

Index/Participation Certificates

An Index Certificate exactly tracks the performance of an index, Participation Certificates follow the performance of a commodity or a basket of shares.

A deviation from the one-to-one development may occur if the underlying is quoted in a different currency than the certificate or if the underlying is a commodity future.

Index/Participation Certificates enable investors to realise a rising (long) or falling (short) market expectation in a simple and transparent way.



Classification by Zertifikate Forum Austria: **Investment Products** without Capital Protection

- An index serves as the **underlying** for an Index Certificate, while Participation Certificates on commodities are often based on futures.
- The **multiplier** indicates the number of units of the underlying to which the certificate refers, e.g. in case of a multiplier of 0.01, 100 units of the certificate refer to 1 unit of the underlying.
- **Long/Short:** A "long" certificate rises in value when the price of the underlying rises and falls when the price of the underlying falls. The price of the underlying also rises and falls in value if the underlying falls. In contrast, a "short" position generates income if the underlying falls and losses if the underlying rises.
- If the underlying quotes in a currency that is different to the certificate's currency, the investment may be influenced by **exchange rate fluctuations**. "**Quanto**" indicates that the certificate is currency hedged. Therefore, there is no exchange rate risk and the certificate's performance is dependent purely on the underlying's performance.

Index/Participation Certificates offer a particularly clear access to the capital market for investors who want to participate directly on the performance. Both rising and falling prices are replicated on a one-to-one basis.

Index/Participation Certificates

Basic Investment without Term Orientation

The Idea Behind

Investments in well-known stock indices are a fixed component in the portfolios of many investors. The broad diversification of the companies included in an index is one of its key features. By means of this diversification, losses of one share may be offset or overcompensated by the gains in other shares in the index. The composition of an index is subject to regular view, if necessary, adjustment by the index provider. In the case of an Index Certificate, the issuer makes these changes and the owner of the certificate does not need to worry about them.

In addition, Index and Participation Certificates can be used specifically to invest in certain regions, sectors or themes and to participate in the development of the most important capital markets. Your investment strategy can be consistently implemented without additional costs, such as management fees.

Investors who predict a falling or falling stock market can invest profitably in this market phase with short Index/Participation Certificates.

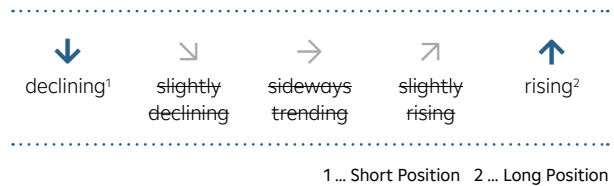
Basic Functionality

Index Certificates on stock indices and Participation Certificates on commodity underlyings (e.g. precious metals, oil or gas) are based on the respective exchange, spot or future price of the underlying. Depending on the reference ratio, the Index/Participation Certificate costs the same or less than the underlying. The subscription ratio therefore gives investors the opportunity to invest smaller amounts.

The certificate has the same performance as the underlying. If the "spread", the difference between the buying and selling price, is disregarded, the investor participates one-to-one in the performance of the underlying.



Index/Participation Certificates are especially suitable for the following market development of the underlying:



Product Variations: Long and Short

▪ Long Index/Participation Certificates

... mirror the underlyings performance 1:1. If the price of the underlying rises, the price of the certificate also rises and vice versa. The majority of Index/Participation Certificates are "long" and thus suitable for a rising market performance of the underlying.

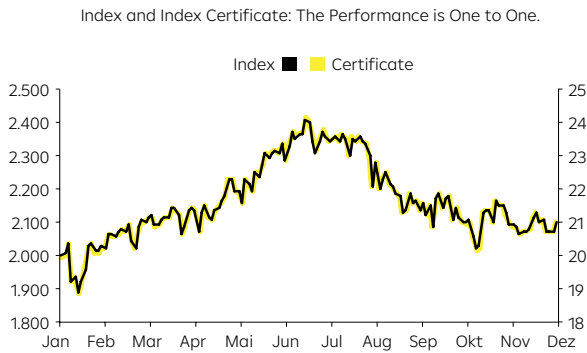
▪ Short Index/Participation Certificates

... mirror the inverse underlying's performance 1:1. If the price of the underlying falls, that of the certificate rises and vice versa.

Roll Issues in Futures Contracts

Before investing in Participation Certificates based on commodity futures, investors should know the basics of the futures market and be aware of the effects of rolling transactions on the certificate.

Stock indices can be calculated as a performance index or a price index. While in the case of a performance index (total return index), such as the German benchmark index DAX®, the dividends of the shares included are reinvested, this is not the case with a price index, such as the Austrian ATX®. This difference is particularly important for long-term investments in indices.



Since commodities are usually quoted in US dollars, while Raiffeisen Certificates on commodity

underlyings are usually traded in euros, the exchange rate risk must be taken into account. Basically, if the currency of the underlying increases in value compared to the certificate, this has a positive effect on the value of the certificate and vice versa, see example 2.

With "quanto" certificates, this exchange rate influence can be eliminated and investors participate 1:1 in the positive or negative performance of the underlying in their own currency. The costs for a "quanto" hedge are taken into account in the price of the certificate.

Example 1: Long Index Certificate

Bill acquires today an Index Certificate around 20 euros without a time limit (open-end) with the following key figures:

Underlying	XY index
Multiplier	0.01
Underlying's currency	EUR
Certificate's currency	EUR
Index price	2,000 points
Certificate's price	EUR 20

After one year, the index has increased in value by 20%. Bill now wants to sell his certificate.

Index performance	+20%	2,400 points
Certificate's performance	+20%	EUR 24

Bill sells the Index Certificate at 24 euros.

The spread between the buying and selling price is not taken into account in this example. The investor would also participate 1:1 in a negative performance of the underlying: if the value of the index halves, the value of the certificate halves as well.

Example 2: Foreign Currency Long Participation Certificate

Betty expects commodity prices to rise in the medium term. She buys the following Participation Certificate for 50 euros with no time limit on a commodity quoted in US dollars

Underlying	commodity XY (Future)
Multiplier	1.0
Currency underlying	USD
Currency certificate	EUR
Exchange rate	1 : 1.20
Futures level	USD 60
Certificate's price	EUR 50

Betty's market expectation did not materialise. After three years, the commodity future is trading at USD 60 again. What has changed, however, is the exchange rate:

Exchange rate	1 : 1.00
Futures level	± 0% USD 60
Certificate's performance:	+20% EUR 60

Betty sells the Certificate for 60 euros. The value of the certificate has therefore developed positively due to the change in the exchange rate. An opposite development, so that the certificate loses value while the underlying asset remains unchanged, is also possible due to the influence of the exchange rate.

▪ **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 Consider Before the Purchase of Index/Participation Certificates:

- **Market risk:** The Index/Participation 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 can lead to the loss of a significant portion of the capital of the capital invested up to a total loss.
- **Exchange rate fluctuations:** If the underlying is quoted in a different currency than the Index/Participation Certificate and the product does not provide for currency hedging, developments in the exchange rate will also have an impact on the value of the Index/Participation Certificate. This can further increase the loss from the index/Participation Certificate due to the market risk.
- **Role effect:** Participation certificates on commodities are usually not based on the spot price of the underlying commodity (price calculated on immediate delivery of the commodity), but on the respective futures contract (futures price). These Participation Certificates are therefore based on commodity futures, which generally have a limited end of the term. In order to rule out impractical physical delivery of the underlying, a new contract must be "rolled over" before the end of the term ("expiry") of the futures contract. This means that the expiring futures are sold and futures with a longer term are bought in return. Depending on the market situation, this can result in roll gains or roll losses. These are taken into account by adjusting the certificate's subscription ratio - which can change the certificate's yield.
- **Payouts of the underlying:** Dividends and comparable claims from the ownership of the underlying are taken into account in the certificate's structure in accordance to the index calculation (price or performance index) 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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Theme-based investments, replicated
by [Index Certificates](#).

Market access for private investors
could hardly be easier.

”



Martin Rainer
Raiffeisen Certificates Sales

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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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