



**Raiffeisen Bank
International**

Member of RBI Group

RAIFFEISEN BANK INTERNATIONAL AG ALLOCATION POLICY



Allocation Policy (Art. 40 para 4 Delegated Regulation (EU) 2017/565 ("MiFID II Delegated Regulation"))

According to Art. 40 para 4 MiFID II Delegated Regulation Raiffeisen Bank International AG ("**RBI**") is obliged to establish, implement and maintain an allocation policy that sets out the process for developing allocation recommendations. Each investment banking client of RBI to which RBI provides any placement service ("**Issuer**") needs to be provided with such policy before RBI undertakes any placement services in order to effectively manage its potential conflicts of interests. The policy also needs to set out the relevant information that is available at that stage of the relevant Investment Banking ("**IB**") transaction about the proposed allocation methodology for the issue.

In order to comply with the above requirements RBI hereby establishes a policy on allocations setting out the general principles on a) the process for developing allocation recommendations, b) the proposed allocation methodology for the relevant issue and c) the allocation record keeping requirements.

A. Process for Developing Allocation Recommendations

The allocation process will be developed and coordinated with the Issuer and any other banks participating in an underwriting and placing activity as active bookrunners (the "**Syndicate Banks**" and each a "**Syndicate Bank**"). At an early stage, the following topics are to be discussed and agreed with the issuer:

- the overall syndication strategy;
- the method by which the issuer would like RBI to determine the target investor base; and
- the method for determining the proposed basis of allocation to investors.

RBI will discuss the general allocation principles with the Issuer and take into consideration instructions or preferences expressed by the issuer. As part of these discussions RBI will also take into consideration the allocation principles of other Syndicate Banks (if any), as well as the information gathered from potential investors in the book-building process (if available).

The allocation process will be determined by the Syndicate Banks or RBI (if there are no other Syndicate Banks) in cooperation with the Issuer taking into consideration the Issuer's objectives and preferences and are conducive to the development of an orderly market in the securities to be issued. The Issuer's allocation decisions must prevail. The actual allocation will only be released to investors after receiving formal approval in writing (including by email) from the Issuer. The Issuer is the final decision taker on allocations regardless of any proposals provided.

B. Allocation Methodology

Since the details of the allocation may depend on the structure of the relevant IB transaction RBI's allocation methodology – in line with market standards developed and updated by International Capital Markets Association (ICMA) – is a deal specific allocation methodology.

The general allocation criteria on which the allocation methodology will be based are the following:

(a) Investor characteristics:

- (i) Specific investor preference of the Issuer



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- (ii) Investor type (preference for long term holders e.g. asset managers/ insurance companies/ pension funds)
- (iii) Geographical preference of the Issuer
- (iv) Equity holder of the Issuer
- (v) Good/ broad mix of investors to aid secondary market liquidity
- (vi) Avoiding uneconomic allocation sizes (for instance: allocation outcomes for small orders may diverge from like-investors due to bond denomination/ increment characteristics).

(b) Investor behaviour:

- (i) Pro-active/ aggressive on price/ spread
- (ii) Level and timing of engagement in transaction process (e.g wallcrossing/ presounding/ roadshows/ investor lunch)
- (iii) Participant in associated Liability Management exercise
- (iv) Track record in investing in Issuer's previous bonds
- (v) Track record in investing in sector/ issuer type.

(c) Price Discovery

In accordance with market practice RBI's debt capital market origination and syndicate team will facilitate the price discovery process. The Issuer will give its validation to the Syndicate Banks before books open on the IPT (Initial Pricing Thoughts) and / or initial price guidance. Each revision to the price guidance as well as the final spreads / yields and transaction size is subject to the Issuer's consent (unless otherwise initially agreed).

(d) Recommendation for allocation

Any recommendation for allocation will be determined by the bond syndicate responsible for executing the new issue, and all recommendations must be consistent with the allocation strategy discussed and agreed with the Issuer and should not be based on the level of business that RBI does or hopes to do with any investor.

In particular, the following practices are not permitted:

- (i) an allocation made to incentivise the payment of disproportionately high fees for unrelated services provided by RBI ('laddering'), such as disproportionately high fees or commissions paid by an investor, or disproportionately high volumes of business at normal levels of commission provided by an investor as a compensation for receiving an allocation of the issue;
- (ii) an allocation made to a senior executive or a corporate officer of an existing or potential issuer client, in consideration for the future or past award of corporate finance business ('spinning');
- (iii) an allocation that is expressly or implicitly conditional on the receipt of future orders or the purchase of any other service from RBI by an investor, or any entity of which the investor is a corporate officer;
- (iv) soliciting or accepting secondary market orders from investors prior to completion (i.e. breaking syndicate) of the distribution of the offering.

The above list is illustrative and does not constitute an exhaustive list of prohibited allocation arrangements.

(e) Treatment of internal RBI Group orders

- (i) RBI Group employees: prohibited (unless (a) approved by the Issuer and (b) individual orders are duly reported to Compliance or placed via the entity where the inhouse securities account is held by the respective employee);



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- (ii) Any allocation to an internal book (being an account of RBI) shall be (a) subject to the Issuer's consent, (b) made only for the purpose to improve the terms and outcome of the transaction for the Issuer and (c) on the basis of a documented, reasoned evidence of the required improvement;
- (iii) Any allocations to an affiliate of the RBI Group, shall be (a) subject to the Issuer's consent and (b) be justifiable in terms of the objectives of the allocation process and in line with similar investor-type allocations.

(f) Transparency and Disclosure of interest to Issuers

Most syndicated issues on which RBI is acting as a Syndicate Bank are pot issues. These generally require Syndicate Banks to disclose the names of their investors to the other Syndicate Banks.

Market practice dictates that specific details of investor interest (i.e. names and amounts) are disclosed to both the issuer and the Syndicate Banks during the book building process.

In certain circumstances an investor may wish to only deal with one Syndicate Bank in which case orders will appear to other Syndicate Banks as 'X orders'. In these cases details of 'X order' investors will still be disclosed to the Issuer.

C. Allocation Record Keeping Requirement

As a further requirement of MiFID II Delegated Regulation RBI is obliged to record allocation decisions at material stages in the allocation process. Syndicate Banks (including RBI) must keep an auditable record of any individual allocation decision. These should be provided to the regulator upon request. RBI's records of allocation decisions, based on the relevant European Securities and Markets Authority Questions & Answers, will include and shall be saved by DCM Syndicate:

- a. RBI's overarching allocation policy under Article 40(4) MiFID II Delegated Regulation in force at the time of the commencement of the relevant placement service;
- b. RBI's initial discussion with the Issuer and the agreed proposed allocation per type of investment client, as required by Article 40(5) MiFID II Delegated Regulation;
- c. The content and timing of allocation requests received from investors with an indication of their type;
- d. Where relevant, any further discussion and instructions or preferences provided by the Issuer, other members of the Syndicate Banks, or RBI itself, on the allocation process, including any additional requests and information received from investors;
- e. The final allocations registered in each individual investor's account;
- f. Syndicate Banks' allocation rationales on each order (dependent upon allocation permissions) in the electronic order books.