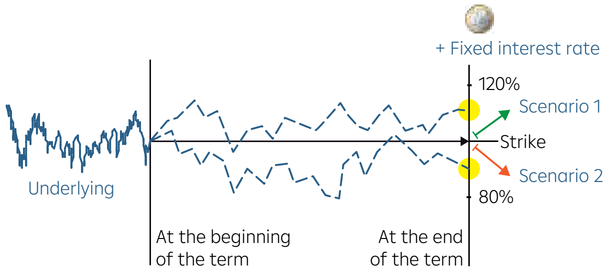
Product Variations

- **"Classic" Reverse Convertible Bonds**

At the end of the term, the performance of the underlying is observed: if the performance on the final valuation date is unchanged or positive compared to the start of the term, the redemption of the nominal value is affected at 100%. If the closing price of the underlying on the final valuation date quotes below the strike price defined at the time of issue (that means the underlying has performed negatively over the term), investors automatically receive shares of the underlying company booked into their securities account at the end of the term ("physical delivery of shares"). In this scenario, the market value of the delivered shares will be below the nominal value.

If, contrary to the investment opinion, the price of the underlying falls and shares are booked into the securities account, the investor generates a loss. However, the loss can later be reduced by price increases and dividend payments of the share. In addition, the fixed interest rate reduces the loss resulting from the delivery of shares.

Two Potential Scenarios at the End of a "Classic" Reverse Convertible's Term



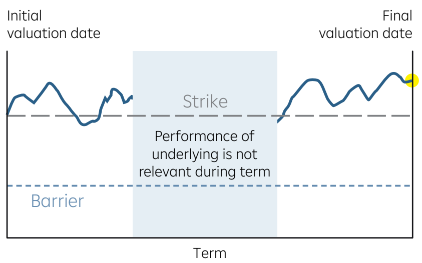
- **Scenario 1:** Underlying AT/ABOVE strike price
  → Redemption at 100% of the nominal value

- **Scenario 2:** Underlying UNDER strike price
  → Redemption according to the performance of the underlying or corresponding delivery of shares

- **Reverse Convertible Bonds with Barrier**

As with the classic Reverse Convertible Bond, all parameters are fixed when a Reverse Convertible Bond with barrier is issued (underlying, interest rate, term and strike price). In addition, another partial protection for the capital is built in: the distance to the barrier. This price barrier, which is also defined at the beginning of the term, is below the strike price - the greater the distance, the higher the safety buffer. If the underlying always quotes above this barrier during the term, 100% of the nominal value is repaid at the end of the term. If the barrier is touched or undercut by the underlying during the term, the protective mechanism is removed and the Reverse Convertible Bond with barrier functions like a classic Reverse Convertible Bond. The following scenarios are possible at the end of the term:

- **Scenario 1A:** Underlying AT/ABOVE strike price
  → Redemption at 100% of the nominal value



Physical Delivery of Shares

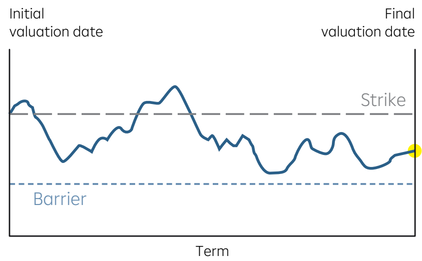
The number of shares to be delivered at the end of the term will already be determined at the beginning of the term of the Reverse Convertible Bond:

Number of shares = Nominal value / strike price

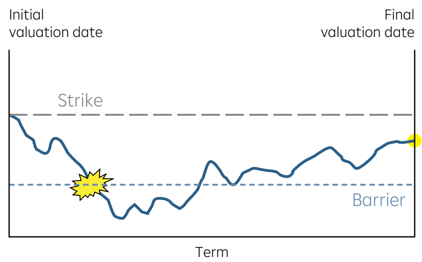
In practice, this usually does not result in whole numbers of shares, but only whole shares are tradable. Therefore, the market value of the fraction exceeding this is paid out:

Cash settlement =
Fraction x closing share price on the final valuation day

- **Scenario 1B:** Underlying BELOW strike price, but ALWAYS ABOVE barrier during term
  → Redemption at 100% of the nominal value



- **Scenario 2:** Underlying UNDER strike price and barrier touched/undercut during the term
  → Redemption in line with the performance of the underlying or corresponding delivery of shares.



The price for the additional safety buffer is a lower fixed interest rate compared to the classic Reverse Convertible Bond.

Several underlyings: If a Reverse Convertible Bond with barrier is based on more than one share, each share price is considered separately. This results in the following possible scenarios:

- Redemption at 100% of the nominal value if all shares are quoted at or above the strike price at the end of the term - even if one or more of the barriers have been touched or undercut during the term.
- Redemption at 100% of the nominal value, even if none of the underlyings ever touches or falls below the barrier during the term - regardless of whether one or more of the underlyings are quoted below the strike price.
- Redemption according to the performance of the underlying: if at least one of the shares touches or falls below the barrier and one or more of the shares are quoted below the strike price at the end of the term, the redemption is affected according to the share with the worst performance from the initial to the final valuation date - known as the "worst of". This does not necessarily have to be the underlying that occured the barrier violation.

- **"Plus" Reverse Convertible Bonds with Barrier**

Reverse Convertible Bonds with "plus" features basically function like Reverse Convertible Bonds with a barrier, with one difference: The barrier is only considered on the final valuation day. Therefore, the performance of the underlying or the underlyings during the term is not relevant for the redemption of the Reverse Convertible Bond at the end of the term.

Interest Payments during the Term

Instead of a single payment of the interest amount at the end of the term, a Reverse Convertible can also have multiple interest payments during the term.

When selecting and comparing different Reverse Convertible Bonds, it is therefore important to pay attention to whether the indication of the interest rate refers to the entire term or whether the annual interest rate is indicated.

Factors Influencing the Price of a Reverse Convertible Bond

On the secondary market, Reverse Convertible Bonds can also be bought and sold on each trading day. The price of the Reverse Convertible Bond during the term is influenced by various factors. The following overview shows the relevant parameters with their changes and the typical resulting effect on the price of the Reverse Convertible Bond.

	Price of underlying		Remaining term		Interest rate level		Underlying's volatility	
Influencing factor	rising ↑	↓ falling	—	↓ short	rising ↑	↓ falling	rising ↑	↓ falling
Reverse Convertible Bond	rising ↑	↓ falling	—	↑ rising	falling ↓	↑ rising	falling ↓	↑ rising

Example 1: "Classic" Reverse Convertible Bond

Babsi buys the following Reverse Convertible Bond for 1,000 euros:

Underlying	XY share
Closing price of the share[1]	EUR 30
Term of the Reverse Convertible Bond	1 year
Nominal value	EUR 1,000
Issue price	100%
Strike	EUR 30
Fixed interest rate	9% at the end of the term

Based on these key figures, the number of potential shares to be delivered is calculated:

Nominal value / strike price = number of shares
EUR 1.000 / EUR 30 = 33.3333 pieces

Regardless of how the XY share performs during the term, **Babsi will be paid the interest amount of 90 euros at the end of the term.**

The nominal value is repaid depending on the share price performance. At the end of the term, one of the following scenarios occurs:

- **Scenario 1:** Closing price of the share on the valuation day → ABOVE base price, i.e. EUR 36

Redemption = interest amount + nominal value = EUR 1.090

In addition to the interest amount, Babsi receives the nominal value back on the redemption date. **The total payout is 1,090 euros.**

- **Scenario 2:** Closing price of the share on the valuation day → UNDER BASE PRICE, I.E. EUR 27

Redemption = interest amount + shares + cash settlement
Cash settlement = 0.3333 pieces x EUR 27 = EUR 8.9991

On the redemption date, Babsi receives 90 euros interest, 33 shares and 9 euros as cash settlement (8.9991 rounded).

Example 2: Reverse Convertible Bond with Barrier, with Several Shares as Underlyings

Underlying	3 shares: share A, share B, share C
Term of the Reverse Convertible Bond	1 year
Nominal value	EUR 1,000
Issue price	100%
Strike	Closing price of each share at the initial valuation date
Barrier	60% of the respective strike
Fixed interest rate	9% annually

	Strike[1]	Barrier	Number of shares
Share A	EUR 35	EUR 21	28.5714
Share B	EUR 20	EUR 12	50.0000
Share C	EUR 25	EUR 15	40.0000

Scenario 1A and 1B: if each of the three shares quoted at or above the respective strike price at the end of the term or if none of the shares violated the respective barrier during the term, investors receive the nominal value back on the maturity date. In addition, interest is paid in the amount of EUR 90 per nominal value:

Redemption = Interest value + Nominal value = EUR 1,090

Scenario 2: if, for example, the B share falls to EUR 11.50 during the term and therefore violates the barrier, the performance of the three underlying shares is considered at the end of the term:

	Closing price[2]	Performance
Share A	EUR 40	+14.29%
Share B	EUR 17	- 15.00%
Share C	EUR 14	- 44.00%

The delivery of shares at the maturity date in according to the share C (worst performance) at 40 shares plus EUR 90 interest payment per nominal value. In this case, investors book a loss.

1 ... Share's closing price at the initial valuation date

2 ... Share's closing price at the final valuation date

- **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 Reverse Convertible Bonds:

- **Market risk:** The value of the Reverse Convertible Bond depends on the value of the underlying. Unfavourable developments of the underlying can therefore cause fluctuations in the value of the Reverse Convertible Bond. This can lead to the loss of a part of the invested capital or even to a total loss.

- **Barrier event:** In the case of Reverse Convertible Bonds with a barrier, touching or undercutting below the price threshold during the term invalidates the protection mechanism. In this case, investors are exposed to the market risk on a 1:1 basis and a substantial loss of capital is possible. In the worst case, the investor receives the share with the worst performance in the securities account instead of a repayment of the nominal value.

- **Performance of the underlying:** The price of the Reverse Convertible Bond depends on several influencing factors during the term and does not exclusively follow the performance of the underlying. Such influencing factors are, for example, volatility (intensity of value fluctuations), the interest rate level or the remaining term, as well as the credit rating of the issuer. If the Reverse Convertible Bond is sold before the end of the term, this can lead to the loss of part of the invested capital or even to a total loss.

- **Cap:** Reverse convertible bonds have a fixed interest rate. This fixed interest payment represents the maximum yield.

- **Currency risk:** If the underlying is quoted in a different currency than the Reverse Convertible Bond and the product does not provide for currency hedging, developments in the exchange rate during the term of the Reverse Convertible Bond will also have an impact on the value of the Reverse Convertible Bond. This can additionally increase the loss from the Reverse Convertible Bond 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.

With high, fixed interest rates

Reverse Convertible Bonds

are a good alternative to shares if the money is to be invested in the short to medium term.

Marianne Kögel
Raiffeisen Certificates Sales

For certificate beginners and professionals

Individual selection criteria

Search and find suitable certificates

raiffeisencertificates.com/zertifikatefinder

Important Legal Notice

In spite of all possible care taken, the data contained in this advertisement are provided purely as non-binding information. This advertisement constitutes neither investment advice nor an offer nor a recommendation nor an invitation to execute a transaction. The information contained in this advertisement is generic and no consideration is given to the personal circumstances of potential investors. The information contained in this advertisement substitutes neither the necessary individual investment advice for the purchase or sale of investments nor shall any investment decision be taken on the basis of this document. This advertisement has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to the prohibition on dealing ahead of the dissemination of investment research.

The complete information for all financial instruments described in this advertisement as well as the sole legal basis for potential transactions in one of the described financial instruments is the Registration Document approved by the Luxembourg Financial Market Authority (CSSF) and the Securities Note approved by the Austrian Financial Market Authority (FMA) - both documents together form the Base Prospectus - together with any supplements and the respective Final Terms of the described financial filed with the FMA. The approval of the Base Prospectus should not be construed as an endorsement of the financial instrument described herein by the competent authorities. Additional information on the financial instruments described herein may also be obtained from the respective key information documents (KIDs) that are available for download free of charge on the website of Raiffeisen Bank International AG (raiffeisencertificates.com) by entering the International Securities Identification Number (ISIN) of the respective financial instrument.

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.

This report is based on the knowledge the persons preparing the document have obtained up to the date of creation. Please note that the legal situation may change due to legislative amendments, tax directives, opinions of financial authorities, jurisdiction etc. The information contained in this brochure has been carefully compiled by us and is based on sources that we consider to be reliable. However, we cannot guarantee the completeness and accuracy of the information.

For further information please visit raiffeisencertificates.com or contact your advisor.

You can reach your Raiffeisen Certificates Team at:

- Certificates Hotline: +431 71707 5454
- info@raiffeisencertificates.com

Imprint

according to Austrian media law

Media owner and publisher:
Editing, production and design
Raiffeisen Bank International AG
Raiffeisen Certificates
is a brand of Raiffeisen Bank International AG

Place of publication:
Am Stadtpark 9, 1030 Vienna
Austria

Raiffeisen Bank International AG
Phone: +43 1/71707 0
E-mail: info@raiffeisencertificates.com
Website: raiffeisencertificates.com

3rd edition, November 2023
Misprints and errors are reserved

For further information please visit:
raiffeisencertificates.com