

Information notice on the possible effects of a recovery or resolution of Banque Raiffeisen s.c. on investments in subordinated obligations issued by Banque Raiffeisen s.c.

Dear Client,

Banque Raiffeisen s.c. (hereinafter the "**Issuer**") has issued the following subordinated obligations (hereinafter the "**Notes**"):

- Banque Raiffeisen 2.75% (ISIN: LU1195059503) due 22.05.2025,
- Banque Raiffeisen 2.50% (ISIN: LU1625071847) due 11.07.2027,
- Banque Raiffeisen 2.75% (ISIN: LU2471421425) due 17.05.2032,
- Banque Raiffeisen 5.00% (ISIN: LU2603886495) due 04.07.2033.

In accordance with its legal and regulatory obligations, the Issuer wishes to point out the effects that the application of the recovery and resolution regime could have on investments in the Notes issued by the Issuer, in particular:

- The risks of a possible *bail-in*¹ as well as
- The ranking in the order of repayment of creditors having invested in such Notes.

1. Background

In response to the financial crisis of 2007/2008, the European Union and many countries adopted rules aimed at resolving the problem of weak or failing credit institutions or investment firms (hereinafter "**Institutions**") without having to involve taxpayers in the future.

As a result, shareholders and creditors of the Institutions undergoing resolution may be required to share in the losses of these Institutions. The aim is to ensure the resolution of an Institution without using public funds. To this end, the European Union has adopted the following legislation:

- The Bank Recovery and Resolution Directive (**BRRD**)², which, among other things, provides resolution authorities with a set of tools and powers, and
- A Regulation establishing uniform rules and procedures for the resolution of Institutions in the European Union in the context of a Single Resolution Mechanism and a Single Resolution Fund (**SRM Regulation**)³.

2. Risks of a possible bail-in and powers of the Resolution Authority

2.1 General information

Holders of Notes (hereinafter "**Holders**") do not benefit from any guarantee or protection from a deposit guarantee scheme in Luxembourg (FGDL - Fonds de Garantie des Dépôts au Luxembourg). Accordingly, Holders should be aware that they will not be able to claim any deposit guarantee in the event of unavailability of the Notes (or payments thereunder).

The Issuer's obligations under the Notes will be unsecured and subordinated and will rank junior in priority of payments to the claims of senior creditors of the Issuer. A Holder risks losing all or part of its investment if the Issuer becomes insolvent.

¹ Technical term for internal bail-in used in the following case: In the event of a resolution procedure aimed at rescuing an Institution in a scenario of financial difficulty, the Institution's resolution authority may decide to reduce all or part of the amount of financial instruments issued by the Issuer.

² European Directive 2014/59/EU of 15/05/2014 establishing a framework for the recovery and resolution of credit institutions and investment firms transposed by the Law of 18 December 2015 on the failure of credit institutions and certain investment firms (BRR Law 2015).

³ Regulation (EU) No 806/2014 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010.

The sole remedy against the Issuer available to a Holder for recovery of amounts which have become due in respect of the Notes will be claiming during the liquidation proceedings of the Issuer.

If the Issuer is failing or likely to fail, there is no reasonable prospect that any alternative private sector measures would prevent the failure of the Issuer within a reasonable timeframe and a resolution action is necessary in the public interest, resolution tools and resolution powers could be applied to the Issuer. These include, among others, the power to sell or merge the business operations or parts of the individual business units with another Institution, the power to convert liabilities under the Notes into equity of the Issuer or another legal entity or to permanently reduce their principal amount to potentially zero or the power to amend the terms and conditions of the Notes.

In the event of a liquidation or bankruptcy of the Issuer, the Issuer will be required to pay subordinated creditors of the Issuer, whose claims arise from liabilities that no longer fully or partially are recognised as an own funds instrument in full before it can make any payments on the Notes qualifying as own funds of the Issuer.

2.2 Powers of the Resolution Authority

In the event of the application of the BRR Act 2015 and the SRM Regulation, Holders may be subject to the exercise of any of the powers by the Resolution Authority as detailed below.

- Such exercise may include and result from any or all of the following or a combination thereof:
 - o The **reduction or cancellation** of all or part of the amounts due;
 - o The **conversion** of all or part of the amounts due under the Notes and coupons into shares (*Parts sociales*), other securities or other obligations of the Issuer or another person (and the issue or allotment to the Holder of such shares (*Parts sociales*), securities or obligations), including by means of an amendment, modification or variation of the terms of the Notes;
 - o The **cancellation** of the Notes and coupons;
 - o The **modification or alteration** of the provisions of the Notes and coupons under which the Notes or coupons, as the case may be, have no maturity or the modification of the amount of interest payable on the Notes or coupons, as the case may be, or the date on which interest becomes payable, including by suspending payment for a temporary period.
- The Resolution Authority may also amend the terms of the Notes and the Coupons to give effect to the exercise of its powers.

3. Ranking in the order of repayment of creditors having invested in Notes

3.1 Ranking of creditors having invested in the Notes

The Issuer's obligations under the Notes are unsecured and subordinated and rank junior in priority of payment to the claims of Senior Creditors.

Senior Creditors are creditors of the Issuer:

- who are depositors and/or other unsubordinated creditors of the Issuer;
- whose claims are or are expressed to be subordinated (whether only in the event of the liquidation of the Issuer or otherwise) to the claims of unsubordinated creditors of the Issuer, other than those whose claims by law rank, or by their terms are expressed to rank, *pari passu* with, or junior to, the claims of the Holders. For the avoidance of doubt, this definition includes claims of Holders of eligible liabilities instruments (within the meaning of the CRR) ⁴.

⁴ The Capital Requirements Regulation (CRR) refers to European Union Regulation (EU) No. 575/2013. It sets out the rules and regulatory requirements for banks' capital and liquidity in the European Union. The CRR defines the capital requirements that banks must meet in order to deal with the risks to which they are exposed. It sets standards for risk measurement, capital ratios, liquidity requirements, corporate governance and other aspects related to the financial stability of banks.

In the event of a liquidation of the Issuer, the rights of the Holders against the Issuer in respect of such Notes (including any damages (if payable)) shall:

- be **subordinated** to the claims of all Senior Creditors;
- **rank *pari passu*** with the claims of all other subordinated creditors of the Issuer which in each case by law rank, or by their terms are expressed to rank *pari passu* with the Notes (including holders of instruments that qualify as Tier 2 instruments); and
- **rank senior** to the claims of holders of the Issuer's shares (*Parts sociales - CET1⁵*) and any junior subordinated obligations or other securities of the Issuer, including Profit Shares (Additional Tier 1⁶), which by law rank, or by their terms are expressed to rank, junior to the Notes.

The Issuer has issued Notes with different maturities; in the event of a bail-in, the Holders of the different Notes are treated equally, irrespective of the maturity date of the Note in which they have invested.

3.2 Summary of the ranking of creditors

In the event of the Issuer's bankruptcy, the Holders will be reimbursed before the holders of shares (*Parts sociales*) and Profit Units but after the other creditors. The Holders thus rank subordinate to the Issuer's other creditors. As a result of this subordination, Holders may not be repaid in full (or at all) if the net assets are insufficient. In such a case, the Holder's claim may not be set off against a claim of the Issuer against the Holder.

Claims hierarchy



⁵ *CET1 (Common Equity Tier 1)* represents the level of an Institution's core capital, which mainly comprises core capital (issued share capital and reserves), adjusted for items that may be considered as sub-investment grade capital. It is used to assess an institution's ability to absorb potential losses and maintain its solvency in the face of risk.

⁶ Additional Tier 1 (AT1) is a type of capital instrument issued by institutions to meet regulatory requirements. AT1 capital instruments are considered a form of hybrid capital as they have characteristics of both debt and equity. These instruments are designed to provide additional loss-absorbing capacity to Institutions in times of financial stress.