

The securities issues of Raiffeisen Centrobank AG are subject to these Securities Terms. The Final Terms (see Chapter VI of the Base Prospectus of 18<sup>th</sup> July 2007) will contain any supplementary information specific to the individual securities. Raiffeisen Centrobank AG retains the right to change these Securities Terms.

## SECURITIES TERMS (to Final Terms No. 267 of 1 July 2008)

of  
Raiffeisen Centrobank AG

for Open End Investment Certificates (see Final Terms, line 1)

### OVERVIEW

§ 1.	<i>Investor Rights</i>	2
§ 2.	<i>General Risks</i>	2
§ 3.	<i>Currency Risks</i>	3
§ 4.	<i>Influence of Ancillary Costs on Earnings Opportunities</i>	3
§ 5.	<i>Using Credit</i>	3
§ 6.	<i>Influence of Trades, especially of Hedging Transactions by the Issuer, on the Structured Securities</i>	4
§ 7.	<i>Form of the Structured Securities; Transferability</i>	4
§ 8.	<i>Maturity</i>	4
§ 9.	<i>Exercise/Redemption</i>	5
	THE FOLLOWING APPLIES TO INVESTMENT CERTIFICATES:	5
§ 10.	<i>Conversion of Foreign Currency Securities</i>	5
§ 11.	<i>Underlying Instrument</i>	5
§ 12.	<i>Interest</i>	6
§ 13.	<i>Redemption date/Due Date of Payment</i>	6
§ 14.	<i>Market Disruption; Substitute Price</i>	7
§ 15.	<i>Adjustment Rules</i>	7
§ 16.	<i>Payout of Amounts</i>	8
§ 17.	<i>Termination</i>	9
§ 18.	<i>Taxation</i>	10
§ 19.	<i>Increases; Repurchase</i>	27
§ 20.	<i>Paying Agent, Application Agent and/or Warrants Agent</i>	28
§ 21.	<i>Substitution of the Issuer</i>	28
§ 22.	<i>Exchange Listing</i>	29
§ 23.	<i>Publications</i>	29
§ 24.	<i>Statute of Limitation</i>	29
§ 25.	<i>Obligation to Prepare a Listing Prospectus for Public Offerings</i>	29
§ 26.	<i>Liability</i>	30
§ 27.	<i>Exclusion of Liability</i>	30
§ 28.	<i>Applicable Law, Jurisdiction and Place of Performance</i>	30
§ 29.	<i>Severability Clause</i>	30
§ 30.	<i>Final Provisions</i>	30

## **§ 1. Investor Rights**

1. Raiffeisen Centrobank AG, Tegetthoffstraße 1, 1010 Vienna ("Issuer") will issue as of 29 July 2008 (see FT, line 40) a total volume of up to (see column "Volume" in the excerpt of the offering; FT, line 49) Open End Investment Certificates (see FT, line 1) pursuant to these Securities Terms, ISIN (see column "ISIN Product" in the excerpt of the offering; FT, line 2) on the Russian Steel Basket (see column "Underlying Instrument (UL)" in the excerpt of the offering; FT, line 10-12).
2. The structured security entitles the holder the right to claim redemption pursuant to § 9.
3. The structured securities are listed on an exchange and can be traded continuously in denominations of one (see FT, line 51) or a multiple thereof on every exchange trading day on the exchange and over the counter.
4. The issuance of structured securities is done in the form of a continuous issue.
5. The issue price of the securities is fixed taking into account several different factors (e.g. price of the underlying instrument of the security on a certain date and the fluctuation range, current interest rates, exchange rates, future dividend expectations and product-specific parameters). The issue price will be EUR 10,00 plus 0,30 Issue surcharge (see FT, line 53) during the subscription period (see FT, line 50).
6. The conversion of the issue price at the start of the term of the issue and during its term is based on the respective foreign currency (FC) FC/product currency (PC) median rate.

In the case of "quanto" – currency hedged – securities, the respective foreign currency is always expressed 1:1 in the product currency. This means that the respective foreign currency unit automatically corresponds to a unit of the respective product currency.

**"Foreign Currency"** in the meaning of these Securities Terms is a currency other than the product currency.

## **§ 2. General Risks**

1. The issuer has the intention – under usual market conditions – to quote current buy and sell prices. The issuer, however, does not enter into any legal obligation vis-à-vis the holder of structured products to quote such prices or with respect to the amount or the determination of such prices. Therefore, the buyer of a structured security cannot rely on being able to sell a structured product at a certain time or for a certain price. Market disruptions (see § 14), for example, can delay the determination of prices.
2. The structured securities are risky instruments used to invest assets. If the underlying instrument of the respective certificate develops adversely, there is a risk of loss of a greater part or of the total amount of the invested capital. The holder of structured securities therefore also carries the risk that the financial situation of the issuer of the structured securities could change for the worse.
3. The value of structured securities is influenced not only by the changes to the price of the underlying instrument, but additionally by a number of other factors such as the maturity of the structured

securities (and other product-specific parameters) as well as by the frequency and intensity of price fluctuations (volatility) of the underlying instrument. A reduction in the value of a structured security may occur even if the price of the underlying instrument remains constant.

### **§ 3. Currency Risks**

In the case of a securitized claim in the form of a structured security relating to a foreign currency and/or being calculated in a foreign currency unit, or if the value of the underlying instrument of the security is denominated in such a foreign currency or currency unit, then the risk of loss shall not depend solely on the development of the value of the underlying security, but also on the adverse developments on the foreign exchange markets. Adverse developments on foreign exchange markets can heighten the risk of loss in the following ways:

- the value of the structured securities acquired is accordingly reduced;
- there is a decrease in the potential settlement amount to be received, or
- the price of the underlying instrument decreases accordingly.

Even in the case of structured securities hedged against currency risks by fixing the rate of exchange, interest rate risks can still arise due to the divergent interest rate levels that can have a negative influence on the price of a structured security.

### **§ 4. Influence of Ancillary Costs on Earnings Opportunities**

Commissions and other transaction costs that arise when buying or selling structured products can give rise to costs – especially in combination with a low order value – that may extremely reduce the earnings opportunities of the structured securities. Therefore, investors are recommended to inform themselves of the costs of buying or selling a structured product before investing.

### **§ 5. Using Credit**

If a holder of structured securities finances the acquisition of such securities by taking out a loan, he or she must not only repay the loss if expectations are not realized, but must also repay the loan with interest. This substantially increases the risk of loss. The holder of a structured product should therefore never rely on being able to repay the loan and interest from the profit made on the trade in structured securities. Rather, the buyer of structured securities has to examine his or her financial situation before the purchase to ascertain whether he or she will be able to pay interest, and if necessary, to repay the loan on short notice even if the expected profit turns out to be a loss.

## **§ 6. Influence of Trades, especially of Hedging Transactions by the Issuer, on the Structured Securities**

The issuer has the right to buy or sell on the open market or in non-public transactions the structured products at any time during the term of the structured securities. Within the scope of its regular business activities, the issuer engages in trading in the underlyings of the structured securities and furthermore hedges fully or in part against the financial risks related to the structured securities by entering into hedging transactions in the respective underlying instruments.

These activities of the issuer can have an influence on the price of the underlying determined in the market as well as on the value of the structured securities or on redemption obligations vis-à-vis the holders of the structured securities.

The issuer is not under any obligation to inform the holders of structured securities of any such buy or sell trades or any other event (such as a hedging transaction) that could have an influence on the development of the price of structured products or the price of the underlying instrument. The holders of structured securities must therefore inform themselves on their own to gain a picture of the development of the prices of structured securities and their underlying instruments.

## **§ 7. Form of the Structured Securities; Transferability**

1. The structured securities are all represented in global certificates pursuant to § 24 lit b Securities Custody Act, Federal Law Gazette No. 424/1969 as amended by Federal Law Gazette No 650/1987, requiring the signature of two authorized signatories (member of the executive board, director or holder of unlimited procuration).
2. The global certificates are deposited for inspection with Oesterreichische Kontrollbank Aktiengesellschaft in its function as a central securities depository. As co-ownership shares, the structured securities are transferable.
3. The structured securities can be individually transferred within the scope of securities giro transaction.
4. There is no entitlement to receive the structured securities physically.

## **§ 8. Maturity**

1. The issuance of structured securities starts on 29 July 2008 (see column "Issue Date" in the excerpt of the offering; FT, line 40) ("start of life of security"). These structured securities are open-end securities. This means that the structured securities do not have a predefined maturity. The securities are available for subscription during the period 1 July 2008 to 24 July 2008 (see FT, line 50).
2. The issuer shall have the right to determine a maturity date for the certificates for the first time at the earliest three calendar years after the issue date on any exchange-trading day in Vienna or Stuttgart, with the remaining time to maturity of the certificate having to be at least one calendar year. The fixing of the maturity is published, indicating the maturity date pursuant to § 23 par. 1.a.

## § 9. Exercise/Redemption

### THE FOLLOWING APPLIES TO INVESTMENT CERTIFICATES:

1. On the redemption date (see § 13) the holder of an investment certificate will automatically receive from the issuer payment of an amount (for foreign currency securities converted into the product currency or expressed in the product currency – § 10) ("redemption amount") that corresponds to the closing price of the underlying instrument of the certificates determined and published on the maturity date taking into account the subscription ratio.
2. In the case of investment certificates without a predefined maturity (open-end), the issuer shall have the right for the first time after three calendar years as of the issue date to determine a maturity date for the certificates on any exchange-trading day, with the remaining time to maturity of the certificates having to be at least one calendar year. The fixing of the maturity is published indicating the maturity date pursuant to § 23 par. 1.a.
3. The "closing price" (see FT, line 36) is made up of the prices of the shares contained in the basket (see column "Share" in the table in § 11; FT, line 12) published by the relevant exchange (see column "Relevant Exchange" in the table in § 11; FT, line 12) on the maturity date and taking into account the actual weighting of the shares in the basket.

## § 10. Conversion of Foreign Currency Securities

1. The conversion of the respective redemption amount or settlement amount upon maturity, on the exercise day (for warrants) and on the valuation day (for reverse convertibles) from the respective foreign currency into the corresponding product currency is done on the basis of the respective FC/PC fixings displayed on the effective day on the Reuters page <ECBREF=> or another page replacing such page or, if the exchange rate is not displayed on another Reuters page, it is based on the exchange rate displayed on the page of another data vendor. Should the exchange rate no longer be calculated in the manner defined or displayed as mentioned above, the issuer shall have the right to define the applicable exchange rate on the basis of the market rules effective at the time for calculating exchange rates.
2. In the case of "quanto" – currency hedged – securities, the respective foreign currency is always expressed 1:1 in the product currency. This means that the respective foreign currency unit automatically corresponds to a unit of the respective product currency.

## § 11. Underlying Instrument

The certificates are based on the "**Russian Steel Basket**" (see column "Underlying Instrument (UL)" in the excerpt of the offering; FT, line 10 - 12).

1. At the beginning of the subscription period the Basket consists of the following shares, weighted according to the below enclosed table. The initial value of the Basket will be fixed with EUR 10,- :

Underlying	ISIN Underlying	RIC	Currency UL	Relevant Exchange	Indicative Number of shares *)	Indicative Weighting *)
MECHEL OAO	US5838401033	MTL.N	USD	New York Stock Exchange	0,54052	16,67 %
SEVERSTAL	US8181503025	CHMFq.L	USD	London Stock Exchange	1,00089	16,67 %
NOVOLIPETSK	US67011E2046	NLMKq.L	USD	London Stock Exchange	0,47774	16,67 %
EVRAZ GDR	US30050A2024	HK1q.L	USD	London Stock Exchange	0,22120	16,67 %
TMK	US87260R2013	TRMKq.L	USD	London Stock Exchange	0,69272	16,67 %
MGN IRN GDR	US5591892048	MAGNq.L	USD	London Stock Exchange	1,47884	16,67 %

\*) These values are indicative, have been calculated by the issuer on 30 June 2008 and will be fixed definitely by the issuer in consideration of the closing price of each share and on the basis of the respective actual FC/PC conversion rate on the initial fixing day. The values are published with an adequate manner.

2. The weighting of the shares contained in the basket will change during the term of the certificates in accordance with the development of the current market price of the individual share with the number of the relevant share (fixed on 25.07.2008 by the issuer) always remaining constant, excluding actions required by corporate actions. (This means that if the market price of a share increases more than that of another share, the weighting for the first share shall increase accordingly).
3. The "Initial fixing date" is – unless of an adjustment event (see line 48 below) – on 25 July 2008.
4. In case of foreign currency shares contained in the basket, the conversion of the respective current market price from the respective foreign currency into the corresponding product currency is done on the basis of the respective actual FC/PC conversion rate.

## § 12. Interest

There are no interest payments on structured securities.

## § 13. Redemption date/Due Date of Payment

1. The due date of payment ("redemption date") (see FT, line 43) for the redemption of structured securities is three banking business days after the maturity date (see FT, line 41).
2. If the due date is not a banking business day, the payment shall be made on the next following banking business day. The holder of structured securities shall not have the right to demand interest or any other compensation for such a delay in payment.
3. Any taxes, charges or other duties falling due upon the payment of the money shall be borne and paid by the holder of the structured securities. The issuer or the warrants agent shall have the right

to retain money amounts for taxes, charges or other duties that are to be paid by the holder of the structured securities in accordance with the preceding sentence.

4. A "**banking business day**" in the meaning of these General Securities Terms is a day on which commercial banks are open for business in Austria and Germany.

#### **§ 14. Market Disruption; Substitute Price**

The following provisions shall apply (see FT, line 47):

1. A market disruption means that (either)
  - the suspension or essential limitation of the calculation and publication of the closing prices for one or more of the instruments (such as shares, commodities) contained in the underlying (basket of instruments) by the relevant exchange/price-fixing entity, or
  - the suspension or essential limitation of trading in futures or options contracts on one or more of instruments (such as shares, commodities) contained in the underlying (basket of instruments) on a derivatives exchange on which futures and options contracts on the respective instruments (e.g. shares, commodities) are traded ("derivatives exchange").
2. A limitation of trading hours or number of trading days will not constitute a market disruption, if it was announced by the relevant exchange prior to the occurrence of the limitation. A limitation imposed on trading during a trading day by reason of movements in price exceeding limits permitted by the relevant exchange will only constitute a market disruption if the trading limitation remains until the end of the trading session on the relevant trading day.
3. The issuer shall make every effort to notify the parties involved immediately of the occurrence of a market disruption. However, he has no obligation to do so.
4. "**Exchange trading day**" in the meaning of this terms is any day on which the exchange and the related exchange are open for trading during their respective regular trading sessions other than a day on which trading on any such exchange or related exchange is scheduled to close prior to its regular weekday closing time.

#### **§ 15. Adjustment Rules**

1. If, during the term of the securities, a corporate action in the underlying instrument occurs, these Terms will be adjusted in accordance with the ÖTOB Rules and the EUREX (German futures exchange) Rules or with the rules applicable at the respective exchange/price-fixing entity in order to ensure that the holder of the securities will remain in the original economic situation.
  - The relevant effective day ("effective day") shall be the maturity date.
2. If no closing price is determined and published for the respective underlying instrument on this relevant effective day or, if in the opinion of the issuer, there is a market disruption on this day, the following procedures shall apply :

a. Securities on baskets of shares:

- i. If during the term of the certificates – from the point of view of the issuer – (i) a corporate action occurs, or (ii) a suspension from the official market without substitution of one of the shares contained in the basket occurs on the relevant exchange, or (iii) a tender offer for the relevant business exists, or (iv) the liquidity of the relevant share reduces essentially, the issuer shall take measures to put the holder of the certificates back into the original economic situation. In the issuer's sole discretion:
- the value of such share shall be distributed among the shares remaining in the basket on the basis of the latest available price in equal shares according to the currently applicable weighting; or
  - the affected share will be substituted by another share according to the prevailing market conditions; or
  - a "substitute price" is calculated for the affected share. The substitute price will be the price calculated by the relevant exchange, or, if such a price is not available, the price which corresponds, in the opinion of the issuer, to the fair market value of this share according to the prevailing market conditions.

There shall be no disadvantage for the holders of the certificates caused by such rounding. The decision of the issuer on such adjustments of the basket by the issuer or a third party commissioned by the issuer shall be binding on all parties involved and shall be published unless an obvious mistake has been made.

- ii. If the maturity date in respect of a share contained in the basket is not an exchange trading day or a market disruption exists, then the maturity date (A) for each share not affected by the occurrence of this disruption shall be the scheduled maturity date and (B) for each share affected by the occurrence of such a disruption shall be the first succeeding exchange trading day, where no market disruption exists, unless the issuer determines that on each of the three exchange trading days immediately following the maturity date a market disruption exists. In that case:
- that third exchange trading day shall be deemed to be the maturity date for the relevant share notwithstanding the fact that a market disruption exists; and
  - the issuer shall determine its good faith estimate of the value for that share on that maturity date; and
  - the redemption date will be postponed accordingly (three banking business days after the maturity date).

## **§ 16. Payout of Amounts**

The pay out of the respective amounts is done exclusively in the respective product currency.



## § 17. Termination

1. As a rule, it shall be irrevocably excluded out that a holder of a security has the right to terminate the securities.
2. The issuer shall have the right to terminate the securities not yet settled prematurely by making an announcement as defined in § 23 par. 1.a stating the termination amount:
  - a. should the listing of the respective underlying instrument be irrevocably ceased on the relevant exchange or price-fixing entity or on its primary exchange for any reason whatsoever;
  - b. if, as a result of any change in the legal situation or any proposed change in the legal situation or any change in the official application, enforcement or interpretation of this legal situation, the issuer, as the case may be, has or will be obligated to pay additional amounts on any structured securities and such obligation cannot be avoided by the issuer, as the case may be, by any reasonable measures available to it which in the good faith opinion of the issuer will not have a material adverse impact on the conduct of its business;
3. The issuer shall also be entitled to terminate the security stating the termination amount if in its opinion liquidity in one or more shares of the basket is very low on the relevant exchange/price-fixing entity or on the primary exchange so that the economic situation of the holder of the securities in the issuer's opinion has changed substantially.
4. In the event the issue is terminated prematurely, the issuer shall automatically pay to every security holder for every security held an amount in the product currency ("termination amount") five banking business days after the termination date that in the opinion of the issuer is an equitable amount and it has defined as the appropriate market price of the security.

### **PREMATURE REDEMPTION/TERMINATE OF OPEN-END SECURITIES:**

The following applies to open-end securities:

The holder of a structured security is entitled for the first time after four calendar years of the start of the issue to terminate a structured security prematurely on every first banking business day of a month (termination date). These redemption rights may be exercised only for at least one hundred (100) structured securities with the same ISIN or security identification number or a multiple thereof in whole numbers. The premature redemption of fewer than 100 structured securities shall not be valid or effective. The premature redemption of more than 100 structured securities having a number not divisible by 100 shall be executed at the next-lower number of structured products divisible by 100. With the redemption of the structured securities on the respective termination date, all rights under the redeemed structured securities shall expire.

For the premature termination to be effective, the holder of the structured securities must submit to its custodian bank a duly completed notice of termination:

The notice of termination must contain:

- a. Name and address of the holder of the structured securities or of the person authorized on his or her behalf,

- b. the ISIN and/or security identification number of the structured securities which are being terminated,
- c. the number of structured securities being terminated, and
- d. the termination date on which the securities will be terminated.

This notice of termination is irrevocable and binding. To be effective, the issuer must have received the notice of termination on the last banking business day before a termination date prior to 12:00 noon (local time Vienna).

If the issuer does not receive the notice of termination or the structured securities in time on the termination date stated in the notice of termination, then the termination shall not be effective. This shall also apply to turbo certificates if the certificate is knocked out by the termination date inclusive. In this case, the turbo certificate shall expire worthless or a residual value shall be paid out that is derived from the closing out of the hedging deal of the issuer (see § 9).

If the number of structured securities stated in the notice of termination for which the premature redemption/termination is being applied for differs from the number of the structured securities received by the issuer, then the notice of termination shall apply only to the lower of the two figures corresponding to the structured securities submitted. Any excess structured securities shall be returned at the expense and risk of the holder of the structured securities.

The holder of structured securities shall be prematurely paid the redemption amount (see § 9) in the respective product currency five banking business days after the respective termination date.

In this case, the closing price of the underlying instrument on the date the notice of termination is received by the issuer shall be effective.

## § 18. Taxation

The description refers exclusively to the relevant provisions of the taxation of income on capital assets and of other income on securities held by individual non-business investors resident in the respective country (thus treatment of income not from business operations). The explanations do not comprise all aspects of these types of taxation. The description does not deal with the individual tax situation of individual investors.

The information presented herein does not replace the necessary advice that must be obtained from a tax advisor in every individual case, considering the respective product, the investor's tax position and the recent legal position in the respective country, before reaching a decision to buy. Before buying a security, interested investors should in any case seek advice from their local tax advisors on the tax consequences of the acquisition, holding, sale and redemption of these securities. This is particularly true considering the current amendments to taxation law. The explanations provide general information based on the legal framework as per June 2007. The information has not been confirmed by court rulings or any explicit statements of the tax authorities and therefore should not be understood to mean that the tax consequences described are guaranteed to occur. Changes in the law, jurisdiction and administrative practice as well as deviating judgements of tax authorities due to the scope of potential divergent interpretations cannot be excluded and are not within the liability of the issuer. The individual tax status and assumptions thereon made by the investor are not subject of the contract between the issuer and the investor.

The issuer does not assume any responsibility for the withholding of the mentioned withholding taxes

## **A. Regarding holders of securities who are subject to taxation in Austria**

### **1. Warrants**

Returns on securities are income from speculation dealings pursuant to § 30 par.1 fig. 2 Income Tax Act (margin no. 7757a ff income tax law 2000-decree 2005 of 2 Jan. 2006).

As the legal situation concerning the taxation of warrants in Austria before November 2005 was not explicitly regulated, the Federal Ministry of Finance has ruled, that for warrants issued prior to 1<sup>st</sup> Dec. 2005 which were declared to be subject to capital yields tax at the time of issue, the stance adopted by the respective custodian was not to change. However, a warrants holder has the possibility of obtaining the refund of the capital yields tax paid by requesting a tax assessment, or, if the conditions for such tax assessment are not given, by submitting an application to the competent tax office pursuant to § 240 par. 3 Federal Tax Code.

### **2. Leverage securities (Turbo Certificates, and Range Turbo Certificates):**

Returns on securities are income from speculation dealings pursuant to § 30 par.1 fig. 2 Income Tax Act (margin no. 7757a ff income tax law 2000-decree 2005 of 2<sup>nd</sup> Jan. 2006) if at the time of the start of the issue (see Final Terms Chapter VI. "4.1.9 Issue Date") the capital expenditure for the respective security is smaller than or equal to 20% in relation to the price of the underlying instrument.

If at the time of the start of the issue the capital expenditure for the respective security is more than 20% in relation to the price of the underlying instrument, then the returns on the securities are income on capital assets pursuant to § 27 par. 1 fig. 4 Income Tax Act 1988 and are therefore subject to capital yields tax.

Due to the unclear legal situation prior to the decree of 2005 (margin no. 7757b income tax law 2000 - decree 2005 of 2<sup>nd</sup> Jan. 2006) the following transition rules apply to leverage products:

- If, prior to 1<sup>st</sup> October 2005 leverage products were issued not having a subordinated capital expenditure ("leverage is smaller than 5" - see margin no. 6197b) and were treated as capital yields tax free on 1<sup>st</sup> October 2005, then until the expiry of these securities no capital yields tax or credit shall apply.
- If, prior to 1<sup>st</sup> October 2005 leverage products were issued that had a subordinated capital expenditure ("as of leverage 5" - see margin no. 6197b) and were treated as capital yields tax obligatory on 1<sup>st</sup> October 2005, then until the expiry of these securities, capital yields tax shall be deducted and a credit shall apply.

However, a securities holder has the possibility of obtaining a refund of the capital yields tax paid by requesting a tax assessment, or, if the conditions for such tax assessment are not given, by submitting an application to the competent tax office pursuant to § 240 par. 3 Federal Tax Code.

### **3. Discount, Investment, Bonus, Speed, Lock-In, Outperformance, Centrobank, Twin Win, Reverse Bonus and Express Certificates:**

Returns on securities pursuant to § 97 par. 1 in conjunction with § 93 par. 3 and § 124b fig. 85 Income Tax Act are subject to a final 25 % capital yields tax. This means that income and inheritance tax obligations are also covered. Pursuant to § 78 Insurance Surveillance Act, the certificates are suitable as cover for actuarial provisions (eligible for cover).

### **4. Reverse Convertibles:**

Interest income is income on capital assets pursuant to § 27 par. 1 fig 4 Income Tax Act and is therefore subject to income tax.

Interest income is subject to a capital yields tax of 25 % pursuant to § 93 par. 3 Income Tax Act, if the interest paying agent is seated in Austria. The interest paying agent is the credit institution that pays out or credits to the investor interest earned on redemptions or the sale of securities.

With the deduction of the capital yields tax, the income tax is generally deemed to be paid (final taxation effect). Therefore, in this case investors are not obligated to include interest income on reverse convertibles in their income tax reports.

If the income tax due according to the taxation schedule is lower than the capital yields tax, the investor may request an assessment of interest income at the lower income tax rate. Capital yields tax is credited against income tax in this case or the excess amount is refunded. Expenses in connection with securities (fees, commissions, etc.) may not be deducted for taxation purposes pursuant to § 20 par 2 Income Tax Act (deduction prohibition).

Redemption gains or gains on sales from the redemption or sale of securities within one year of acquisition of the securities are taxable pursuant to § 30 Income Tax Act. This type of income on speculation gains is subject to the general income tax schedule.

The redemption by delivery of shares creates a new acquisition transaction for the investor, namely, the acquisition of shares. Gains on sales made from selling such shares within one year are subject to full taxation pursuant to § 30 Income Tax Act. Gains on sales after the end of the speculation period are not subject to income tax if the percentage of the share represents less than 1 %.

### **5. Guarantee Certificates:**

According to the current legal opinion of the issuer, returns on certificates pursuant to § 97 par. 1 in conjunction with § 93 par. 3 and § 124b fig. 85 Income Tax Act are subject to 25 % capital yields tax. This means that income and inheritance tax obligations are also covered. Pursuant to § 14 Income Tax Act, the certificates are suitable for provisions for pension and severance payments as well as pursuant to § 78 Insurance Surveillance Act as cover for actuarial provisions (eligible for cover).

## **B. Holders of securities who do not have their habitual place of residence or domicile in Austria**

If an investor does not have his or her habitual place of residence or domicile in Austria, then capital yields from the redemption or sale of certificates are not subject to income tax in Austria.

If such capital yields are paid out by an Austrian interest paying agent, the capital yields tax is not deducted, if the investor has furnished proof or credibly documented the status of non-resident to the paying agent.

Capital yields from the redemption or sale of certificates shall generally be subject to EU withholding tax as of 1<sup>st</sup> July 2007, if they are paid out by a domestic paying agent to a natural person who has his or her domicile in another member state of the EU. The paying agent is the credit institution which pays out the capital yields to the investor.

EU withholding tax is 15 % for payments as of 1<sup>st</sup> July 2005, 20 % for payments as of 1<sup>st</sup> July 2008 and 35 % for payments as of 1<sup>st</sup> July 2011. EU withholding tax is not levied if the investor presents to the paying agent a confirmation of his or her home tax office on the disclosure of the capital yields.

Interest income from the reverse convertibles and coupon payments on the guarantee certificates, described in this prospectus are deemed by the Federal Ministry of Finance to be interest income subject to EU withholding tax. All other income on capital from the certificates described in this prospectus does not constitute interest income that would be subject to EU withholding tax in the opinion of the Federal Ministry of Finance.

## **C. The following applies to holders of securities subject to taxation in the Federal Republic of Germany:**

The following presentation is limited to the presentation of taxation of privately-held assets (*Privatvermögen*) pursuant to the German Income Tax Act (excluding Church Tax (*Kirchensteuer*)) without German paying agent (*Zahlstelle*) and is based on the current state of the law. In addition it includes an outlook to the investment flat rate tax (*Abgeltungssteuer*) which passed German upper house of parliament on July 6th, 2007 as part of the Unternehmensteuerreform 2008.

### **A. Current Taxation**

#### **1. Warrants (with cash settlement/with delivery of underlying value)**

A profit from the sale of a warrant is only then subject to taxation as a private sale if the period between acquisition and disposition is no more than one year (Disposition of securities within the meaning of § 23 (1) No. 2 EStG, BMF dated 27 November, 2001, BStBl. I 2001, 986, Margin Notes 17 and 22). This also applies to the exercise of an option with cash settlement, provided that the period between acquisition and exercise is no more than one year (forward transaction within the meaning of § 23 (1) No. 4 EStG, BMF dated 27 November, 2001, BStBl. I 2001, 986, Margin Notes 16 and 21). The purchase price and ancillary purchase costs of the warrants are then deemed to be income-related expenses (*Werbungskosten*) pursuant to § 23 (3) Sentence 5 EStG. Losses from the warrants may only be offset against profits received by the tax payer from private sales (*private Veräußerungsgeschäfte*) in the same calendar year (§ 23 (3) Sentence 8 EStG). Losses which may not be offset reduce, to a limited extent, the earnings from private sales of the immediately preceding or the following assessment periods (§ 23 (3) Sentence 9 EStG).

Dispositions and redemptions with cash settlement which occur after a holding period of more than one year are not subject to taxation.

In the event that a call option is exercised and the underlying value is delivered, this will not have any direct tax consequences regardless of the holding period. The option premium paid is included in the purchase price of the acquired shares (BMF dated 27 November, 2001, BStBl. I 2001, 986, Margin Note 15) and, as the case may be, may have profit-reducing effect upon a later taxable sale of these shares. The exercise of a put option and delivery of the underlying value results in taxable profits from a private sale if the underlying value subject to the disposition was acquired within one year prior to the disposition (BMF dated 27 November, 2001, BStBl. I 2001, 986, Margin Note 20).

The tax treatment of the expiration of an option within the one year holding period is not conclusively clarified at this time. Currently a case (IX R 11/06) is pending before the German Fiscal High Court (Bundesfinanzhof) regarding the question whether the acquisition costs of warrants which are expired within the holding period qualify as expenses related to income from private sales (*private Veräußerungsgeschäfte*). However, for the time being the German fiscal authorities adhere to the view that such expiration has no tax consequences.

## **2. Turbo, Range Turbo, Discount, Investment, Bonus, Reverse Bonus, Speed, Lock-In, Outperformance and Twin Win Certificates as well as Centrobank and Express Certificates without coupon and/or dividend payments and without (partial) capital guarantee:**

The tax treatment of certificates is not conclusively clarified at this time. According to current opinion, earnings from the disposition and redemption of the issued certificates with a holding period of more than one year should not be subject to taxation as neither compensation nor a capital repayment (at least in part) was guaranteed (§ 20 (1) No. 7 of the German Income Tax Act (*Einkommensteuergesetz* or "EStG"; see Circular of the German Federal Ministry of Finance (*Bundesministerium für Finanzen* or "BMF") dated 16 March, 1999, German Federal Tax Gazette (*Bundessteuerblatt* or "BStBl.") I 1999, 433). In particular, the sale proceeds should not represent earnings pursuant to § 20 (2) EStG. In general the German fiscal authorities have hitherto not differentiated into different underlying values (except for the RexP, see Regional Finance Office (*Oberfinanzdirektion* or "OFD") Rheinland, No. 19/2007, dated 5 March 2007) but focused on whether the capital repayment was guaranteed in whole or in part or compensation was promised.

However, sale proceeds are subject to taxation as profits from a private sale if the period between acquisition and disposition was not more than one year (§ 23 (1) No. 2 EStG). This applies equally to profits from the redemption of certificates if the period between acquisition and redemption was no more than one year. Losses from such private sales (*private Veräußerungsgeschäfte*) may only be offset against the amount of profits which the tax payer earned from private sales in the same calendar year (§ 23 (3) Sentence 8 EStG). Losses which cannot be offset reduce, to a limited extent, the earnings from private sales of the immediately preceding or the following assessment periods (§ 23 (3) Sentence 9 EStG). Dispositions and redemptions which occur after a holding period of more than one year are not subject to taxation.

The Investment Tax Act (*Investmentsteuergesetz*) should not be applicable as a certificate is not a foreign investment unit (BMF dated 2 June, 2005, BStBl. I 2005, 728, Margin Note 9). However, a separate tax analysis for certificates not linked to a generally accepted index, especially for fund linked notes is recommended.

### **3. Guarantee Certificates as well as Centrobank and Express Certificates with coupon payments and/or (partial) capital guarantee:**

The tax treatment of certificates with partial capital guarantee is not conclusively clarified at this time.

As a capital repayment (at least in part) has been guaranteed but at the same time an issue yield does not exist due to the uncertain component, both current earnings and sale and redemption proceeds (i.e. all earnings generated from the certificate) are subject to taxation as income from capital assets pursuant to § 20 (1) No. 7 and § 20 (2) EStG (taxation according to market yield) according to the German fiscal authorities. As this is deemed to be income from capital assets pursuant to § 20 EStG, this rule applies regardless of the holding period.

The fiscal authorities are of the opinion that the guarantee of even a partial capital repayment is sufficient to assume the existence of an other receivable within the meaning of § 20 (1) No. 7 EStG, see for example BMF dated 16 March, 1999, BStBl. 1999 I, Page 433. The required repayment amount cannot be limited to an amount below which a guarantee can no longer be assumed. Rather, every guaranteed repayment is sufficient. Accordingly, the tax character of the guarantee certificate is therefore independent of the specific amount of the guaranteed amount.

The tax treatment of certificates without (partial) capital guarantee but with coupon payments is also not conclusively clarified at this time.

Recent decisions by the German Fiscal High Court (Bundesfinanzhof) again stressed the traditional view on the tax treatment of products generating a yield in return for providing a certain cash amount. However, we think that even under the principals adhered to by the German Fiscal High Court in the most recent decisions (BFH 11/07/2006, VIII R 67/04; BFH 20/11/2006, VIII R 43/05; BFH 20/11/2006, VIII R 7/02; BFH 13/12/2006, VIII R/05; BFH 13/12/2006, VIII R 62/04; BFH 13/12/2006, VIII R 79/03) all amounts received out of certificates as described in this paragraph, will still be taxable when coupon payments are promised. As a consequence not only the coupon payments will be subject to taxation but amounts paid out as (capital-) repayments because of an increase/decrease of the underlying or because of any other reason, will as well be subject to tax.

### **4. Centrobank and Express Certificates with "dividend payments":**

If the holder is not entitled to coupon payment but to dividend payment in the event an underlying share would entitle to a dividend payment, the tax treatment is unclear.

The fact that in such a case the payments are fully dependent on whether a direct holder of such a share would receive a dividend and therefore such a payment is not in any way granted, would speak in favor of not subjecting such a certificate to the tax treatment of a financial innovation as long as it does not as well include a (partial) capital guarantee.

However, no guideline for the treatment of such certificates has been issued by the German fiscal authorities nor has been a court decision dealt specifically with such an issue.

### **5. Reverse Convertible Bonds (Aktienanleihe):**

According to the German fiscal authorities, reverse convertible bonds are receivables, the earnings of which depend on an uncertain event (BMF dated 2 March, 2001, BStBl. I 2001, 206, Margin Notes 12). Pursuant to § 20 (1) No. 7 Sentence 1 EStG, the current income is therefore subject to taxation as income from capital assets.



The treatment of profits and losses from a sale and losses following the exercise of the right of redemption has not yet been conclusively clarified at the highest court level. According to the opinion of the fiscal authorities (BMF dated 2 March, 2001, BStBl. I 2001, 206), an issue yield does not exist (§ 20 (2) Sentence 1 No. 4 EStG) as it is uncertain at the time of acquisition whether the right of redemption will be exercised or not. Consequently, such profits and losses will be taxed according to market yield (as difference between acquisition costs and amount paid out) pursuant to § 20 (2) Sentence 1 No. 4 Sentence 2 EStG, i.e. profits from the sale or redemption in the event of the actual repayment of the capital amount (non-exercise of the right) are subject to tax as capital income in the actual amount accrued and losses from the sale or redemption are considered as negative income from capital assets (BMF dated October 25, 2004, BStBl. I 2004, 1034).

### Investment flat tax (Abgeltungssteuer)

#### **B. German Tax Reform 2008 (Unternehmensteuerreform 2008)**

On July 6th 2007 German Parliament has passed the so called Unternehmensteuerreform 2008. One part of the Unternehmenssteuerreform 2008 is the introduction of an investment flat tax which includes fundamental changes to the principles of taxation of capital income (Einkünfte aus Kapitalvermögen) and capital gains (Einkünfte aus Veräußerungsgeschäften) for privately held assets.

This new investment income flat tax will be fully applicable for all certificates which have been acquired on January 1st 2009 or later.

1. The **warrants** (see par. A.1) will remain taxable under the current rules if acquired before January 1st 2009. Thereafter the income flat tax will apply.
2. For **certificates** described in par. A.1 and A.2 (**without coupon payments and (partial) capital guarantee**) which have been acquired before this date but after March 14th of 2007, the investment flat tax will also be applicable if
  - a. the capital income or capital gain out of a sale or redemption of the certificate paid out as realized after June 30th 2009 and
  - b. the time period between acquisition and alienation exceeded the period of 1 year.
3. For **certificates** described in par. A.3 to A.5 (**with coupon payments or (partial) capital guarantee**) the investment flat tax will be applied on all amounts paid out on January 1st 2009 or later.

When the investment flat tax is to be applied, all capital income in the form of coupons or other payments and capital gains out of the sale or redemption of the certificates are treated as capital income within the meaning of section 20 part 2 no. 7 German Income Tax Act. In principle they are subject to a flat tax of 25 % plus 5.5 % solidarity surcharge thereon. This is applied to all certificates whether they are to be considered as being speculative or not.

Losses out of the sale or redemption of the certificates can only be netted with other positive capital income. In so far as this is not possible within the tax year assessment in which the losses occurred, these losses can be carried forward without restriction in future years to be then netted with positive capital income.



**D. The following applies to holders of securities subject to taxation in Poland:**

Explanations restricted to the taxation of private (individual) investors resident in Poland.

**1. Warrants**

A sale of the product is taxable under Article 30b PIT Act at a flat rate of 19 %, whereby related costs are deductible and losses of the previous five years may be offset against other income (maximum 50 % of the losses per year).

The same applies for the redemption of the product by cash settlement.

The redemption by settlement in kind (delivery of the underlying) is not taxable in Poland; the subsequent sale of the underlying triggers capital gains tax under the respective applicable tax provisions (depending on the nature of the underlying).

**2. Discount certificates**

A sale of the product is taxable under Article 30b PIT Act at a flat rate of 19 %, whereby related costs are deductible and losses of the previous five years may be offset against other income (maximum 50 % of the losses per year).

The redemption by cash-settlement is (depending on the Austrian qualification) taxable under Article 30a PIT Act at a 19 % flat rate without the possibility to deduct related costs.

The redemption by settlement in kind (delivery of the underlying) is not taxable in Poland; the subsequent sale of the underlying triggers capital gains tax under the respective applicable tax provisions (depending on the nature of the underlying).

**3. Investment, Bonus, Reverse Bonus, Speed, Lock-in, Outperformance and Twin Win certificates**

A sale of the product is taxable under Article 30b PIT Act at a flat rate of 19 %, whereby related costs are deductible and losses of the previous five years may be offset against other income (maximum 50 % of the losses per year).

The redemption by cash-settlement is (depending on the Austrian qualification) taxable under Article 30a PIT Act at a 19 % flat rate without the possibility to deduct related costs.

**4. Turbo and Range Turbo certificates**

A sale of the product is taxable under Article 30b PIT Act at a flat rate of 19 %, whereby related costs are deductible and losses of the previous five years may be offset against other income (maximum 50 % of the losses per year).

The redemption by cash-settlement is taxable at a flat rate of 19 % without the possibility to deduct related costs. Depending on the taxation in Austria, the following two cases may be distinguished: 1) leverage less than five = revenues taxed as interest in Austria: tax base = interest revenue, no deduction of related costs (Art 30a PIT Act); 2) leverage at least five = revenues taxed as capital gains in Austria:

tax base = capital gains less related costs, losses of the previous five years may be offset against other income (maximum 50 % of the losses per year – Art 30b PIT Act).

#### **5. Guarantee certificates**

Current income is taxable under Article 30a PIT Act at a flat rate of 19 % without the possibility to deduct related costs.

A sale of the product is taxable under Article 30b PIT Act at a flat rate of 19 %, whereby related costs are deductible and losses of the previous five years may be offset against other income (maximum 50 % of the losses per year).

The redemption by cash-settlement is (depending on the Austrian qualification) taxable under Article 30a PIT Act at a 19 % flat rate without the possibility to deduct related costs.

#### **6. Reverse convertibles**

Current income is taxable under Article 30a PIT Act at a flat rate of 19 % without the possibility to deduct related costs.

A sale of the product is taxable under Article 30b PIT Act at a flat rate of 19 %, whereby related costs are deductible and losses of the previous five years may be offset against other income (maximum 50 % of the losses per year).

The redemption by cash-settlement is (depending on the Austrian qualification) taxable under Article 30a PIT Act at a 19 % flat rate without the possibility to deduct related costs.

The redemption by settlement in kind (delivery of the underlying) is not taxable in Poland; the subsequent sale of the underlying (share) is taxable under Article 30b PIT Act at a flat rate of 19 % with the tax base being the capital gains less related costs.

#### **7. Centrobank and Express certificates**

Current income is taxable under Article 30a PIT Act at a flat rate of 19 % without the possibility to deduct related costs.

A sale of the product is taxable under Article 30b PIT Act at a flat rate of 19 %, whereby related costs are deductible and losses of the previous five years may be offset against other income (maximum 50 % of the losses per year).

The redemption by cash-settlement is (depending on the Austrian qualification) taxable under Article 30a PIT Act at a 19 % flat rate without the possibility to deduct related costs.

**E. The following applies to holders of securities subject to taxation in the Slovak Republic:**

Explanations restricted to the taxation of private (individual) investors resident in the Slovak Republic.

**1. Warrants**

The sale of the product or the redemption at maturity (settlement in cash or in kind) is a taxable "transaction with derivatives" under Art 8 SITA. The tax base is the capital gain less related costs, which is included in the general tax base of the Slovak investor; the applicable tax rate is 19 %. A loss from a transaction on one warrant can be offset with the profit from the transaction on another warrant under the condition that both transactions are realized within one taxation period (profit or loss is incurred). Please note that, if warrants are sold before their expiration, a loss from these transactions belongs to the bucket "transfer of options" and cannot be offset with a profit from transactions, where warrants are held until their expiration. The general condition of offsetting profit or loss from the same buckets of income must be met.

**2. Turbo, Range Turbo, Discount, Investment, Bonus, Speed, Lock-in, Outperformance, Twin Win and Reverse Bonus Certificates (certificates qualifying as "instruments with embedded derivatives")**

- a. The sale of the product or the redemption at maturity in the form of settlement in cash is a taxable "transaction with derivatives" under Art 8 SITA. The tax base is the capital gain less related costs, which is included in the general tax base of the Slovak investor; the applicable tax rate is 19 %. A loss from a transaction on one certificate can be offset with the profit from the transaction on another certificate under the condition that both transactions are realized within one taxation period (profit or loss is incurred) and belong to the same bucket of income. The general condition of offsetting profit or loss from the same buckets of income must be met.

**b. Redemption in the form of underlying asset:**

- i. Underlying asset (security) has negative development:

If the underlying asset has negative development and the investor will receive at the redemption date instead of cash the relevant underlying asset which market price will be lower than the nominal value of the certificate, there are no tax implications for the investor. Upon a later sale of the underlying, the difference between the sales revenue and the nominal value of the certificate is taxable other income according to Art 8 SITA, less deductible expenses plus expenditure related to the acquisition of the certificate.

- ii. Underlying asset (security) has positive development:

If the underlying asset has a positive development, and the investor will receive the underlying instrument instead of cash, this gain (difference between fair value of underlying asset at the moment of redemption and nominal value of certificate) will represent taxable income (Art 2 SITA). Upon a later sale of the underlying asset, the difference between the fair value of the underlying asset and the nominal value of the certificate should not be taxed twice; only the difference between the sales revenue and the fair value of the underlying asset at the moment of redemption is taxable income.

### 3. Guarantee, Express and Centrobank Certificates

- a. Current income in the form of **guaranteed coupon** from guarantee certificate is taxable as interest income under Art 7 SITA at a flat tax rate of 19 %; related costs are not deductible. The interest income is included in the general tax base of the Slovak investor.
- b. Current income in the form of **variable coupon** from guarantee certificate provided that it is paid to the investor regularly, is taxable interest income under Art 7 SITA at a flat tax rate of 19 %; related costs are not deductible. The interest income is included in the general tax base of the Slovak investor.
- c. Current income in the form of "**dividend**" payments is taxable as "income from capital" under Art 7 SITA at a flat rate of 19 %; related costs are not deductible. In this case as the "dividends" investor will regularly receive do not result from his/her ownership on the registered capital of the company paying such "dividend", such "dividends" will not be tax free.
- d. The sale of the product (redemption amount and participation sum) or the redemption at maturity (settlement in cash) is a taxable "transaction with derivatives" under Art 8 SITA. The tax base is the capital gain less related costs, which is included in the general tax base of the Slovak investor; the applicable tax rate is 19 %. A loss from a transaction on one certificate can be offset with the profit from the transaction on another certificate under the condition that both transactions are realized within one taxation period (profit or loss is incurred) and belong to the same bucket of income. The general condition of offsetting profit or loss from the same buckets of income must be met.

### 4. Reverse Convertible Bonds

Current income is taxable as interest income under Art 7 SITA at a flat tax rate of 19 %; related costs are not deductible. The interest income is included in the general tax base of the Slovak investor.

The sale of the product or the redemption at maturity (settlement in cash or in kind) is a taxable "transaction with derivatives" under Art 8 SITA. Tax base is the capital gain less related costs, which is included in the general tax base of the Slovak investor; the applicable tax rate is 19 %. A loss from a transaction on one certificate can be offset with the profit from the transaction on another certificate under the condition that both transactions are realized within one taxation period (profit or loss is incurred) and belong to the same bucket of income. The general condition of offsetting profit or loss from the same buckets of income must be met.

### F. The following applies to holders of securities subject to taxation in Slovenia:

Explanations restricted to the taxation of private (individual) investors resident in Slovenia.

#### 1. General:

These financial instruments are not extensively traded on the Slovenian market. This information has been prepared in accordance with the current legislation and opinions of the Ministry of Finance of the Republic of Slovenia, or other competent authorities. The Securities Market Act ("SMA") of Slovenia defines in the first paragraph of Article 6 derivative financial instruments, which is only a general legal definition.

Financial instruments according to Article 6a of the SMA are:

- Securities and
- Derivative financial instruments

The explained taxation in Slovenia is the most likely taxation under the current legal situation and based on the experience made so far with the Slovenian tax authorities. As the legal situation in connection with the taxation of these structured securities is not clear, a ruling should be required from the Ministry of Finance of the Republic of Slovenia.

2. All products, if/as far as qualifying as „derivatives“ (Warrants, Discount, Investment, Bonus, Reverse Bonus, Speed, Lock-in, Turbo, Range Turbo, Guarantee, Outperformance, Twin Win and Express Certificates, Reverse Convertibles) are taxable as follows:

If the product is qualified as “**derivative financial instrument**” pursuant to Art 6a of the SMA, any income from the product is treated as a tax exempt “capital gain” (Art 32 PITA).

According to the Slovene personal income tax law capital gains realised by derivative financial instruments are not subject to taxation (Article 32 of the Personal Income Tax Law).

The subsequent sale of the in kind redemption is taxable under the general Slovenian taxation rules. In the case of the underlying being a share (e.g. Reverse Convertibles), the capital gain is taxable. The taxable base is the difference between the value of a share upon disposal and the acquisition value of the share, taking into account certain expenses incurred upon acquisition or disposal of the share. The tax rate depends on the holding period of the share and amounts to 20 % for a holding period of up to five years, 15 % for a holding period from five to ten years, 10 % for a holding period from 10 to 15 years and 5 % for a holding period from 15 to 20 years. Sales of shares that have been held for more than twenty years are tax exempt.

However there are following open questions:

- whether the **redemption amount** (when it is higher than the principal value) presents **interest income** due to the fact that the legal nature of certificates is debt security (no clear definition in the Slovene legislation) – especially in case when the certificate is not sold before maturity; or
- whether the **redemption amount** presents **capital gains** (either by a disposal of a debt security or derivative financial instrument), which is **not subject to taxation**.

3. All products, if/as far as qualifying as „debt securities“ (Warrants, Discount, Investment, Bonus, Reverse Bonus, Speed, Lock-in, Turbo, Range Turbo, Guarantee, Outperformance, Twin Win and Express Certificates, Reverse Convertibles) are taxable as follows:

**Capital gains** realised by a disposal of debt securities are exempt from taxation (Article 96 of the Personal Income Tax Law).

Any **current income** is taxable as interest income at a **flat rate of 15 %**. The tax rate will amount to 20 % from the year 2008 on. Related costs are not deductible.

The subsequent sale of an in kind redemption is taxable as capital gain. The taxable base is the difference between the value of a share upon disposal and the acquisition value of the share, taking into account certain expenses incurred upon acquisition or disposal of the share. The tax rate depends on the holding period of the share and amounts to 20 % for a holding period of nil to five years, 15 % for a holding period of five to ten years, 10 % for a holding period of 10 to 15 years and 5 % for a

holding period of 15 to 20 years. Sales of shares that have been held for more than twenty years are taxed with 0% tax rate.

**G. The following applies to holders of securities subject to taxation in the Czech Republic:**

Explanations restricted to the taxation of private (individual) investors resident in the Czech Republic.

**1. Warrants**

The sale of the product within six months from acquisition is taxable with the tax base being the capital gain less related costs at the progressive tax rates between 12 and 32 %. Capital gains may be set off against losses from the sale of other financial instruments (the overall loss utilization rules/restrictions apply). Sales of the product, which are taking place more than six months after the acquisition, are not taxable.

The redemption by settlement in kind is not taxable. The redemption by cash settlement is taxable with the redemption proceeds at the progressive tax rates between 12 and 32 %; acquisition costs or other related costs are not deductible. Alternatively, the investor may opt to include these proceeds into a separate tax base at a flat rate of 15 %.

The subsequent sale of the in kind redemption is not taxable if taking place at least six months after the acquisition. A sale within six months is taxable with the tax base being the capital gain less related costs at the progressive tax rate between 12 and 32 %. Capital gains may be offset against losses from the sale of other financial instruments (the overall loss utilization rules/restrictions apply).

**2. Turbo, Range Turbo, Investment, Bonus, Speed, Lock-in, Outperformance, Twin Win and Reverse Bonus Certificates**

The sale of the product within six months from acquisition is taxable with the tax base being the capital gain less related costs at the progressive tax rate between 12 and 32 %. Capital gains may be set off against losses from the sale of other financial instruments (the overall loss utilization rules/restrictions apply). Sales of the product, which are taking place more than six months after the acquisition, are not taxable.

The redemption by cash settlement is taxable with the redemption proceeds at the progressive tax rates between 12 and 32 %; acquisition costs or other related costs are not deductible. Alternatively, the investor may opt to include these proceeds into a separate tax base at a flat rate of 15 %.

**3. Guarantee Certificates**

Current income is taxable as interest at the progressive tax rate between 12 and 32 %; related costs are not deductible. Alternatively, the investor may opt to include these proceeds into a separate tax base at a flat rate of 15 %.

The sale of the product within six months from acquisition is taxable with the tax base being the capital gain less related costs at the progressive tax rates between 12 and 32 %. Capital gains may be set off against losses from the sale of other financial instruments (the overall loss utilization rules/restrictions apply). Sales of the product, which are taking place at least six months after the acquisition, are not taxable.

The redemption by cash settlement is taxable with the redemption proceeds at the progressive tax rates between 12 and 32 %; acquisition costs or other related costs are not deductible. Alternatively, the investor may opt to include these proceeds into a separate tax base at a flat rate of 15 %.

#### **4. Reverse Convertible Bonds**

Current income is taxable as interest at the progressive tax rates between 12 and 32 %; related costs are not deductible. Alternatively, the investor may opt to include these proceeds into a separate tax base at a flat rate of 15 %.

The sale of the product within six months from acquisition is taxable with the tax base being the capital gain less related costs at the progressive tax rates between 12 and 32 %. Capital gains may be set off against losses from the sale of other financial instruments (the overall loss utilization rules/restrictions apply). Sales of the product, which are taking place at least six months after the acquisition, are not taxable.

The redemption by settlement in kind is not taxable. The redemption by cash settlement is taxable with the redemption proceeds at the progressive tax rates between 12 and 32 %; acquisition costs or other related costs are not deductible. Alternatively, the investor may opt to include these proceeds into a separate tax base at a flat rate of 15 %.

The subsequent sale of the in kind redemption is not taxable if taking place at least six months after the acquisition. A sale within six months is taxable with the tax base being the capital gain less related costs at the progressive tax rates between 12 and 32 %. Capital gains may be set off against losses from the sale of other financial instruments (the overall loss utilization rules/restrictions apply).

#### **5. Discount certificates**

The sale of the product within six months from acquisition is taxable with the tax base being the capital gain less related costs at the progressive tax rates between 12 and 32 %. Capital gains may be set off against losses from the sale of other financial instruments (the overall loss utilization rules/restrictions apply). Sales of the product, which are taking place at least six months after the acquisition, are not taxable.

The redemption by settlement in kind is not taxable. The redemption by cash settlement is taxable with the redemption proceeds at the progressive tax rates between 12 and 32 %; acquisition costs or other related costs are not deductible. Alternatively, the investor may opt to include these proceeds into a separate tax base at a flat rate of 15 %.

The subsequent sale of the in kind redemption is not taxable if taking place at least six months after the acquisition. A sale within six months is taxable with the tax base being the capital gain less related costs at the progressive tax rates between 12 and 32 %. Capital gains may be set off against losses from the sale of other financial instruments (the overall loss utilization rules/restrictions apply).

#### **6. Express and Centrobank certificates**

Current income is taxable as interest at the progressive tax rates between 12 and 32 %; related costs are not deductible. Alternatively, the investor may opt to include these proceeds into a separate tax base at a flat rate of 15 %.

The sale of the product within six months from acquisition is taxable with the tax base being the capital gain less related costs at the progressive tax rates between 12 and 32 %. Capital gains may be set off against losses from the sale of other financial instruments (the overall loss utilization rules/restrictions apply). Sales of the product, which are taking place at least six months after the acquisition, are not taxable.

The redemption by cash settlement is taxable with the redemption proceeds at the progressive tax rates between 12 and 32 %; acquisition costs or other related costs are not deductible. Alternatively, the investor may opt to include these proceeds into a separate tax base at a flat rate of 15 %.

#### **H. The following applies to holders of securities subject to taxation in Hungary:**

Explanations restricted to the taxation of private (individual) investors resident in Hungary. Please note that in certain cases capital gain can also be subject to 4% health tax in addition to the 25% personal income tax.

##### **1. Warrants**

Capital gains from the **sale of the product** are taxable at a 25 % flat rate plus 14 % health tax up to HUF 450.000. Acquisition expenses are deductible. Capital gains from the sale of a product which is traded at an EU or OECD stock exchange are taxable at a 20 % flat rate (no health tax). The same applies for the redemption of the product by **cash settlement**.

Exercise of a **call-option** by delivery of a publicly traded underlying security is not taxable. Exercise of a call-option by delivery of a non-security underlying is taxable as "other income" at progressive rates of up to 40 % (including 4 % solidarity tax) plus 11 % health tax with the tax base being the difference between the fair market value of the underlying and the exercise price and the purchase price of the call-option. Related costs are deductible. The subsequent **sale of the underlying** is taxable depending on the nature of the underlying.

Exercise of a **put-option** is taxable as "other income" at progressive rates of up to 40 % (including 4 % solidarity tax) plus 11 % health tax with the tax base being the difference between the exercise price and the fair market value of the underlying and the purchase price of the put-option. This applies on both, security and non-security underlyings. If the underlying has previously been bought in order to settle the put-option, the difference between the fair market value of the underlying security and the original purchase price of the underlying security is taxable at a 25 % flat rate plus 14 % health tax up to HUF 450.000 with the acquisition expenses being deductible. In case of an underlying security which is traded at an EU or OECD stock exchange, the 20 % flat rate (no health tax) applies. In case of a non-security underlying, the 25 % flat rate applies, but no health tax.

##### **2. Investment, Bonus, Reverse Bonus, Speed, Lock-in, Outperformance, Turbo, Range Turbo and Twin Win certificates**

Capital gains from the **sale of the product** are taxable at a 25 % flat rate plus 14 % health tax up to HUF 450.000. Acquisition expenses are deductible. Capital gains from the sale of a product which is traded at an EU or OECD stock exchange are taxable at a 20 % flat rate (no health tax). The same applies for the redemption of the product by **cash settlement**.



### 3. Guarantee certificates (repayment of purchase price not guaranteed)

Current income is taxable as "other income" at progressive rates of up to 40 % (including 4 % solidarity tax) plus 11 % health tax.

Capital gains from the **sale of the product** are taxable at a 25 % flat rate plus 14 % health tax up to HUF 450.000. Acquisition expenses are deductible. Capital gains from the sale of a product which is traded at an EU or OECD stock exchange are taxable at a 20 % flat rate (no health tax). The same applies for the redemption of the product by **cash settlement**.

### 4. Reverse convertibles

Current income is taxable as "other income" at progressive rates of up to 40 % (including 4 % solidarity tax) plus 11 % health tax.

Capital gains from the **sale of the product** are taxable at a 25 % flat rate plus 14 % health tax up to HUF 450.000. Acquisition expenses are deductible. Capital gains from the sale of a product which is traded at an EU or OECD stock exchange are taxable at a 20 % flat rate (no health tax). The same applies for the redemption of the product by **cash settlement**.

Settlement by **delivery of an underlying security** is not taxable.

The subsequent **sale of the underlying** is taxable depending on the nature of the underlying.

### 5. Discount certificates

Capital gains from the **sale of the product** are taxable at a 25 % flat rate plus 14 % health tax up to HUF 450.000. Acquisition expenses are deductible. Capital gains from the sale of a product which is traded at an EU or OECD stock exchange are taxable at a 20 % flat rate (no health tax). The same applies for the redemption of the product by **cash settlement**.

Settlement by **delivery of a publicly traded underlying security** is not taxable. Settlement by **delivery of a non-security underlying** is taxable as "other income" at progressive rates of up to 40 % (including 4 % solidarity tax) plus 11 % health tax with the tax base being the difference between the fair market value of the underlying and the exercise price and the purchase price of the call-option. Related costs are deductible.

The subsequent **sale of the underlying** is taxable depending on the nature of the underlying.

### 6. Centrobank and Express certificates

Current income (not qualifying as "dividends" in Austria) is taxable as "other income" at progressive rates of up to 40 % (including 4 % solidarity tax) plus 11 % health tax.

Capital gains from the **sale of the product** are taxable at a 25 % flat rate plus 14 % health tax up to HUF 450.000. Acquisition expenses are deductible. Capital gains from the sale of a product which is traded at an EU or OECD stock exchange are taxable at a 20 % flat rate (no health tax). The same applies for the redemption of the product by **cash settlement**.

## **I. The following applies to holders of securities subject to taxation in Romania:**

The below explanations are restricted to the taxation of individual non-business investors resident in the respective country and provide general information based on the legal position as per June 2007.

### **1. General**

Alternative instruments represent a new area in Romania, rarely used as compared to the classical financial instruments. Consequently, these types of financial instruments are not extensively traded on the Romanian market. **The Romanian Fiscal Code does not provide a clear definition of financial instruments or investment titles.** You can find reference in Title III Personal Income Tax. Thus, under the general investment title term fall any securities, investment titles at open investment funds or any other financial instrument qualified as such by the National Securities Committee, including the derivatives.

These alternative investment instruments may be assimilated to different investment titles as described in the Romanian Fiscal Code. As such, the tax treatment of these investment titles depends significantly on the category under which they can be classified.

**The issues presented in this document are clear only in relation to the interest/coupon and dividend revenue. For the other income derived from these types of certificates a ruling should be required from the National Securities Committee together with the Ministry of Finance.** This ruling should address the classification of the income generated by this certificate and the tax applicable thereon. Depending on the classification as a security and on the holding period the tax is either 1% or 16%.

### **2. Warrants and Discount Certificates**

The sale of the product and the redemption by cash settlement is taxable with the tax base being the capital gain less related costs at the tax rate of (i) 1 %, if the security was held for more than 365 days, and (ii) 16 %, if the security was held for less than 365 days. Losses incurred in respect of transactions with such securities (other than participation titles held in an open investment fund and shares in a non-listed entity) can be offset against profits obtained during the same year, however if at year end the taxpayer records a net annual loss, this loss cannot be carried forward.

The redemption by settlement in kind<sup>1</sup> is not taxable. At the subsequent sale of the in kind redemption any capital gain arising will be subject to the above mentioned rules.

### **3. Turbo, Range Turbo, Investment, Bonus, Reverse Bonus, Speed, Lock-In, Outperformance and Twin Win Certificates**

The sale of the product and the redemption by cash settlement is taxable with the tax base being the capital gain less related costs at the tax rate of (i) 1 %, if the security was held for more than 365 days, and (ii) 16 %, if the security was held for less than 365 days. Losses incurred in respect of transactions with such securities (other than participation titles held in an open investment fund and shares in a non-listed entity) can be offset against profits obtained during the same year, however if at year end the taxpayer records a net annual loss, this loss cannot be carried forward.

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<sup>1</sup> By settlement in-kind we understand the receipt of the underlying instrument.

#### **4. Centrobank and Express Certificates**

The sale of the product and the redemption by cash settlement is taxable with the tax base being the capital gain less related costs at the tax rate of (i) 1 %, if the security was held for more than 365 days, and (ii) 16 %, if the security was held for less than 365 days. Losses incurred in respect of transactions with such securities (other than participation titles held in an open investment fund and shares in a non-listed entity) can be offset against profits obtained during the same year, however if at year end the taxpayer records a net annual loss, this loss cannot be carried forward.

Interest income (coupon) is taxable starting 1<sup>st</sup> January, 2007 at 16 % rate applied to the gross amount (no deduction of related costs).

Dividend income is taxable at 16 % rate applied to the gross amount (no deduction of related costs).

#### **5. Reverse Convertibles**

The sale of the product and the redemption by cash settlement is taxable with the tax base being the capital gain less related costs at the tax rate of (i) 1 %, if the security was held for more than 365 days, and (ii) 16 %, if the security was held for less than 365 days. Losses incurred in respect of transactions with such securities (other than participation titles held in an open investment fund and shares in a non-listed entity) can be offset against profits obtained during the same year, however if at year end the taxpayer records a net annual loss, this loss cannot be carried forward.

Interest income (coupon) is taxable starting 1<sup>st</sup> January, 2007 at 16 % rate applied to the gross amount (no deduction of related costs).

#### **6. Guarantee Certificates**

The sale of the product, the redemption by cash settlement and the payout of a participation amount upon maturity is taxable with the tax base being the capital gain less related costs at the tax rate of (i) 1 %, if the security was held for more than 365 days, and (ii) 16 %, if the security was held for less than 365 days. Losses incurred in respect of transactions with such securities (other than participation titles held in an open investment fund and shares in a non-listed entity) can be offset against profits obtained during the same year, however if at year end the taxpayer records a net annual loss, this loss cannot be carried forward.

Interest income (coupon) is taxable starting 1<sup>st</sup> January, 2007 at 16 % rate applied to the gross amount (no deduction of related costs).

### **§ 19. Increases; Repurchase**

1. The issuer has the right to issue additional structured securities with the same features (if applicable, up to the start of the exercise period) so that these form a uniform issue together with the respective structured securities and increase the number. In such case, the term "structured securities" comprises any additional structured securities issued.
2. The issuer has the right to repurchase the structured securities at any time through the exchange or in over the counter. The issuer is not under the obligation to inform the holder of structured securities of

any such action. The issuer has the right to render the structured securities bought back worthless, to hold or resell them or use them in any other manner.

#### **§ 20. Paying Agent, Application Agent and/or Warrants Agent**

1. The paying agent, application agent and/or warrants agent (for warrants) is Raiffeisen Centrobank AG. The crediting of payments to the holder shall be done by the respective custodian bank of the securities holder.
2. The issuer shall have the right to name additional paying agents and warrants agents and to revoke their appointment. Appointments and revocations shall be disclosed pursuant to § 23 par. 1.a.
3. The paying agents and warrants agents shall act in this function solely as parties commissioned by the issuer and their relationship with the holders of warrants shall not be one of contractor or trustee.
4. The paying agents, application agents and warrants agent shall only be liable for any representations made or omitted, declarations accepted or actions taken or not taken to the extent they do not violate the due diligence and prudence principles of a proper merchant.

#### **§ 21. Substitution of the Issuer**

1. Any other company may enter into all of the obligations of the issuer imposed by these securities contingent on par. 2 at any time during the life of the structured securities after this has been announced by the issuer pursuant to § 23 par. 1.a. In the event of such takeover, the company taking over (hereinafter "new issuer") will legally succeed the issuer and replace it, and shall have the right to exercise all rights and obligations of the issuer arising from the structured securities with the same effect as if the new issuer had been named the issuer in these Securities Terms; the issuer (and in the event of a repeated application of § 21, any further new issuers) is thus released from the obligations under these Securities Terms and from liability as debtor under the structured securities. In the event of such a takeover, the term "issuer" shall designate in all provisions of these Securities Terms (except in these § 21) the new issuer.
2. Such a takeover shall be permissible if
  - a. the new issuer has undertaken to hold all holders of structured securities harmless with respect to any taxes, charges, prolongations or official duties that may be imposed in connection with such a takeover;
  - b. the issuer (called guarantor in this function) unconditionally and irrevocably guarantees the fulfilment of all payment obligations to be assumed by the new issuer vis-à-vis the holders of structured securities and discloses the text of this guarantee pursuant to § 23 par. 1.a;
  - c. the new issuer has all government authorizations, permits, approvals and concessions required in those countries in which the new issuer has its registered office or according to whose laws the company has been established.
3. After the issuer has been replaced by the new issuer, the provisions of § 21 shall apply again.

## **§ 22. Exchange Listing**

At present, the issuer plans to apply to trading for the securities on the Second Regulated Market of Wiener Börse, on the Regulated Unofficial Market (EUWAX) of the Stuttgart Stock Exchange and on a regulated market in the EU member states of Hungary, Poland, Slovenia, Slovakia, the Czech Republic and Romania. (see FT, line 55).

## **§ 23. Publications**

1. All announcements relating to the structured securities shall be made as follows: In those cases in which
  - a. a reference is made to § 23 par. 1.a., announcements concerning structured securities described herein will be made in accordance with the law in the Official Gazette "Amtsblatt der Wiener Zeitung". Should this newspaper discontinue publication, it shall be replaced by the daily newspaper serving as medium for official announcements. A special notification of each individual holder of a structured security shall not be required.
  - b. a reference is made to § 23 par. 1.b., announcements concerning structured securities described herein will be made by deposit with the Austrian Financial Market Authority and simultaneously publication on the website of the issuer (<http://www.rcb.at/>).
2. Such announcements shall only serve for information purposes and do not constitute any pre-condition for effectiveness.

## **§ 24. Statute of Limitation**

The right to claim payment of capital due shall expire after thirty years as of the due date; claims to payments of interest shall expire after three years as of the due date.

## **§ 25. Obligation to Prepare a Listing Prospectus for Public Offerings**

The structured securities are offered to the public in Austria, Germany, Hungary, Poland, Slovenia, Slovakia, the Czech Republic and Romania (see FT, line 55). They are issued in the form of a continuous issue. A base prospectus has been prepared in Austria pursuant to Art 7 par 4, fig. 1 of EU Regulation 809/2004. This base prospectus has been notified to

- the Federal Financial Supervisory Authority in Germany, Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin") for Germany,
- the Polish Securities and Exchange Commission (KPWiG Komisja Papierów Wartościowych i Giełd) for Poland,
- the National Bank of Slovakia "NBS" (and UFT, Financial Market Authority of the Slovak Republic) for Slovakia,
- the Securities Market Agency (SMA) for Slovenia,
- the Czech Securities Commission (CSC) for the Czech Rep. and
- the Hungarian Financial Supervisory Authority (HFSA) for Hungary.
- the Romanian National Securities Commission (CNVM) for Romania.

## **§ 26. Liability**

The issuer will be fully liable with its entire assets for all obligations from the issuance of structured securities.

## **§ 27. Exclusion of Liability**

The issuer does not assume any liability for the correctness, completeness, continuity and continuous calculation of the prices of the underlying instruments by the relevant exchanges or price-fixing entities (see FT, line 44).

## **§ 28. Applicable Law, Jurisdiction and Place of Performance**

1. The form and content of structured securities as well as all rights and obligations arising under the matters covered by these terms are governed in all respects by Austrian law.
2. Place of performance and jurisdiction is Vienna; nonetheless, the issuer retains the right to file a lawsuit with any other competent court.

## **§ 29. Severability Clause**

Should any of the individual provisions of this Agreement become invalid or unenforceable, this shall not affect the validity or executability of the remaining provisions. The invalid or unenforceable provisions shall be replaced by such provisions that come as close as possible to the intent of the provisions of these Terms.

## **§ 30. Final Provisions**

1. The issuer has the right to change or supplement the following without having to obtain the consent of the holders of the structured securities:
  - a. obvious typing or calculation errors or other obvious errors as well as
  - b. any contradictory provisions or provisions containing omissions.

The cases mentioned under b) only permit such changes or supplements that are acceptable to the holders of the structured securities while taking into account the interests of the issuer, i.e., do not substantially worsen the financial situation of the holders of structured securities. Changes and supplements to these Securities Terms are announced immediately in accordance with § 23 par. 1.b.

2. Definitions, calculations and other decisions by the issuer are binding for all parties involved unless there is an obvious mistake.

3. All taxes, fees and other duties falling due in connection with the redemption of the structured securities shall be borne and paid by the holders of the structured securities.

Vienna, 1 July 2008

## Excerpt of the offering

ISIN Product 4.1.1	WKN DE 4.1.1	Underlying Instrument (UL)	ISIN UL 4.1.7	Sort	Currency UL 4.1.7	Issue Date 4.1.9	Exchange Listing AT 5.2	Exchange Listing DE 5.2	Maturity Date 4.1.9	Currency Product 4.1.5	Sub- scription Ratio 4.1.7	Volume 5.1.2	Relevant Exchange 4.1.12	Issue price in EUR 5.3	Capital Yields Tax AT
AT0000A0A598	RCB95L	Russian Steel Basket	n.a.	Basket	EUR	29.07.2008	29.7.08	29.07.2008	open end	EUR	10:1	500.000	RCB	10 + 0,3 Issue Surcharge	Yes