

# REGISTRATION DOCUMENT

dated

20 August 2013



**RAIFFEISEN BANK INTERNATIONAL AG**

(hereinafter also referred to as the "**Issuer**" or "**RBI**",  
and, together with its consolidated subsidiaries, the "**RBI Group**")

pursant to Article 8 paragraph 3 of the Luxembourg act relating to the prospectus for securities, as amended

*(loi relative aux prospectus pour valeurs mobilières)*

(the "**Luxembourg Prospectus Law**")

in conjunction with Article 14 of the

Commissions Regulation (EC) 809/2004, as amended

(the "**EU Prospectus Regulation**")

for the issuance of non-equity securities within the meaning of Article 2 (1) (m) (ii)

of the Directive 2003/71/ EC, as amended

(the "**EU Prospectus Directive**")

filed with the Commission de Surveillance du Secteur Financier as competent authority under the

Luxembourg Prospectus Law.

(hereinafter referred to as the "**Registration Document**")

## **PERSONS RESPONSIBLE**

Raiffeisen Bank International AG accepts responsibility for the information (including, for the avoidance of doubt, translations of information incorporated by reference into this Registration Document) contained in this Registration Document. The Issuer declares, having taken all reasonable care to ensure that such is the case, that to the best of the knowledge of the Issuer the information contained in this Registration Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

## **IMPORTANT NOTICE**

This Registration Document is to be read in conjunction with any supplement hereto and all documents which are incorporated herein by reference in accordance with Article 28 of the European Commission Regulation No. 809/2004 dated 29 April 2004, as amended from time to time and may only be used for the purposes for which it has been published.

No person has been authorised to give any information or to make any representation other than those contained in this Registration Document and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or as approval of the use of this Registration Document. Neither the delivery of this Registration Document nor any sale of financial instruments made under a prospectus or base prospectus of which this Registration Document becomes a part of (the "**Securities**" or the "**Notes**") shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Registration Document has been most recently supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Registration Document has been most recently supplemented.

Neither this Registration Document nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation of the Issuer that any recipient of the Registration Document or any other financial statements should purchase the Securities. Each potential purchaser of Securities should determine for itself the relevance of the information contained in this Registration Document and its purchase of Securities should be based upon such investigation as it deems necessary.

This Registration Document does not constitute an offer of, or an invitation by or on behalf of the Issuer to subscribe for, or purchase, any Securities and should not be considered as a recommendation by the Issuer that any recipient of this Registration Document should subscribe for or purchase any Securities of Raiffeisen Bank International AG may issue.

The distribution of this Registration Document in certain jurisdictions may be restricted by law. Persons, into whose possession this Registration Document comes are required by the Issuer to inform themselves about and to observe any such restriction. The Issuer does not accept any liability to any person in relation to the distribution of this Registration Document in any jurisdiction.

By approving this Registration Document, the CSSF gives no undertaking as to the economic or financial soundness of the transactions under a prospectus or base prospectus of which this Registration Document becomes part of or the quality and solvency of the Issuer pursuant to article 7 (7) of the Luxembourg Prospectus Law.

## **FORWARD LOOKING STATEMENTS**

This Registration Document contains certain forward-looking statements. A forward-looking statement is a statement that does not relate to historical facts and events. They are based on analyses or projections of future results and appraisals of amounts not yet determinable or foreseeable. These forward-looking statements are identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will" and similar terms and phrases, including references and assumptions. This applies, in particular, to statements containing information on future earning capacity, plans and expectations regarding the Issuer's business and management, its growth and profitability, and general economic and regulatory conditions and other factors that affect it. Forward-looking statements in this document are based on current appraisals and assumptions that the Issuer makes to the best of its present knowledge. These forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results, including the Issuer's financial condition and results of operations, to differ materially from and be worse than results that have expressly or implicitly been assumed or described in these forward-looking statements. The Issuer's business is also subject to a number of risks and uncertainties that could cause a forward-looking statement, appraisal or prediction in this document to become inaccurate. Accordingly, investors are strongly advised to read the following sections: Risk Factors and Description of Raiffeisen Bank International AG. These sections include more detailed descriptions of factors than the ones contained in this section that might have an impact on the Issuer's business and the markets in which it operates.

In light of these risks, uncertainties and assumptions, future events described in this Registration Document may not occur. In addition, the Issuer does not assume any obligation, except as required by law, to update any forward-looking statement or to conform these forward-looking statements to actual events or developments.

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## A. RISK FACTORS

The following is a disclosure of risk factors that are material with respect to Raiffeisen Bank International AG in order to assess the issuer-related risks and market risk associated with Securities issued by RBI. Prospective investors should consider these risk factors before deciding to purchase Securities, especially since in certain cases the investor may lose its entire investment or parts of it.

Prospective investors should consider all information provided in this Registration Document and in securities notes and summary notes relating to securities issued by RBI and consult with their own professional advisers (including their financial, accounting, legal and tax advisers) if they consider it necessary. In addition, investors should be aware that the risks described may combine and thus intensify one another.

The following is a disclosure of risks that may affect the Issuer's ability to fulfill its obligations under the Securities. Prospective investors should consider these risks as well as additional risk factors set out in the securities notes before deciding to purchase Securities. The following statements are not exhaustive. Other risks of which the Issuer is currently not aware or which it does not consider to be material but which may also affect the Issuer's ability to fulfill its obligations under the Securities may be of significance.

### *Risk Factors regarding the Issuer and the RBI Group and the markets in which they operate*

RBI Group is a universal banking group offering a comprehensive range of banking and financial products as well as services to retail and corporate customers, financial institutions and public sector entities. RBI Group focuses its business on its core markets in CEE and Austria. In CEE, RBI Group operates a network of universal banks, leasing companies and other financial service providers in 17 markets (in 15 of which it operates majority-owned banking subsidiaries, the "**Network Banks**").

This section includes a compilation of those major risk factors to which the Issuer and the RBI Group are generally subject and that are – from the Issuer's point of view – specific to the markets in which the Issuer and the RBI Group operate, the industry sector and banks/financial institutions in general and **the materialization of which may have an adverse impact on the Issuer's financial position and results of operations and its ability to duly meet its obligations under the Securities and/or the market value of the Securities; this may, in turn, result in a loss of part or all of the investment.** In general, RBI/the RBI Group is subject to the **general business-specific risks of an internationally active universal bank.**

### *The RBI Group has been and expects to continue to be adversely affected by the global financial and economic crisis including the Eurozone debt crisis*

As an integrated corporate and retail banking group operating internationally, the business of the RBI Group is affected by changing conditions in the global financial markets, economic conditions generally and perceptions of those conditions and future economic prospects. The outlook for the global economy over the near to medium term remains challenging and many forecasts predict only stagnant or modest levels of gross domestic product ("GDP") growth across many of the core markets in which the RBI Group operates. Many European and other countries continue to struggle under large budget deficits, heightening a concern of the market that many European and other countries may now or in the future be unable to repay outstanding debt or obtain financing on the financial markets. Support measures by the European Central Bank, Eurozone governments and international organisations improved the financing conditions of affected countries in the Eurozone since the ECB announced its Outright Monetary Transactions (OMT) programme in August 2012, but the markets continue to be volatile and potentially subject to intermittent and prolonged disruptions. High and still rising unemployment rates in these countries could further amplify economic conditions generally and perceptions of those conditions.

In Europe, the financial and economic conditions of countries such as Cyprus, Greece, Ireland, Italy, Portugal, Slovenia and Spain have been particularly negatively affected. The perceived risk of default on the sovereign debt of those countries has, in part, raised concerns about the contagion effect such a default would have on other European Union economies. Credit rating agencies downgraded the credit ratings of many of these countries, but have also stripped the AAA rating from core European countries like France and UK. The perceptions of these events raised concerns about the on-going viability of the euro currency and the European Monetary Union. If the current crisis persists or worsens, it could lead to further political uncertainty and financial turmoil, and social unrest may become more prevalent and spread to other countries across Europe and CEE, which could decelerate or hinder effective implementation of stability measures. Sovereigns, financial institutions and other corporates may become unable to obtain refinancing or new funding and may default on their existing debt. Measures to reduce debt levels and fiscal deficits may well result in a further slowdown of or negative economic development. One or more Eurozone

countries could come under increasing pressure to leave the European Monetary Union, or the euro as the single currency of the Eurozone could cease to exist.

These developments, or the perception that any of these developments will occur again, have and could continue to significantly affect the economic development of affected countries, lead to widespread declines in GDP growth, and jeopardize the stability of global financial markets. If the scope and severity of the adverse economic conditions currently experienced by certain European Union member states and in the core markets of the RBI Group worsen, the risks the RBI Group faces may be exacerbated. The departure from the European Monetary Union by one or more Eurozone countries and/or the abandonment of the euro as a currency could have material adverse effects on the existing contractual relations and the fulfilment of obligations by the RBI Group and/or the RBI Group's customers and, thus, on the activity, operating results and capital and financial position of the RBI Group. Generally, the challenging economic conditions have affected and are likely to continue to have a material adverse effect on the RBI Group's business, financial position and results of operations and may affect the Issuer's ability to meet its obligations under the Securities.

***Risks relating to the industry and the markets in which the RBI Group operates***

The RBI Group's business is materially dependent on the political stability, social stability, the performance of the economies and continued growth of the banking sector in the countries in which it operates. The RBI Group conducts its operations mainly in Austria and the following regions, which are collectively referred to as Central and Eastern Europe ("CEE"):

- Central Europe ("CE"): Czech Republic, Hungary, Poland, Slovakia, Slovenia;
- Southeastern Europe ("SEE"): Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Moldova, Romania, Serbia; and
- Commonwealth of Independent States ("CIS"): Belarus, Kazakhstan, Russia and Ukraine.

Furthermore, the RBI Group has operations in other parts of the world, including China and other Asian countries.

Many of the countries in which the RBI Group operates are characterized by an increased risk of unpredictable legal, economic, political and social changes and related risks. The level of risk differs significantly from country to country, and generally depends on the economic and political development stage of each country. Future political, economic and social changes in the economies in which the RBI Group operates may have a material adverse effect on the RBI Group's business, financial position and results of operations and could adversely impact the Issuer's ability to meet its obligations under the Securities and may even result in the suspension of business in certain countries.

*Still developing legal and taxation systems in some of the countries in which the RBI Group operates may have a material adverse effect on the Issuer*

The legal systems of many countries in which the RBI Group operates, in particular in the emerging economies, have undergone dramatic changes in the past years. In many cases, the interpretation and procedural safeguards of the legal and regulatory systems of these countries are continuing to be developed, which may result in existing laws and regulations being applied inconsistently or arbitrary and onerous new laws being introduced. Additionally, it may not be possible to obtain legal remedies in a reasonably timely manner, which could in particular have a material adverse effect on the legal enforcement of loan collateral which in many cases is mandatory.

The Issuer and its subsidiaries are subject to a large number of tax regulations that in some cases have only been in effect for a very short period of time, are frequently amended and enforced by various political subdivisions. As a consequence, there are hardly any precedents for such enforcement, and administrative practices may be unpredictable. Taxpayers often have to take recourse to the courts to defend their position against the fiscal authorities. The lack of collectability in some CEE countries furthermore results in new taxes being continuously introduced in an attempt to increase tax revenues. Therefore, there is a risk that the RBI Group may be subject to arbitrary and onerous taxation. In some CEE countries, tax returns and taxation matters are not subject to the statute of limitations and thus might be addressed by the authorities for years afterwards. Therefore, the tax risk in some CEE countries is significantly higher than in other countries whose tax systems are based on a longer historical development.

The risks related to the development and application of the legal and tax systems in some of the countries in which the RBI Group operates may have a material adverse effect on the Issuer's financial position and results of operations, and may affect its ability to meet its obligations under the Securities.

***Changes in consumer protection laws might limit interest margins or fees that the RBI Group may charge in certain banking transactions and may allow consumers to reclaim fees already paid***

Changes in consumer protection laws, or the interpretation of those laws by courts or governmental authorities, could limit the fees that RBI Group may charge for certain of its products and services, or could require other changes to RBI Group's pricing strategies for loans and other banking products. Several subsidiaries of RBI in CEE countries have been and are subject to legal and regulatory proceedings filed by customers, regulatory authorities or consumer protection agencies, alleging the violation by the respective subsidiaries of mandatory consumer protection laws and regulations. These developments could result in material costs in connection with proceedings and potential damages, adversely affect the RBI Group's ability to offer certain services or products, require onerous adjustments to its business practices, reduce the RBI Group's interest margins or fee and commission income and have a material adverse effect on its business, financial position and results of operations.

***Heightened risk of government intervention in certain markets in which the RBI Group operates***

Emerging economies are characterized by an increased risk of state and central bank intervention in response to economic crises, compared to the Western European economies. Governments in emerging economies in which the RBI Group operates have taken and could further take measures to protect their national economies and/or currencies in response to political and economic developments, including, among other things:

- require that loans denominated in foreign currencies like EUR, USD or CHF are converted into local currencies at unfavourable rates for lenders in order to assist local consumers and/or businesses;
- set out regulations limiting interest rates that can be charged on loans;
- impose a waiver of the repayment of loans resulting in higher levels of provisions of risks;
- impose limitations on foreclosures and debt collections;
- set limitations on the repatriation of profits (either through restriction of dividend payments to their parent companies or otherwise);
- require the parent company or a group member to provide funding or guarantees to support a local group member in distress
- nationalise local group members at less than the fair market value or without compensation;
- fix the exchange rate of the local currency against freely convertible currencies or lift any such exchange rate fixing; and
- prohibit or limit money transfers abroad or the export of, or convertibility into, foreign currency.

RBI Group has been adversely affected by such measures in the past. For example, since 2011 Hungary has implemented legislation that allowed borrowers to convert foreign currency loans into the local currency or that fixes monthly instalments on foreign currency loans at exchange rates significantly below market rates. This legislation has resulted in losses to the RBI Group. Due to the current political and economic developments in Hungary, the RBI Group considers the risk that additional legislative measures, which adversely affect the banking sector as a whole and foreign banks in particular, are taken by the Hungarian government to be significant.

The occurrence of any of these events may adversely affect the RBI Group's ability to conduct business in the affected part of the emerging economies. The occurrence of one or more of these events may also affect the ability of the RBI Group's clients or counterparties located in the affected country or region to obtain foreign exchange or credit and, therefore, to satisfy their obligations to the RBI Group. If any of these events occurs, it could have a material adverse effect on the RBI Group's business, its financial position and results of operations and could adversely impact the Issuer's ability to meet its obligations under the Securities.

***Risks relating to a decline in or negative growth rates in the countries in which the RBI Group operates and a stagnation or continued down-scaling of certain parts of RBI Group's business***

The development of the RBI Group's business will depend to a large extent on the continued general growth of the banking sector in the countries in which the RBI Group operates. Growth in the banking sector in the CEE region could slow down significantly further or may even turn negative. Furthermore, changes in banking regulation, such as increasing regulatory capital requirements or restrictions on certain types of transactions, may also adversely impact the volume of RBI Group's business. For example, under measures announced by the Austrian banking

regulators, Austrian banks' loan volume in CEE markets has become restricted by the level of new deposits taken in the respective country.

As the banking sector in the CEE countries continues to mature, competition from both global as well as local financial institutions is likely to intensify, which may result in narrowing net interest margins and lower profitability. A continued weakness in the economic growth prospects of the banking sector in the CEE region along with a more competitive environment and regulatory constraints may negatively affect the RBI Group's business and may lead to a stagnation or contraction of the RBI Group's business.

In response to the financial crisis and the above mentioned changes in the business and regulatory environment, in 2012, the RBI Group began moving away from an expansion and general growth strategy towards a more distinct approach with a focus on certain key markets and business areas, particularly capital-light products, such as cash management and treasury services, private wealth management and investment banking, and has down-scaled certain of its activities. RBI Group may even decide to deleverage its business further in some markets which would result in a negative development and reduced business volumes for the RBI Group as a whole. In the course of a continued deleveraging, the RBI Group may have difficulties selling assets at favourable prices, or at all, and may experience material losses from these assets and other investments irrespective of market developments. Such sales may prove difficult in the current market environment as many of the RBI Group's competitors are also seeking to dispose of assets.

It might also be difficult for the RBI Group to adapt its cost structure to such stagnation or the smaller size of certain of its businesses which can adversely affect the RBI Group's cost /income ratio and overall profitability. This all may have a material adverse effect on the RBI Group's business, financial position and results of operations.

*RBI Group's liquidity and profitability would be significantly adversely affected should the RBI Group be unable to access the capital markets, continue to raise deposits, sell assets on favourable terms, or if there is an increase in its funding costs.*

The RBI Group regularly requires liquidity in order to refinance its business activities and is therefore subject to liquidity risk. Liquidity risk is the potential inability of the RBI Group or any of its members to meet its present and future contractual and contingent financial obligations, and only being able to refinance at unduly high costs. Liquidity risk can take various forms. For example, the RBI Group may be unable to meet its payment obligations on a particular day and may have to obtain liquidity from the market at short notice and on expensive terms, or may be unable to obtain liquidity from the market and, at the same time, be unable to generate sufficient alternative liquidity through the disposing of assets. There is also the risk that deposits could be withdrawn at a faster rate than the rate at which the RBI Group's or any of its members' borrowers repay their loans, that lending commitments could be terminated or that further collateral in connection with collateral agreements for derivative transactions is required.

Furthermore, liquidity risk can arise in connection with, among other events, the following:

- "*Group cross default*" clauses

With respect to some types of refinancing (including certain notes issued by RZB, the economic obligations of which were transferred to the Issuer in connection with the spin-off and subsequent merger of principal business areas of RZB with the Issuer in 2010), the RBI Group's financing agreements give the RBI Group's creditors a right to accelerate repayment in the event of a "*group cross default*", which could occur if certain of the Issuer's material subsidiaries default or if RZB defaults on certain payments. The Issuer may not always be able to compel the aforementioned companies to comply with their payment obligations, even if it holds a majority interest. Furthermore, such companies generally are subject to the same risks as the Issuer. The likelihood of the occurrence of any particular risk, and its effects on the financial position and results of operations of the Issuer's subsidiaries, may differ substantially from the likelihood and effects of the same risk with respect to the Issuer and a subsidiary may fail to fulfill its payment obligations even if the other members of the RBI Group are financially healthy, thereby triggering a group cross-default. A group cross-default could give rise to unexpected sudden liquidity requirements in order to satisfy accelerated liabilities, and such liquidity may be available only on very unfavourable terms and conditions or not at all and consequently, the Issuer might not or only to a limited extent be able to meet its obligations under the Securities.

- Refinancing risk (and concentration risk in connection with intra-group funding related thereto)

The Issuer itself is not a retail bank and, as a commercial bank focusing on large Austrian companies, does not have a broad and diversified base of cost-efficient customer deposits that may serve as a refinancing source. Due to its dependence on the interbank market, interest rate fluctuations may have a stronger effect on the Issuer's profitability



than on the profitability of other Austrian credit institutions with a more diversified deposit base. Any downgrade by a rating agency could result in an increase in refinancing costs in the market and might simultaneously also restrict access to liquid funds. Access to liquidity may also be constrained by the volatility in the global financial markets. Any future adverse developments in the cost and availability of funding in the interbank funding markets could make wholesale financing including obtaining interbank loans, more expensive or unavailable for the Issuer and RBI Group. The current volatility in the global financial markets has led to a tightening in wholesale funding markets and higher risk spreads for a number of countries and market participants. However, such development may also spread and affect the markets generally as it has already done in the past.

On an RBI Group level, one of the principal sources of funding for the RBI Group is customer deposits, with the remaining funding provided through debt issuances and interbank loans. On the level of individual RBI Group members, intra-group financing from the Issuer is also used in this context. The ongoing availability of deposits to fund the RBI Group's loan portfolio is subject to potential changes in factors outside the RBI Group's control, such as, *inter alia*, increased competition from other banks for deposits, depositors' concerns regarding either the economy in general, the financial services industry or the RBI Group, rating downgrades and the availability and extent of deposit guarantees. These factors could lead to a reduction in the RBI Group's and its members' ability to access customer deposit funding on appropriate terms in the future and to sustained deposit outflows. In the event that a group member is affected, the Issuer may need to increase the intra-group financing to the affected group members to replace such withdrawn funds. If funding is not available to the Issuer and/or to the group members at all or at reasonable cost, they may be required to liquidate certain of their assets potentially below book value. Reallocation of intra-group funding to support particular group members, and the resulting increase in exposure to such group members and the countries in which they are located, also constitutes a concentration risk, which may be severe in the event of a default by one or several of these subsidiaries (including events imposed by local authorities in the countries of such group member preventing such group member to perform under its refinancing obligations). Furthermore, regulatory authorities may impose restrictions, or tighten existing restrictions, on the transfer of capital or liquidity outside the relevant country, which could adversely affect the RBI Group's ability to efficiently maintain the liquidity requirements of its subsidiaries through intra-group capital transfers.

Furthermore, more restrictive eligibility criteria for collateral used for refinancing lines of the European Central Bank, the OeNB (Austrian Central Bank) and/or local central banks or if ECB were again to restrict its collateral standards, could also increase the RBI Group's funding costs and restrict the RBI Group's ability to raise liquidity.

A lack of liquidity or refinancing opportunities may, among other things, result in a limitation of business volume in the financing business, which, in turn, may lead to a reduction of the Issuer's interest income. Any reduction in the access to liquidity may have a material adverse effect on the RBI Group's business, financial position and results of operations, may affect the Issuer's ability to meet its obligations under the Securities and could ultimately result in a discontinuation of business activities due to insolvency.

*A deterioration of the credit rating of RBI, an RBI Group member, a member of the Raiffeisen Bankengruppe or a country could result in increased funding costs, may damage customer perception and may have other material adverse effects on the Issuer*

Credit ratings represent the opinion of a rating agency on the credit standing of a country or a bank or other commercial entity and take into account the likelihood of delay of and default on payments or potential insolvency. They are material to the Issuer and the RBI Group since they affect both the terms on which creditors are willing to transact with the Issuer and the RBI Group and the willingness of customers to do business with the Issuer and the RBI Group. Downgrades in credit ratings can occur as a result of adverse macroeconomic developments in the regions in which rated entities operate or due to company-specific developments. Rating agencies also change or adjust their ratings methodologies from time to time. Any such changes to rating criteria or methodologies can result in rating downgrades even if the macroeconomic environment and company-specific factors remain unchanged.

The Issuer is rated and, therefore, is subject to the risk of credit rating downgrades or a withdrawal of its ratings. Rating downgrades may have a negative impact on the Issuer's Securities, may limit the Issuer's and the RBI Group's ability to conduct certain businesses or may cause customers to be reluctant to do business with the Issuer and the RBI Group. Since the Issuer is also dependent on the interbank market as a refinancing source, and any interest rate fluctuations caused by a downgrade by a rating agency may restrict its access to refinancing opportunities and have a significant effect on the Issuer's earnings. The Issuer anticipates that a deterioration of the Issuer's or a group member's ratings or the ratings of the country in which the Issuer or the respective group member operates will likely result in an increase in refinancing and liquidity costs, may restrict access to the interbank or capital markets generally, may result in the withdrawal of customer deposits and could significantly affect the Issuer's earnings.

***The RBI Group's business and results of operations have been, and may continue to be, significantly adversely affected by market risk including changes in the levels of market volatility.***

The market risk (as defined in section 2 of the Austrian Banking Act – *Bankwesengesetz* (the "BWG")) refers to the specific and general risk position assumed by the Issuer on the asset or liability side with respect to positions in any interest-related instruments, equity instruments, equity-index forwards and futures, investment fund units, options, commodities, foreign currencies and gold. Market risk is the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions and includes, but is not limited to, market volatility, interest rate, foreign exchange rate, and bond price risks.

Changes in interest rate levels, yield curves, rates and spreads may affect the RBI Group's net interest margin. Changes in foreign exchange rates affect the value of assets and liabilities denominated in foreign currencies as well as the profit and loss values as measured in euro, or the respective local currency of the Network Banks as the case may be, and may affect income from foreign exchange dealing. See also risk factor "--Changes in exchange rates may significantly affect the RBI Group's results of operations". The performance of financial markets or financial positions generally may cause changes in the value of the RBI Group's investment and trading portfolios. The RBI Group has implemented risk management systems to mitigate and control these and other market risks to which its portfolios are also exposed. The risk management systems contain measurement systems for normal and for extraordinary market environments (stress tests). However, it is difficult to predict changes in economic or market conditions with accuracy and to anticipate the effects that such changes could have on the RBI Group's financial performance and business operations, in particular in cases of extreme and unforeseeable events. In times of market stress or other unforeseen circumstances, such as the market conditions experienced in 2008 and 2009, previously uncorrelated indicators may become correlated, or previously correlated indicators may move in different directions. These types of market movements have at times limited the effectiveness of the RBI Group's hedging strategies and have caused the RBI Group to incur significant losses, and they may do so in the future. The realization of any market risk could have a material adverse effect on the RBI Group's financial position and results of operations and could adversely affect the Issuer's ability to meet its obligations under the Securities.

***When entering into unhedged positions, the RBI Group is directly exposed to the risk of changes in interest rates, foreign exchange rates or prices of financial instruments***

The RBI Group assumes open, *i.e.* unhedged, positions with respect to interest rates, foreign exchange and financial instruments either in the expectation that favourable market movements may result in profits or it considers certain positions cannot be hedged effectively or at all. These open positions are subject to the risk that changes in interest rates, foreign exchange rates or the prices of financial instruments may result in significant losses. Actual trading and market positioning is decentralized and takes place in head office as well as on a local level at the RBI Group's subsidiaries, based on market risk limits approved and monitored centrally by the Issuer.

Furthermore, the RBI Group has open positions with regard to its profit and loss positions measured in euro. Only part of these positions can be hedged due to inadequate market developments and the RBI Group does not consistently close these positions. Thus, even with constant margins and profits as measured in local currencies there is a risk of material adverse effects on the accounts as measured in euro.

***Decreasing interest rate margins may have a material adverse effect on the RBI Group.***

The Issuer and the Network Banks earn interest from loans and other assets, and pay interest to their depositors and other creditors. Interest rates are highly sensitive to many factors beyond the RBI Group's control, including monetary policies and domestic and international economic and political conditions. Decreasing interest margins result in decreasing revenues unless compensated by an increase in customer loan volumes.

The effect of changes in interest rates on the RBI Group's net interest income depends on the relative amounts of assets and liabilities that are affected by the change in interest rates. Reductions in interest rates may not affect refinancing costs to the same extent as they affect interest on loans, because a bank's ability to make a corresponding reduction in the interest it pays to its lenders is limited, in particular when interest rates on deposits are already very low. On the other hand, as interest rates increase, demand for loans generally decreases and therefore a bank's net interest income might fall in the short term due to differences in duration between assets and liabilities. Furthermore, increasing interest rates increase the debt service burden for borrowers and, therefore, might give rise to increasing credit losses. Consequently, both decreases and increases in interest rates could negatively affect the RBI Group's net interest income.

In addition, over the last few years refinancing interest rates for the RBI Group and for banks in general have increased more strongly than those payable by highly rated corporate borrowers. A continuation or aggravation of this effect would also reduce the RBI Group's interest margins.

As a result of the above, interest rate fluctuations and, in particular, decreasing interest rate margins could have a material adverse effect on the net interest income of the Issuer and Network Banks and on the RBI Group's business, financial position and results of operations.

***Risk of additional payment obligations of the Issuer and its Network Banks due to the membership in deposit insurance and investor compensation schemes***

The Issuer is a member of the "Österreichische Raiffeisen-Einlagensicherung eGen", one of the mandatory deposit guarantee and investor compensation schemes pursuant to the Austrian Banking Act. Under such scheme, deposits are in general protected up to an amount of EUR 100,000, and monetary claims from securities transactions are protected up to EUR 20,000, subject to an additional cap of 90 per cent. of the receivables from securities transactions for legal persons. Large corporations (*große Kapitalgesellschaften*) within the meaning of the Austrian Commercial Code are excluded from protection. The Network Banks are members of similar schemes in their respective jurisdictions.

In addition, the Issuer is a member of the *Raiffeisen-Kundengarantiegemeinschaft Österreich* ("RKÖ"), the nationwide voluntary Raiffeisen customer guarantee scheme for Austria that, supplementary to the statutory Austrian deposit guarantee and investor protection scheme, guarantees up to 100 per cent. of its member banks' customer deposits and claims related to non-subordinated bond issues in certain circumstances. All members of the association assume contractual liability to the effect that they, under certain circumstances and limited by their respective economic reserves, guarantee the timely payment of all customer claims so guaranteed, *i.e.*, in particular customer deposits and claims under non-subordinated direct issues of insolvent RKÖ members. Customers of the insolvent bank are offered equivalent claims against other members of the RKÖ instead of bankruptcy claims. In addition to regular membership contributions to cover on-going administrative expenses, extraordinary membership contributions may become due in the case of a customer guarantee event.

Any insolvency of a member of one of these associations may result in the Issuer's or a Network Bank's, as the case may be, obligation to settle guaranteed customer claims against such insolvent member, which would be likely to adversely affect the Issuer's financial position to the effect that the Issuer may not or only to a limited extent be able to meet its obligations under the Securities.

***Changes to the deposit guarantee and investor compensation schemes in which the Issuer and Network Banks are participating and the introduction of resolution funds may result in increased membership contributions***

The existing EU-legislation on mandatory deposit guarantee and investor compensation schemes, including the rules relating to their financing, are currently being amended. As a result of such amendments, the level of the annual contributions to national deposit guarantee and investor compensation schemes the Issuer and the Network Banks are subject to may increase in the future. Furthermore, it is being proposed by the European Commission to introduce resolution funds in order to provide supplementary funding for tools in connection with crisis management measures and the recovery and resolution of banks. Such resolution funds might also be amalgamated with deposit guarantee schemes.

It is currently unclear what effect these amendments may have on the existing statutory and voluntary deposit guarantee and investor compensation schemes in which RBI Group members participate. Such changes could increase the RBI Group's membership costs or, if they are perceived as adverse by the RBI Group's customers, could adversely affect the RBI Group's business or reputation.

***The Issuer may generate lower revenues from commercial and investment banking business and other commission and fee-based business during market downturns***

Market downturns are likely to lead to a decline in the volume of transactions that the Issuer executes for its customers, and therefore, to a decline in net banking income from these activities. In addition, because the fees that the Issuer charges for managing its customers' portfolios are in many cases based on the value or performance of those portfolios, any market downturn that reduces the value of its customers' portfolios or increases the amount of withdrawals could significantly reduce the revenues the Issuer receives.

***The success of the RBI Group's proprietary trading and investment activities are subject to the significant volatility of the financial markets***

The RBI Group maintains trading and investment positions in debt, currency, equity and other markets. These positions could be materially adversely affected by on-going volatility and further dislocation in the financial and other markets, which may lead to substantial losses for the RBI Group. Significant declines in the values of the RBI Group's assets have resulted from previous market events. Increased volatility and further dislocation affecting certain financial markets and asset classes could have an impact on the general valuation of assets in the RBI Group's trading assets, its financial assets at fair value through profit or loss, its financial assets available for sale and on the value of its financial assets held-to-maturity and could also lead to impairment losses.

The heightened uncertainty and risk of default of certain European countries, in particular Cyprus, Greece, Ireland, Italy, Portugal, Slovenia and Spain, has led to high and volatile bond yields on the debt of many European countries, and other countries, and the financial institutions and the corporate issuers based in these countries. Such volatility could lead to significant declines in market values and thus, in the event of disposal, to a loss in the cash value of outstanding bonds and a corresponding added negative effect on the RBI Group's earnings. Furthermore, negative effects may also be reflected in the income statement due to a market valuation of the securities in the trading book, and on the balance sheet due to a market valuation of securities held for sale. Volatility can also lead to losses relating to a broad range of other trading and hedging products the RBI Group uses, including swaps, futures, options and structured products.

The volatility of the financial markets may adversely affect the RBI Group's proprietary trading and investment activities and, thus, may have a material adverse effect on the RBI Group's business, financial position and results of operations and the Issuer's ability to meet its obligations under the Securities.

***The RBI Group could suffer losses as a result of the actions of or deterioration in the commercial soundness of its borrowers, counterparties and other financial services institutions***

Credit risk, which the RBI Group considers to be its most significant risk category, refers to the commercial soundness of a borrower or other market participant and the potential financial loss that a borrower or other market participant may cause to the RBI Group if a borrower or other market participant could not meet its contractual obligations. In addition, the RBI Group's credit risk is impacted by the RBI Group's ability to enforce its security interests. The RBI Group is exposed to credit and counterparty risk in particular with respect to its lending activities with retail and corporate customers, banks, local regional governments, municipalities and sovereigns, as well as other activities such as its trading and settlement activities. Furthermore, financial institutions and other counterparties are inter-related because of trading, funding, clearing or other relationships. Thus, defaults by, or even rumours or questions about, one or more financial institutions, or the financial industry generally, have led and could lead to market-wide liquidity problems in the future which might result in losses or defaults by the RBI Group or by one of its counterparties. The volatile economic conditions have substantially increased the counterparty risk among banks, the risk of defaults in the customer business, and of the amount of non-performing loans for both retail and corporate customers.

As of 31 December 2012, the RBI Group's ratio of non-performing loans to the RBI Group's total loan portfolio was 9.8 per cent. compared to 8.6 per cent. on 31 December 2011.

The rate of non-performing loans may increase further in the banking sector in general and particularly in some of the markets in which the RBI Group operates, which could negatively affect the equity of RBI's group entities denominated in local currency and the goodwill of local group companies. In Croatia for example, given the high unemployment rate, the level of non-performing loans to private individuals will depend on the capacity of Croatia to attract EU funds and implicitly on the degree of the fulfilment of the positive expectations with regard to the EU entry. Furthermore, the rate of non-performing loans is also influenced by depreciations of local currencies against the euro, the USD and the Swiss franc.

A future economic deterioration, market volatility, higher unemployment and lower foreign investment could have a further adverse effect on the liquidity, business and financial position of the RBI Group's borrowers, which could, in turn, increase the RBI Group's non-performing loan ratio, impair its loan and other financial assets, result in a withdrawal of deposits and result in decreased demand for the RBI Group's products.

Furthermore, the RBI Group is exposed to credit risk in relation to its financial institution and sovereign portfolios which include exposures to the financial institutions, local regional governments in and sovereigns of countries that recently have experienced deteriorating fiscal conditions and are considered by experts to have a heightened risk of default. In particular, the RBI Group is exposed to credit risk from financial institutions and sovereigns in Spain and

Italy. The continuation or an aggravation of the sovereign debt crisis might directly or indirectly give rise to defaults from the RBI Group's business with aforementioned entities in its portfolios. Downgrades in sovereign credit ratings could increase the credit risk of financial institutions based in these countries. Financial institutions are likely to be affected most by a potential decline because they are affected by larger defaults or revaluations of securities, for example, or by heavy withdrawals of customer deposits in the event of a significant deterioration of economic conditions.

For Hungary, Croatia, Albania and for the Ukraine an increasing sovereign risk is visible partly driven by a situation of political uncertainty partly due to the economic weakness of the respective country and may further adversely affect RBI Group's credit exposure in these countries. The financial institutions concentration risk is mainly given in Russia, one of RBI's core countries of operation, and in China due to trade finance-related business activities.

The realization or further escalation of any such credit risk could result in significant losses with respect to the RBI Group's exposures in these portfolios. Furthermore, the RBI Group provides for potential losses arising from counterparty default or credit risk by net allocations to provisioning for impairment losses, the amount of which depends on applicable accounting principles, risk control mechanisms and the RBI Group's estimations. Should actual credit risk exceed current estimates on which management has based net allocations to provisioning, the RBI Group's loan loss provisions could be insufficient to cover losses. This would have a material adverse impact on the quality of the loan portfolio and thus on the Issuer's financial position and results of operations and would affect the Issuer's ability to meet its obligations under the Securities.

*Applicable laws, including bankruptcy laws, in some of the RBI Group's markets may limit the RBI Group's ability to obtain payments on non-performing loans and to enforce security and/or guarantees*

RBI Group's credit risk may be impacted when the collateral held by it cannot be realized or is liquidated at prices not sufficient to recover the full amount of the loan due to it. RBI Group companies enter into security arrangements for loans made to corporate and retail customers. Under regulations in many countries, collateral and certain forms of guarantees are considered secondary obligations, which automatically terminate if the secured or guaranteed obligation becomes void. In particular, the enforcement of a security under the laws of certain jurisdictions may require a court order and, in the case of pledges and mortgages, a public sale of the collateral, which may be delayed. As local laws typically do not provide for pledge perfection systems for collateral, or provide for such systems only for certain types of collateral, the RBI Group may face unexpected and/or conflicting claims of secured creditors upon pledged property.

In addition, bankruptcy laws in many emerging economies are still subject to change and can differ significantly from country to country. They also do not always offer the same types of rights, remedies and protections that creditors enjoy under the bankruptcy regimes in Western Europe or the United States. In particular, the bankruptcy law systems in the various emerging economies have, at times, made it comparatively difficult to receive payouts on claims related to, or to foreclose on collateral that secures, extensions of credit that have been made to entities that have subsequently filed for bankruptcy protection. Hungary, for example, introduced the so-called "**home protection law**" to help distressed mortgage debtors, which included fixed exchange rates on monthly mortgage repayments. For these reasons, the RBI Group may have difficulty obtaining payments on non-performing loans, foreclosing on collateral or enforcing other security when clients default on their loans, which may have a material adverse effect on the RBI Group's business, financial position and results of operations.

#### ***Write-down of goodwill and impairment losses***

The Issuer and the RBI Group might be obliged to further write down goodwill of RBI Group companies. The carrying value of goodwill on the RBI Group's statement of financial position would be reduced in the event of an economic downturn, slower than anticipated macroeconomic growth, increased competition, currency fluctuations or any other adverse event that may cause the RBI Group's estimate of its businesses' future cash flows to be revised downwards or if the rate used to discount the cash flows is increased. Similarly, if such circumstances prevail, other group assets may have to be tested for impairment, which could result in significant impairment losses. Any impairment could have material negative effects on the RBI Group's results of operations and the Issuer may not or only to a limited extent be able to meet its obligations under the Securities.

#### ***Concentration risk with respect to geographic regions and client sectors***

The concentration risk (as defined in section 2 BWG) refers to various negative consequences that arise from the concentration or interaction of similar or different risk factors or risk types, such as for example the risk associated with loans to the same customer, to a group of related customers, to customers from the same region or industry

sector, to customers offering the same services and goods, the application of credit risk minimising techniques and, in particular, indirect large-volume lendings.

Due to accounts receivable from borrowers in certain countries or certain industry sectors, as the case may be, the RBI Group is, to varying degrees, subject to a concentration of regional as well as sectorial counterparty risks. RBI Group single name concentrations are managed (based on the concept of groups of connected customers) by limits and regular reporting. Nevertheless, the sum of the ten largest corporate credit exposures of the corporate customer division (before taking into account risk mitigation effects) corresponded to approximately 52 per cent of core capital as of December 2012. The concentration risk on a RBI Group level could increase due to insufficient diversification. Furthermore, the reallocation of intra-group funding to support particular group members, and the resulting increase in exposure to such group members and the countries in which they are located, also constitutes a concentration risk, which may be severe in the event of a default by one or several of these subsidiaries. The realization of any concentration risk may have a material adverse effect on the RBI Group's business, financial position and results of operations, and may adversely affect the Issuer's ability to meet its obligations under the Securities.

***Changes in exchange rates may significantly affect the RBI Group's results of operations***

A large part of the RBI Group's operations, assets and customers are located outside the Eurozone and the RBI Group conducts its operations in many different currencies other than the euro, all of which for purposes of inclusion in the RBI Group's consolidated financial statements must be translated into euros at the applicable exchange rates.

Some of the currencies in which the RBI Group operates have been highly volatile in the past, which has had a negative impact on the RBI Group's results of operations in these countries. The global financial and economic crisis has in particular caused substantial depreciation in the currencies of certain of the core markets in which the RBI group operates. A continuation or worsening of the Eurozone debt crisis could cause the currencies of the countries in which the RBI Group operates to depreciate further, to the detriment of the RBI Group. The RBI Group hedges its foreign currency exposure related to capital investments in its foreign subsidiaries only to a very limited extent. Furthermore, any hedges that the RBI Group enters into may prove ineffective to prevent losses.

Adverse movements in foreign exchange rates may affect the RBI Group's cash flows as measured in euro, as well as the cash flows of the RBI Group's customers, particularly if such fluctuations are unanticipated or sudden.

A continued weakness of CEE currencies against major currencies could lead to further defaults by the RBI Group's customers:

In particular, the RBI Group's subsidiaries still have significant exposure towards loans denominated in a currency different from the borrower's local currency, in particular towards loans denominated in Swiss francs, euro and U.S. dollars. If the value of a borrower's local currency declines relative to the currency in which the loan is payable (as has recently occurred with respect to general local currencies relative to the euro, the U.S. dollar and the Swiss franc), the effective cost of foreign currency-denominated loans to the borrower increases substantially. Since borrowers in many cases (and, in particular retail borrowers) are not hedged against fluctuations in exchange rates, any depreciation of the local currency may result in an increased risk of default. This has already resulted, and may continue to result, in a deterioration of the RBI Group's loan quality, a decrease in value of the RBI Group's loan portfolio and/or an increase in non-performing loans and may, therefore, have a material adverse effect on the RBI Group's business, financial position and results of operations as well as the comparability between financial periods.

Following the closing of the Polbank acquisition, the RBI Group's exposure to loans denominated in Swiss francs has increased significantly, as Swiss franc-denominated mortgage loans account for a substantial portion of Polbank's total assets.

Since 2011, Hungary has implemented legislation in the course of various initiatives which allowed borrowers to convert foreign currency loans into local currencies or which fixes monthly instalments on foreign currency loans at exchange rates significantly below market rates, which has resulted, and any future comparable measures may result, in significant loan losses for RBI Group. Other countries could implement similar legislation.

In response to these developments and as a result of regulatory requirements, the RBI Group intends to reduce its foreign currency loan and foreign exchange mortgage exposure, which may adversely affect the RBI Group's revenues from fees for customer-based foreign currency exchange transactions.

An appreciation of the currency of a portfolio of the RBI Group which has been refinanced in a different currency (and even despite being hedged against the underlying currency of the portfolio) may cause the RBI Group to raise additional liquidity at rollover dates of existing positions to refinance such portfolio if such appreciation prevails for a prolonged period.

Exchange rate fluctuations may also affect regulatory capital adequacy requirements with respect to foreign currency-denominated assets due to the mismatch between local equity investments that the Issuer has in the non-Eurozone RBI Group companies and the balance sheet assets in currencies such as USD and Swiss franc when translated into euros. Even if such assets were refinanced in the same currency and with matching maturities so that there are no open currency positions, the RBI Group's capital ratio would be negatively affected. As such, fluctuations in foreign currency exchange rates may have in the future a material adverse effect on the RBI Group's business, financial position and results of operations and, in particular, may result in fluctuations in the RBI Group's consolidated capital as well as its credit risk-related capital adequacy requirements.

The RBI Group also has liabilities in currencies other than the euro and trades currencies on behalf of its customers and for its own account, thus maintaining open currency positions. In addition, the Issuer and its subsidiaries have sold foreign exchange derivatives, such as foreign exchange swaps, forwards and options, to financial institutions and to non-banking customers. These derivatives typically require the customer to provide collateral when a certain loss level is reached. The significant depreciation of several CEE currencies against the euro as a consequence of the financial and economic crisis caused a number of customers to default on the requirement to provide collateral or to perform in general under such financial instrument. A continued weakness of CEE currencies against major currencies could lead to further defaults by the RBI Group's customers and losses incurred by the RBI Group on foreign exchange derivatives, which could have a material adverse effect on the RBI Group's business, financial position and results of operations.

As such, fluctuations in foreign currency exchange rates may have in the future a material adverse effect on the RBI Group's business, financial position and results of operations and may affect the Issuer's ability to meet its obligations under the Securities.

***Rising levels of competition in the countries in which the RBI Group operates may materially adversely affect its business, financial position and results of operations***

The RBI Group competes with large international financial institutions and local competitors. As the banking sectors continue to mature in many of the countries in which the RBI Group operates, competition from both global as well as local financial institutions is likely to intensify, which may harm RBI Group's business. Some of RBI Group's competitors may have better access to liquidity or the ability to provide services at lower prices than the RBI Group. In addition, large international competitors may expand or further expand their presence in the CEE region. Due to their more global presence and their ability to provide banking services beyond the CEE markets, these competitors might appear more attractive to certain customer groups, e.g. multinational clients, than the RBI Group. RBI Group also faces competition from local banks which may have a much stronger presence in a particular local market or be subject to less stringent regulation than the RBI Group. Such competitors might also appear more attractive to certain customer groups than the RBI Group, and may result in the RBI Group losing customers to competitors. Increasing competition for customer deposits and loans may also result in narrowing net interest margins and lower profitability. The RBI Group may be unable to timely adapt to new market developments regarding products and services and to adequately respond to pressure from competitors. If the RBI Group is unable to effectively respond to pressure from competitors, it may have a material adverse effect on the RBI Group's financial position and results of operations and may affect the Issuer's ability to meet its obligations under the Securities.

***The RBI Group may suffer significant losses as a result of operational risk***

Operational risk relates to the risk of loss due to inadequate or failed internal processes, or due to external events, whether deliberate, accidental or natural occurrences. Internal events include, but are not limited to, unauthorized actions, theft or fraud by employees, clerical and record keeping errors, business interruption and information systems malfunctions or manipulations. External events include floods, fires, earthquakes, riots or terrorist attacks, bank robberies, fraud by outsiders and equipment failures.

The banking industry is subject to numerous and substantial operational risks, particularly in emerging markets. The Issuer and the Network Banks are exposed to significant risks resulting from client or employee fraud, money laundering, employee errors or misconduct as well as risks arising from their relationships with third-party providers and suppliers and risks related to counterparty failure. Insufficient authorization of a counterparty to enter into any transaction, documentation flaws, legal particularities and changes to the legal basis of a transaction may cause claims and other rights of the Issuer to be unenforceable.

In addition, the RBI Group faces heightened operational risks because it operates a substantial number of individual network banks and leasing, financial services and other companies on a largely decentralized basis. For example, actual trading and market positioning is decentralized and takes place in head office as well as on a local level at the

RBI Group's subsidiaries, based on market risk limits approved and monitored centrally by the Issuer. The risk management procedures and internal controls put in place by the RBI Group to address operational risks may not prevent losses from occurring. Any resulting loss could have a material adverse effect on the RBI Group's business, financial position and results of operations and may affect the Issuer's ability to meet its obligations under the Securities.

***Risks in connection with mergers, acquisitions and investments – previously unidentified risks and expenses may arise***

In the past, the RBI Group has sought to expand into new regional markets and to identify and enter promising new product areas and customer segments. The RBI Group has pursued this strategy through organic growth but also through mergers, acquisitions and investments. Acquisitions pose significant challenges, including in the following areas:

- integration of the acquired company in the human resources, infrastructure, management information systems, general reporting, IT, risk management and controlling areas;
- achievement of synergies and cost control as well as realising the expected returns as anticipated at the time of the acquisition;
- coping with regulatory, legal and contractual tasks and barriers with respect to the acquisition, among others anti-trust laws;
- additional funding requirements;
- integration/homogenisation of different corporate and management cultures; and
- harmonisation of risk provisioning standards and methodologies, which could result in higher provisioning requirements for credit and other risks at acquired companies.

A delayed or inefficient implementation of integration measures, unexpectedly high integration expenses or risks, client attrition and the loss of key management may result in any integration synergies being less than anticipated. Also, liabilities and risks of the acquisition target may not have been identified or precisely determined in the acquisition process. As a result, the RBI Group may be confronted with risks that only become apparent following completion of an acquisition in the wake of integration efforts, and any contractual representations and warranties obtained from the seller may not be adequate, or may not be enforceable against the seller, for example if the seller is in financial distress. In addition, risks covered by such representations and warranties may materialize after the expiration of the period during which a claim may be brought. If any of these risks materializes, it may have a material adverse effect on the RBI Group's business, financial position and results of operations and could affect the Issuer's capability to perform its obligations under the Securities.

In the future, the RBI Group may further engage in selective mergers, acquisitions and investments when the opportunity arises. However, the RBI Group may have difficulty identifying and executing mergers, acquisitions and investments, and both making them and avoiding them may have a material adverse effect on the RBI Group's business, financial position and results of operations and may affect the Issuer's ability to meet its obligations under the Securities.

***The RBI Group operates in an increasingly litigious environment, potentially exposing it to liability and other costs, the amounts of which cannot be estimated and may adversely influence the results of operations***

Due to the nature of their business, the Issuer and the members of the RBI Group are subject to the risk of litigation by customers, employees, shareholders, competitors or others through private actions, and to administrative proceedings and regulatory actions. In particular in the wake of the financial market and economic crisis, a tendency to initiate proceedings even in cases in which an agreement could be reached in the past as well as a more aggressive behaviour in the context of legal or other disputes is noticeable. Against the background of negative market developments, claims in connection with allegedly insufficient investment advice and/or allegedly insufficient documentation have increased. The outcome of litigation or similar proceedings including administrative and regulatory enforcement actions is difficult to assess or quantify. Plaintiffs in private action, regulators, supervisory authorities or prosecutors in these types of actions against the Issuer or the RBI Group's companies may seek recovery or fines or penalties in large or indeterminate amounts or other remedies that may affect the ability of the Issuer or the RBI Group companies to conduct their business, and the magnitude of the potential losses relating to such actions may remain unknown for substantial periods of time. The cost of defending future actions may be significant. There may also be adverse publicity associated with litigation, administrative proceedings or regulatory



actions taken against the Issuer or any of the members of the RBI Group that could damage the reputation of the RBI Group, regardless of whether the allegations have a basis in law or fact. As a result, litigation or other proceedings may have a material adverse effect on the RBI Group's business, financial position and results of operations, and may affect the Issuer's ability to meet its obligations under the Securities.

***The Issuer's and the RBI Group's risk management system may not be effective in mitigating risk and reducing the potential for significant losses in each market environment***

The risk management activities of the Issuer and RBI Group might be inadequate to cover and control each and every risk in each market environment.

The methods and models applied by the RBI Group for risk assessment and management may not be adequate to effectively identify, assess and manage all risks in every market environment, particularly if the RBI Group is confronted with risks it has not anticipated or with extreme market events. Some of the RBI Group's methods for managing risk are based upon observations of historical market behaviour. Statistical methodologies are applied to these observations to arrive at quantifications of the RBI Group's risk exposure. These statistical methods are examined and approved by the Austrian regulator and even if no significant deficiencies remain, the methodologies may not accurately quantify the RBI Group's risk exposure if circumstances or market conditions structurally change which were not observed in historical data or in stress tests. Historical models are inadequate if there are no or limited historical data, such as when entering into new markets or implementing new business models or at times of extreme financial distress. Other models, such as models based on financial mathematics, largely depend on assumptions and estimates, which may prove to be incorrect. Qualitative approaches to controlling unquantifiable risks may prove inadequate. Therefore, there might be yet unknown or unidentified risks to the RBI Group. Furthermore, the regulatory authorities assess the risk management systems of the Issuer and of other members of the RBI Group for compliance with applicable regulations. Following such an investigation by a regulatory authority, the internal models may be considered inadequate. Inadequacies or failures in the risk management system may lead to significant and unpredictable losses have a significant negative impact on the calculation of the capital requirement, adverse effects on the RBI Group's business, financial position and results of operations and may affect the Issuer's ability to meet its obligations under the Securities.

***Dependence on complex information technology systems***

Comprehensive universal banking services are increasingly dependent on complex information technology systems ("**IT systems**"). IT systems are prone to a number of problems, such as software or hardware malfunctions, potential unauthorised access (hacking), physical damages as well as computer viruses and other malware. Furthermore, the RBI Group's IT systems must be updated at regular intervals to adapt to continually changing operational and regulatory requirements and to accommodate a potential increase of the RBI Group's business operations.

Projects and processes for the further harmonisation of IT systems and IT infrastructures, in particular at the most recently acquired RBI Group entities, are being implemented within the RBI Group. The objective is to ensure centralized compilation and availability of the data of RBI Group companies and branch offices as well as real-time account data. As long as this project has not been completed, incorrect decisions may be made which, in turn, may have a negative impact on the Issuer's business activities, financial position and results of operations.

The RBI Group's IT infrastructure is of a heterogeneous nature and comprises various core systems as well as a number of additional IT systems. Therefore, the harmonization of IT systems within the RBI Group in order to establish a consistent IT architecture poses a major challenge to the RBI Group. This complexity could lead to increased efforts and expenses throughout the RBI Group in connection with the adaptation of the IT systems, the implementation of a network-wide management information system or country-specific changes, such as in relation to local currencies, a conversion of a country's local currency to the euro and special features that may result from a country's settlement, tax or accounting regulations.

In installing and operating these systems, the RBI Group also engages and relies on external service providers. Any failure of such external service provider to perform under its agreements with the RBI Group could adversely impact the installation and/or operation of such system.

The problems, challenges and modernisation requirements referred to above constitute significant risks to the operations of the RBI Group. It may not be possible to carry out the necessary modernizations in due time or they may not be as effective as necessary or might not be implemented at budgeted cost. In addition to the expenses incurred as a result of any failure of IT systems, sanctions may be imposed by regulatory authorities. Consequently, every major disruption of existing IT systems or any failure in connection with the challenges referred to above may

have a material adverse impact on the Issuer's financial position and results of operations so that it may not or only to a limited extent be able to meet its obligations under the Securities.

***Risk of potential conflicts of interest due to various business relationships***

The Issuer and the Network Banks enter into a multitude of differing business relationships with their customers and investors, in particular to accept funds to be invested, to lend funds and generally to be active in all areas of the banking business. The Issuer and the Network Banks thereby act in various different roles and perform various different functions, which may trigger conflicts of their interests with the interest of their customers and investors.

If applicable, RBI will be free to enter into other business relationships with its customers, investors or issuers of instruments underlying the Securities and, in particular, to accept funds to be invested, to lend funds and generally to be active in all areas of the banking business. Should a potential conflict of interest with investors arise in connection with any (forthcoming) business transaction of RBI or any of its associates, RBI will disclose such conflict of interest to the extent required by law, provided the conflict of interest has been identified.

Potential conflicts of interest may, for example, arise and adversely affect the investment as set forth below:

- RBI (or another company of the RBI Group) enters into other transactions (e.g. transactions for own account) with respect to the underlying of the Securities and such a transaction is likely to have a negative impact on the relevant underlying (for example if factors affecting the value of the underlying are inherent in the type of transaction entered into).
- Hedging transactions entered into in connection with the Securities or the conclusion of derivative contracts referring to the underlying may in rare constellations affect the market price of the underlying.
- RBI might (*inter alia* in its capacity as market maker or sponsor or depositary bank) exert an influence on the pricing of an underlying (for example of an Austrian share or investment fund) so that the performance of such underlying could vary from the performance in a liquid market.

A failure to observe information barrier-principles (*Chinese Walls*) or other appropriate guidelines as are established practice in the banking industry as a safe harbor to address and mitigate such conflicts may expose the RBI Group to litigation and reputational risks, and as a consequence also may have a material adverse effect on the RBI Group's business, financial position and results of operations.

***Risk of potential conflicts of interest on the part of members of the Issuer's Management and Supervisory Boards***

The following generally applies to all members of the Management Board of RBI: In individual cases, conflicts of interest may arise from the RBI Group's banking operations with respect to those companies/foundations, etc. where they are members of the management board or supervisory board or perform similar functions (see section 5 *Administrative managing and supervisory bodies in Description of Raiffeisen Bank International AG* of this Registration Document) if the Issuer maintains active business relations with said companies.

The Supervisory Board of RBI is almost exclusively composed of qualified banking experts (see section 5 *Administrative managing and supervisory bodies in Description of Raiffeisen Bank International AG* of this Registration Document). To the extent such Supervisory Board members have not been recruited from within the Raiffeisen Banking Group Austria ("**RBG**"), conflicts of interest may arise if they are members of the supervisory boards of companies competing with RBI.

Furthermore, members of the Issuer's Management and Supervisory Boards serve on management or supervisory boards of various companies outside the RBI Group, including significant customers of and investors in the RBI Group and in individual cases may be confronted with potential conflicts of interest if the Issuer maintains active business relations with said companies.

To the extent members of the Management and Supervisory Boards simultaneously serve on the management or supervisory boards of companies outside the RBI Group, such companies (including the companies of the RBG not related on a group level with the RBI Group) may also compete with RBI.

***Dependence on the major shareholder RZB as well as RBG***

The Issuer is majority-owned and thus controlled by RZB (subject only to statutory minority rights). RZB is indirectly majority-owned by members of RBG. RZB is the central institution of RBG and its joint liquidity clearing system. RZB therefore serves as an additional provider of short-term liquidity and other deposits and funding to the RBI Group. However, there is no formal commitment on the part of RZB to continue this policy. Should the financial situation of RZB or other RBG members deteriorate, it cannot be excluded that RZB will cease to provide further

liquidity and capital or to act as a guarantor which would make it more difficult for the Issuer to raise funding and capital and may have a material negative impact on the Issuer's financial position and results of operations so that it may be unable to meet its obligations under the Securities.

Certain of the direct or indirect shareholders of the Issuer, the managers of which partly serve on the Supervisory Board of the Issuer, are commercial banks competing with the Issuer. Such activities in the same or similar areas may trigger differences of opinion between RBI and such shareholders, who effectively control the Issuer's annual general meeting and could exert influence on the Issuer's management. Such development could have a material negative impact on the Issuer's financial position and results of operations so that it may not or only to a limited extent be able to meet its obligations under the Securities.

***Restrictions on subsidiary-related decisions due to minority interests of external shareholders***

Some of the Issuer's subsidiaries have minority shareholders who – depending on the provisions relating to minority interests under the corporate law of the relevant company's jurisdiction of incorporation - may, to varying degrees, restrict the Issuer's influence on the implementation of certain capital and restructuring measures such as capital increases, mergers, spin-off of assets or similar corporate actions. Furthermore, minority shareholders may, depending on their percentage shareholdings and the provisions of the articles of incorporation of the relevant company, among other things, be entitled to convene, add items to the agenda of general meetings or take actions against shareholders' resolutions. As a rule, minority shareholders may – if at all – only be excluded in certain circumstances or subject to certain restrictions. With respect to some subsidiaries, the Issuer has entered into shareholders' agreements with the relevant minority shareholders providing for nomination rights to the supervisory board of the respective subsidiary, rights of first refusal or other restrictions regarding the shares held by RBI in the respective subsidiary. Such restrictions of the Issuer with respect to subsidiary-related decisions due to minority interests of external shareholders may have a material negative impact on the Issuer's financial position and results of operations so that it may not or only to a limited extent be able to meet its obligations under the Securities.

***Risks associated with the RBI Group's ability to attract and retain certain persons***

The RBI Group's business strategy, expansion into new markets, development of new products and services largely depend on its ability to retain existing staff members and recruit new employees who are not only familiar with the local language, local customs and market conditions but also have the necessary qualifications and experience in the banking sector. In the markets in which the RBI Group operates or where it might wish to position itself in the future, the number of persons with the required skills is less than in most countries of Western Europe. Due to the competition from other international financial institutions with substantial capital resources, it may become more difficult to attract and retain qualified employees, and may result in increasing personnel expenses in the future. If the RBI Group were not in a position to attract and retain new talent in the markets in which it operates or if the RBI Group's personnel expenses increased significantly, it may have a material adverse effect on the RBI Group's business, financial position and results of operations, and may affect the Issuer's ability to meet its obligations under the Securities.

***Risks resulting from the implementation of strategic initiatives and efficiency programs***

Over the last couple of years, and in particular as a reaction to the financial and economic crisis, the RBI Group has made increased efforts (either on RBI Group level, or as a local initiative by the respective Network Banks) to centralize or outsource certain IT-related and back-office processes or procurement functions and to implement other cost savings programs. In addition, one of the RBI Group's strategies is to leverage its distribution network by selling centrally developed financial products more intensively to customers of the Network Banks.

These initiatives and programs also require the attention of management and the diversion of other resources as well as the incurrence of costs.

The RBI Group may encounter difficulties in connection with the implementation of these programs and initiatives, and material additional expenditures may become necessary in the course of implementation. If the RBI Group fails to successfully implement these programs and initiatives on a timely and efficient basis, it may face higher than expected costs or operational risks or may not sufficiently achieve anticipated synergies or other expected benefits. Failure to implement these programs and initiatives or cost saving processes successfully and in a timely manner could have a material adverse effect on the RBI Group's business, financial position and results of operations to the effect that the Issuer may not be able to meet its obligations under the Securities.

### ***Regulatory risks***

*Adverse changes in legislative and regulatory initiatives may limit economic growth in RBI Group's core markets and significantly impact the RBI Group's and the Issuer's financial position, results of operations and ability to pursue business opportunities*

RZB, the Issuer and the Network Banks are subject to comprehensive banking and financial services laws, regulations, administrative actions and policies in each of the countries in which they operate. In addition, the RBI Group is part of the RZB Group, which is subject to such regulation on a consolidated basis. Among other things, in each of these countries, the RBI Group's banking operations require a banking or similar license or such license must be notified to national regulators. The regulations include requirements that the Issuer and/or the relevant Network Bank maintain certain capital adequacy and liquidity ratios and limit their exposure to certain risks, on an RZB Group and RBI Group level and on the level of the Network Banks. All of these regulations are subject to change, particularly in the current market and political environment, where there have been unprecedented levels of government intervention and changes to the regulations governing banking and other financial institutions. In response to the global financial crisis, national legislators and supervisory authorities as well as supranational organizations, such as the EU, have introduced or are considering significant changes to the current regulatory frameworks relevant to the countries in which the RBI Group operates.

Regulatory initiatives, including those from the Basel Committee on Banking Supervision, the European Securities and Markets Authority ("**ESMA**"), the Austrian Financial Market Authority and other authorities, have been proposed or already adopted but some uncertainty remains around the implementation of these regulatory initiatives. Insofar as certain of these measures are implemented as currently proposed, they are expected to have a significant impact on the capital, liquidity and asset and liability management of the RZB Group and the RBI Group.

Furthermore, economic growth in the CEE region may also be restrained in coming years by EU and local legal, fiscal and monetary regulations, which may limit the ability of certain member states or accession candidate countries to respond to local economic circumstances. Moreover, some CEE countries have raised or are expected to raise tax rates and levies to EU standards to put public sector finance on a sustainable basis.

On the level of the RZB Group, the RBI Group, the Issuer and the Network Banks compliance with the new regulations may, *inter alia*, increase the regulatory capital and liquidity requirements and related costs, expand disclosure requirements, restrict certain types of transactions and activities, affect the strategy, and limit or require the modification of activities, rates or fees charged on certain loan and other products, any of which could lower the return on investments, assets and equity. The RBI Group may also face significant costs to implement new regulatory requirements, costs relating to the implementation of system solutions to adhere to reporting requirements, increased compliance and other on-going costs and limitations on its ability to pursue certain business opportunities. As a result of any on-going or future legislative and regulatory initiatives in the banking and financial services regulatory landscape, the RBI Group may even decide to deleverage its business in some markets, including in its core markets or core customer segments. All these and similar future developments and restrictions could have a material adverse effect on the RBI Group's business, financial position and results of operations, and may affect the Issuer's ability to meet its obligations under the Securities.

#### ***Risks from bank-specific regulation***

Ever stricter regulatory capital and liquidity standards may bring into question the business model of a number of the operations of the RBI Group, the Issuer and the Network Banks, and negatively affect the RBI Group's competitive position.

National and international regulations of various legislators, supervisory authorities and bodies that set standards (e.g., the European Commission, the Austrian legislator, the Austrian Central Bank ("**OeNB**"), the Austrian Financial Markets Authority (*Finanzmarktaufsicht* – "**FMA**"), the Basel Committee on Banking Supervision and the European Banking Authority ("**EBA**")) have in recent years steadily tightened regulatory capital and liquidity requirements for financial institutions. In several cases, this took place in close cooperation with the affected institutions over suitably long implementation periods. In other cases, this took place without consultation and over very short implementation periods. Also for the future, it can be assumed that such measures will be carried out with more or less long implementation periods.

The business volume and business activity of the various business divisions of the RBI Group are materially affected by the regulatory capital standards that apply to the relationship between specific capital components and risk-weighted assets (a measure for regulatory relevant counterparty default risk, market risk and operational risk which

are to be backed by equity – "**RWA**"). The same applies to provisions on liquidity management with specifications for necessary liquidity buffers.

In addition to short-term requirements set forth by the EBA, a whole array of rules to tighten regulatory capital and liquidity standards are under discussion or already being implemented. This is true for example of the European Directives or Regulations to implement the rules of the Basel Committee (in particular Basel III). The legislation submitted to this aim by the European Commission comprises the new Capital Requirements Directive ("**CRD IV**") and the new Capital Requirements Regulation ("**CRR**"), and will replace the regulatory capital requirements that are currently in force. The CRR will be directly applicable to institutions in the European Union from 1 January 2014 and need not be implemented into national law. The CRR will primarily stipulate highly specific rules for determining quantitative monitoring mechanisms. This applies in particular to regulations regarding regulatory capital, liquidity standards, maximum leverage ratio (non- risk-based leverage ratio, which is the ratio of a bank's capital to its total exposures), capital requirements relating to counterparty default risk (including exposures arising from derivatives, repos and securities financing transactions) and large exposure limits. On 16 April 2013, the European Parliament voted in favour of CRD IV and CRR. The legislation was published in the Official Journal of the European Union on 27 June 2013. The Member States have to implement the Directive by 1 January 2014.

Furthermore, on 21 November 2011, the OeNB (Austrian central bank) and the FMA (Austrian Financial Market Authority) jointly announced plans and on 14 March 2012 released a supervisory guideline to strengthen the sustainability of the business models and capitalisation of large internationally active Austrian banks, including RZB Group (which became publicly known as "**Austrian Finish**"). The guideline, however published as a press release due to the lack of a supporting law, required the parent institutions of such banks to submit groupwide recovery and resolution plans to the FMA to ensure the possibility of a swift reorganization or winding up in the event of a crisis. Other measures pursuant to the guideline included: the acceleration of certain transitional provisions and grandfathering rules for the implementation of Basel III standards on common equity tier 1 capital ("**CET1**"), the announcement of an additional capital surcharge of up to 3 percentage points of CET1 (depending on the riskiness of the banks' business models) from 1 January 2016 as well as the setting of a reference ratio of 110 per cent. for the ratio of net new lending to local stable funding in order to ensure a balanced refinancing structure of banking subsidiaries.

On national Austrian level CRD IV will be implemented through an amendment of the Austrian Banking Act (BWG). The amended BWG will also contain provisions that will allow OeNB and FMA to issue a regulation dealing with the contents of the "**Austrian Finish**" and, thus, presumably replacing the aforementioned guideline.

Banking regulations in non-EU member states in which the RBI Group operates are evolving in parallel to the global changes and international regulatory environment. Changes in the regulatory requirements in a relevant jurisdiction may impose additional obligations on the RBI Group or the local Network Banks. In addition, to counteract increasing indebtedness in their countries, various central banks in the markets where RBI Group operates have implemented measures that effectively restrict the ability of banks to grow their loan books, such as increased own funds and liquidity requirements, increases in the risk weighting of assets or outright caps on the growth of loan portfolios. In the wake of the financial and economic crisis, local regulators have also focused on increased capital ratios, measures against the outflow of capital and dividends.

The tightening of regulatory capital and liquidity requirements may have material adverse effects on the RBI Group, the Issuer and the Network Banks. Since the RBI Group's different business activities generate risk assets to a varying extent, thereby increasing the capital requirement and restricting liquidity, the RBI Group may be forced to neglect potentially profitable but disproportionately capital-constraining business activities and to switch to potentially less profitable areas. It cannot be excluded that the new regulations may give rise to a need to form higher capital buffers, not only in regulatory capital, but also concerning economic capital, and thereby to reduce overall business volume.

The RBI Group may be forced to reduce its various risk-weighted assets beyond its current plans if it is unable to comply with the modified requirements by establishing a sufficient equity ratio within the transitional periods – which may be rather short. This may lead to a negative impact on the results of operations of the RBI Group. In addition, the RBI Group may be forced to take capital measures in order to generate additional regulatory or core capital, thereby leading to a dilution of shareholders' interests. These types of modified equity requirements may also result in the RBI Group areas becoming unprofitable, as the high capital commitment resulting from the increased risk weighting of businesses associated with the respective activity no longer permits profitable continuation, either temporarily or over the long term. The materialization of one or more of these risks can have materially adverse effects on the RBI Group's net assets, financial position and results of operations.

The regulatory developments also include provisions on liquidity management and specifications on necessary liquidity buffers. The RBI Group may be forced to adapt its financing structure and business model to satisfy the modified regulations. Holding large amounts of liquidity may also be linked to increased financing costs. This in turn could have a material adverse effect on the RBI Group's business, financial position and results of operations, and may affect the Issuer's ability to meet its obligations under the Securities.

*The qualification of certain regulatory capital items will change due to the coming into force of the CRD IV and the CRR*

The qualification of certain items as regulatory capital will change due to amendments to supervisory regulations, but also due to measures of the RBI Group. Under CRD IV and CRR including the draft technical standards governing their implementation the recognition of certain instruments that will no longer be included in Tier 1 capital (core capital) or Tier 2 capital will be gradually phased out. Minority interest recognition and deferred tax assets will experience limitations in capital calculations. Such changes in the qualification of regulatory capital could restrict business operations which may have material adverse effects on RBI Group's net assets, financial position and results of operations, and may affect the Issuer's ability to meet its obligations under the Securities.

*Other regulatory reforms proposed in the wake of the financial crisis, can materially influence the RBI Group's business model and competitive environment*

The financial market crisis prompted Austrian and foreign governments, supervisory authorities and other agencies to propose a variety of reforms of the regulatory framework governing the financial sector. Some of these proposals extend beyond stricter equity and liquidity requirements in an effort to improve the ability of the financial sector to withstand future crises. The range of proposals includes restrictions on remuneration policy, restrictions on proprietary trading, registration obligations and operational requirements, disclosure and clearing obligations for derivative transactions, extending the powers of supervisory authorities, banning deposit banking for certain business areas, but also very far-reaching interventions such as a financial transaction tax, the statutory separation of the classic banking business from investment banking in order to make the traditional credit and deposit business independent from investment banking, or a splitting up of financial institutions that supervisory authorities consider too big in order to reduce the risk of their collapse, or even the nationalizing of banks. Some of these proposals have already been implemented in some countries.

Bank levies:

Austria, Hungary, Slovenia and Slovakia, for example, have implemented bank levies, and other countries in which the RBI Group operates are considering doing the same. In 2012, the bank levies implemented in Austria, Hungary, Slovenia and Slovakia reduced the RBI Group's profits before tax by approximately EUR 160 million and are expected to reduce RBI Group's profits before tax by approximately EUR 180 million in 2013.

The proposed EU Financial Transaction Tax:

The European Commission has published a proposal for a Directive for a common financial transaction tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**Participating Member States**").

The proposed FTT has a very broad scope and could, if introduced in its current form, apply to certain dealings in the Securities (including secondary market transactions) in certain circumstances. The issuance and subscription of Securities should, however, be exempt.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Securities where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

The FTT proposal remains subject to negotiation between the Participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Securities are advised to seek their own professional advice in relation to the FTT.

#### Dodd-Frank Act / Volcker Rule:

In the United States, the Dodd–Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**") enacted sweeping financial regulatory reform and may alter the way in which we conduct certain businesses, increase our costs and reduce our revenues. Many aspects of the Dodd-Frank Act remain subject to final rulemaking and will take effect over several years, making it difficult to anticipate the precise impact on the RBI Group, our customers or the financial services industry. Still subject to final rulemaking is a fundamental part of the Dodd-Frank Act called the "**Volcker Rule**", the purpose of which is to prohibit U.S. banks from engaging in proprietary trading of securities and derivatives (subject to certain exemptions) as well as certain investments in hedge funds and private equity funds. According to the U.S. government's implementation proposals concerning the Volcker Rule, these bans on activities would have substantial extra-territorial effects. The extra-territorial effects include the potential for significant compliance demands with which non-U.S. banks may have to comply, even outside of the United States, in order to verify that they abide by the Volcker Rule. Further regulatory proposals, which are aimed at implementing the cross-border aspects of the rules on derivatives set out in the Dodd–Frank Act, have been introduced are also still subject to final rulemaking. Although it is not yet clear what effects the legislative amendments in connection with the Dodd-Frank Act will have, many elements of this new legislation have led and will lead to changes which will affect the profitability of the RBI Group's business activities, require adaptations to its commercial practices, or increase its costs, including the compliance costs.

#### EMIR:

In the EU, the European Market Infrastructure Regulation ("**EMIR**") on over the counter (OTC) derivatives, central counterparties and trade repositories came into force on 16 August 2012. Under EMIR, certain types of standardised derivative contracts that are currently in most cases concluded directly (i.e., OTC) between financial counterparties, will soon have to be cleared through a central counterparty. In addition, EMIR introduces certain mandatory reporting requirements and risk mitigation techniques, including rules regarding margining and collateral arrangements, which will ultimately result in higher costs for derivative transactions. Accordingly, this legislation has led and will lead to changes which affect the profitability of the RBI Group's business activities, require adaptations to its commercial practices, and increase costs, including compliance and, in particular, IT costs.

#### FATCA:

This also applies to the more stringent diligence and disclosure obligations of the foreign account tax compliance provisions of the U.S. Hiring Incentives to Restore Employment Act of 2010 commonly known as FATCA (Foreign Account Tax Compliance Act, "**FATCA**") in order to avoid tax evasion of U.S. account holders. Furthermore, implementing necessary changes could also significantly tie-up the management's attention and resources.

#### Other:

Other reform proposals, in particular those aiming at farther-reaching reform, are still being discussed at EU and national government levels. It is currently unclear which of these potential proposals will be implemented into law, and if they are, to which extent and under which conditions. The possible effects of these regulatory changes or new statutory charges may also adversely affect the profitability of the RBI Group, or lead to higher financing and/or capital costs or even to restrictions on the business activities which the RBI Group is permitted to carry out.

If any proposals are adopted, under which the RBI Group would be required to modify its business model, the resulting changes could have a material adverse effect on the RBI Group's business, financial position and results of operations, and may affect the Issuer's ability to meet its obligations under the Securities.

*The European Commission's deliberations regarding the EU Framework for Bank Recovery and Resolution may result in regulatory consequences that could restrict RBI Group's business operations and lead to higher refinancing costs*

In early June 2012, the EU Commission published the proposal for a directive establishing a framework for the recovery and resolution of credit institutions and investment firms (the so called "**Crisis Management Directive**") on which the EU finance ministers reached agreement on 27 June 2013. Depending on the extent of future regulations regarding crisis management and the winding up of banks, it is possible that this will have consequences for the business activities and/or the structure of the RBI Group and thereby have a materially adverse effect on its net assets, financial position and results of operations.

The purpose of the legal framework, which is proposed to be implemented into national law by the end of 2014, is to ensure throughout the EU that credit institutions, investment firms, financial holding companies and branches of

institutions having their registered offices outside the EU, in particular at a point of non-viability, may recover or, if necessary, be resolved without imposing risks on the stability of the financial markets.

The proposal for the Crisis Management Directive includes provisions in this respect, granting additional competencies and powers to supervisory authorities, additional organizational and reporting duties for banks, possible loss participations of bondholders, as well as considerations for the financing of a bank restructuring fund. As a result, the Issuer, the RBI Group and the RZB Group may have to conduct stress tests ordered by the supervisory authority whose results may restrict their business activity and have a negative impact on its net assets, financial position and results of operations.

Furthermore, the proposal for the Crisis Management Directive also includes provisions to require the competent regulator and/or authority to be given certain resolution powers. In particular, in this regard the proposal for the Crisis Management Directive includes proposals to give the competent regulator and/or authority the power to write down the share capital of a credit institution and to write down or to convert into equity its relevant capital instruments (i.e. the own funds instruments of the credit institution) if certain conditions are met (the "**write-down tool**"). The write-down tool would be applicable in particular if the competent regulator and/or authority determines that, unless the write-down tool is applied, the credit institution will no longer be viable or if a decision has been made to provide the credit institution with extraordinary public support without which the credit institution will no longer be viable. In addition, the proposal for the Crisis Management Directive proposes the obligatory issue of debt instruments providing for loss participations by unsecured holders of debt instruments and their conversion into equity (i.e. a "**bail in**") and to authorize the resolution authorities to write down debt instruments held by unsecured holders of a defaulting institution and to convert debt into equity (the "**bail-in tool**"). The proposal for the Crisis Management Directive provides for a longer transposition period with respect to the provisions on the bail-in tool; they shall be applied from 1 January 2018. If this resulted in an obligation for the Issuer to issue debt instruments with loss participation, then an increase in refinancing costs can be expected, which may have a negative impact on the RBI Group's results of operations. The extent of any rising refinancing costs remains impossible to assess at the present time. Furthermore, it is currently not possible to predict if and in what form a liquid market for such debt instruments would develop, or if the market capacity is sufficient to absorb bail-in instruments and forms of contingent capital, the issue of which may be required under legislative reforms implementing the Basel III framework. In this context it should be noted that the current draft CRR provides for possible further legislation with regard to the write-down or conversion of certain capital instruments in the event of a determination that the institution is no longer viable.

Under the write-down tool and the bail-in tool the competent regulator and/or authority would have the power, upon certain trigger events, to cancel existing shares, to write down eligible liabilities (i.e. own funds instruments and, in the case of the bail-in tool, other subordinated debt and even senior debt, subject to exceptions in respect of certain liabilities) of a failing credit institution or to convert such eligible liabilities of a failing credit institution into equity at certain rates of conversion representing appropriate compensation to the affected holder for the loss incurred as a result of the write-down and conversion, to strengthen the credit institution's financial position and allow it to continue as a going concern subject to appropriate restructuring.

Pursuant to the proposal for the Crisis Management Directive, any write-down (or conversion) in accordance with the "**bail-in**" tool or the write-down tool would not constitute an event of default under the terms of the relevant instruments. Consequently, any amounts so written down would be irrevocably lost and the holders of such instruments would cease to have any claims thereunder, regardless whether or not the bank's financial position is restored. The bail-in powers and such conditions could result in increased refinancing costs for the RBI Group as holders of such debt instruments may seek significantly higher interest payments to compensate for the possibility of being "bailed-in".

If enacted as currently proposed, the Crisis Management Directive would require Member States to apply the national law, regulations and administrative provisions adopted to comply with the Crisis Management Directive by 1 January 2015. However, provisions adopted to implement the bail-in tool would be applied by Member States by 1 January 2018. The proposal for the Crisis Management Directive sets out a minimum set of resolution tools. Member States may however retain specific national tools and powers to deal with failing institutions if those additional powers are consistent with the principles and objectives of the resolution framework pursuant to the Crisis Management Directive and do not pose obstacles to effective group resolution.

**Such legal provisions and/or regulatory measures may severely affect the rights of the holders of Securities, may result in the loss of the entire investment in the event of non-viability or resolution of the Issuer, and may have a negative impact on the market value of the Securities also prior to non-viability or resolution.**



The proposal for the Crisis Management Directive also provides for a European system of financing arrangements which also provide for using the funds of deposit guarantee schemes in the event of a resolution. At present it is unclear to what extent a European system of financing arrangements would affect the RBI Group's contribution obligations for the deposit guarantee scheme or for the bank restructuring fund.

The developments described above may result in negative consequences and charges for the RBI Group and could have a material adverse effect on the RBI Group's business, financial position and results of operations, and may affect the Issuer's ability to meet its obligations under the Securities.

*The Issuer and/or the RZB Group could be qualified as a "systemically important" financial institution and thus be subject to a surcharge on regulatory capital*

The Basel Committee and national regulators are currently considering dividing credit institutions, based on their size and importance to the financial market, into different categories of systemic importance and to require different levels of surcharges on regulatory capital for each category. Additionally, there is a development on national levels in many jurisdictions to apply similar approaches to institutions considered systemic banks at such national level. Depending on whether or not the Issuer and/or the RZB Group is/are classified as systemically important, and, if one of them is or both of them are, on the category it is /they are placed in, it /they will be affected by this regulation and therefore also by a surcharge to their regulatory capital. Such a surcharge which the RBI Group would potentially be required to fulfil directly or indirectly could limit the business activities of the RBI Group and/or require the RBI Group to maintain additional capital buffers with associated costs or negative effects on return on equity and thereby have an adverse effect on its business, financial position and results of operations.

*The RBI Group and the RZB Group are subject to capital requirements and stress testing and any inability or perceived inability to meet these requirements could materially adversely affect their business*

In the future the RBI Group and its majority shareholder RZB Group may not be able to maintain minimum capital requirements or other regulatory ratios or capital adequacy ratios above the required minimum levels in order meet expectations by supervisory authorities, market participants or rating agencies. In particular, it may not be able to raise additional capital to achieve such ratios despite significant efforts. The failure or perceived failure of RBI Group to meet the regulatory or such other increased requirements in the future could have a material adverse effect on its reputation as well as its financial condition and results of operations, as it may need to sell certain assets, raise additional capital, reduce risk weighted assets and/or take other measures perhaps on terms unfavourable to it and contrary to its business plans.

Stress tests analysing the robustness of the Issuer, the RBI Group and the RZB Group are regularly carried out and published by supranational and national supervisory authorities. Any announcement by a supervisory authority that it will perform a stress test or market perception that any such test is not rigorous enough can increase uncertainty in the banking sector and lead to a loss of confidence in individual institutions, such as the Issuer or the RBI Group, or in the banking sector as a whole. The Issuer and the RBI Group will be subject to stress tests based on new regulations, such as those applicable as a result of the implementation of Basel III. It cannot be ruled out that future stress tests may result in the Issuer or the RBI Group having to create additional or higher capital buffers or to increase liquidity. Such requirements may have a negative impact on the Issuer's or the RBI Group's results of operations. The European Banking Authority has announced that it intends to carry out another EU-wide stress test in 2013.

Effective management of the RBI Group's regulatory capital is critical to its ability to operate its businesses. Any changes, including any future changes in the economic or regulatory climate which are still uncertain at present, that limit the RBI Group's ability to manage its statement of financial position and regulatory capital resources effectively (including, for example, reductions in profits and retained earnings as a result of write-downs or otherwise, increases in risk-weighted assets, delays in the disposal of certain assets or the inability to syndicate loans as a result of market conditions or otherwise) or to access funding sources could have a material adverse impact on its financial position and regulatory capital position. Any breach of existing laws relating to the minimum capital adequacy and other regulatory ratios may result in the Issuer and/or Network Banks being subject to administrative sanctions which may result in an increase of the operating costs of the RBI Group or loss of reputation, and, consequently, it may have a material adverse effect on the RBI Group's business, financial position and results of operations to the effect that the Issuer may not or only to a limited extent be able to meet its obligations under the Securities.

*The RBI Group incurs substantial compliance costs in connection with the increasingly more stringent money laundering regulations, rules against terrorist-financing, tax evasion regulation and economic sanction regimes, and non-compliance involves legal and reputation risks*

The Issuer and its subsidiaries are subject, directly or indirectly, to increasingly more stringent anti-money laundering regulations and sanctions imposed in connection with the prevention of money laundering, corrupt payments, the financing of terrorism and other criminal acts as well as tax evasion. These regulations and sanctions are imposed by, among others, the EU and local regulatory or government authorities, as well as the United States Office of Foreign Asset Control. Economic sanctions, such as embargos, may impose restrictions on the operations of the RBI Group in certain countries or with certain customers, may require the Issuer or any member of the RBI Group to terminate business relationships or to block assets such as bank accounts. Monitoring compliance with all these regulations constitutes a significant financial burden on and technical challenge for the Issuer and the RBI Group. For example, the RBI Group expects to incur substantial costs in implementing a compliance and reporting framework that meets the standards of FATCA.

Increasingly stricter EU sanctions as well as U.S. sanctions, in particular sanctions with extra-territorial impact, for example, under the National Defense Authorisation Act (NDAA) or the Comprehensive Iran Sanctions Accountability and Divestment Act (CISADA) addressing foreign financial institutions, against certain states, like Syria, Iran or Belarus, restrict or prevent the Issuer as well as RBI Group companies not only from entering into new transactions with affected entities but also affect the settlement of existing transactions, in particular the enforcement of existing claims against customers, which could result in risks relating to law suits due to non-payment in connection with guarantees issued by RBI or members of the RBI Group or letters of credit as well as significant losses.

The RBI Group may not at all times be in compliance with all applicable money laundering regulations, rules against terrorist-financing, tax evasion regulation and all economic sanction regimes, and group wide standards may not be consistently applied by all employees at RBI Group members. Any breach of such regulations and even the mere suspicion of any breach may have legal consequences or have an adverse impact on the reputation of the RBI Group and thus significantly affect its business, for example by the freezing of accounts with US correspondent banks, financial position and results of operations and may have an adverse affect on the Issuer's ability to meet its obligations under the Securities.

*Non-compliance with regulatory requirements may result in enforcement measures*

Regulatory authorities conduct periodic inspections of the RBI Group's operations and assets. In these inspections, as well as in other regulatory matters, such as the issuance and renewal of licenses and permits, regulatory authorities may exercise considerable legal discretion when interpreting and enforcing applicable laws, regulations and standards.

Any failure to comply with regulatory requirements (actual, or as a result of a different approach in interpretation of laws, regulations or standards) may result in the imposition of fines, or more severe sanctions including the suspension or termination of licenses or permits, or in the issuance of an order that the RBI Group cease certain of its business activities, or in criminal or administrative proceedings against the RBI Group's officers. A negative outcome of such proceedings or non-compliance with certain regulations could also lead to RBI's expulsion from membership with a stock exchange, involving the loss of its ability to take part in stock exchange trading. Were any of these risks to materialize, it could materially adversely affect the RBI Group's business, financial position and results of operations.

In case of severe and/or repeated breaches of regulatory requirements in any jurisdiction, there may be a risk of an administrator or supervisor being appointed for the bank or of the bank license being revoked or restricted. A variety of compulsory measures are available to bank supervisory authorities to address non-compliance. Any such enforcement measures could have a material adverse effect on the RBI Group's business, financial position and results of operations to the effect that the Issuer may not or only to a limited extent be able to meet its obligations under the Securities.

## B. INFORMATION ON THE ISSUER

### Description of Raiffeisen Bank International AG

#### 1. INFORMATION ABOUT THE ISSUER

##### 1.1. Corporate history and development of the Issuer

The Issuer was established in 1991 under the name of DOIRE Handels- und Beteiligungsgesellschaft m.b.H. by Raiffeisen Zentralbank Österreich Aktiengesellschaft ("**RZB**"; and together with its consolidated subsidiaries, the "**RZB-Group**") as a holding company for bundling the RZB Group's investments and interests in Central and Eastern Europe ("**CEE**"). It was renamed several times and operated under the name of "**Raiffeisen International Bank-Holding AG**" ("**RI**") from 2003 until the corporate reorganisation and name change to Raiffeisen Bank International AG in 2010. The Issuer has remained a fully consolidated subsidiary of RZB up to date.

The Initial Public Offering and stock exchange listing on the Vienna Stock Exchange of the Issuer occurred in April 2005, the principle motive was to secure funding for a further expansion in CEE. A Secondary Public Offering took place in September 2007.

In April 2010, the Management Boards of RI and RZB passed a resolution on the spin-off and subsequent merger of major parts of RZB's banking business with RI (the "**Reorganisation**" or the "**Merger**") in order to secure the long-term future prospects by strengthening the competitive position in CEE but also in Austria, to facilitate access to the money and capital markets and to achieve a broader product range. The Merger was approved by the general meetings of the companies involved.

As a consequence of the Merger the corporate customer business and all associated equity participations of RZB were transferred to RI. The Merger was recorded in the commercial register and became effective on October 10, 2010. With such effective date, RI changed its name to Raiffeisen Bank International AG and obtained an Austrian banking license. Its shares continued to be listed on the Vienna Stock Exchange.

##### 1.1.1 General Information about the Issuer

The Issuer is a stock corporation formed and operated under Austrian law with unlimited duration with its registered seat in Vienna, Austria. The Issuer's legal name is "**Raiffeisen Bank International AG**", its commercial names are "Raiffeisen Bank International" and "RBI". The Issuer is incorporated in Austria and registered with the company register of the Commercial Court of Vienna under FN 122119m since 9 July 1991. Its head office and principle place of business are located at:

Am Stadtpark 9

A-1030 Vienna

Austria

Telephone number: +43 (1) 717-07 – 0

##### 1.1.2 Statutory purpose of the Issuer

Statutory purpose of the Issuer is to engage in banking business and related transactions of any kind pursuant to § 1 para. 1 of the Austrian Banking Act (*Bankwesengesetz* – "**BWG**"), excluding banking business with respect to investment funds, real estate investment funds, participation funds, severance and retirement funds, building savings and loans, issuance of mortgage bonds and issuance of municipal bonds. In addition, the Issuer may engage in consulting and management services of any kind for the business enterprises in which the Issuer holds a participation or which are otherwise affiliated with the Issuer and activities and services of any kind which are directly or indirectly connected with the banking business of the Issuer, including the activities set out in § 1 paras. 2 and 3 of the BWG, the performance of management consulting services such as company organisation services and services in the field of automatic data processing and information technology.

In compliance with applicable law the Issuer is authorized to raise supplementary capital, subordinated capital and short-term subordinated capital as well as hybrid capital pursuant to the BWG, and to issue financial instruments that are comparable thereto. Furthermore, the Issuer may issue covered bonds in accordance with the Austrian Law on Covered Bank Bonds of 27 December 1905.

The Issuer is authorised to acquire real estate, to establish branches and subsidiaries in Austria and elsewhere, and to acquire shareholdings in other companies. Moreover, the Issuer is entitled to engage in any and all transactions and to take all measures which are deemed necessary or expedient for the fulfilment of the Issuer's purposes, including without limitation in areas that are similar or related to such purpose.

### 1.1.3 Statutory Auditors

RBI Group's auditors are KPMG Austria AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, 1090 Vienna, Porzellangasse 51 ("**KPMG**"), a member of the Austrian Chamber of Auditors (Kammer der Wirtschaftstreuhänder). KPMG audited the consolidated financial statements for the years ending 31 December 2011 and 2012 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

### 1.1.4 Any recent events particular to the Issuer that are to a material extent relevant for the evaluation of its solvency

The Issuer is not aware of any recent adverse events (i.e. occurring after the most recent published interim financial information of the Issuer as of 31 March 2013) in the context of its business activities that are to a material extent relevant for the evaluation of its solvency.

Nonetheless, the difficult overall macroeconomic environment with decreasing growth rates and negative forecasts, exchange rate volatility as well as the continuing tense situation on the financial and capital markets naturally have had and may continue to have a negative impact on the Issuer's business activity and results of operations, in particular also on the Issuer's capital costs.

## 2. BUSINESS OVERVIEW

### 2.1. Principle areas of activity

#### *Business activities of RBI and the RBI Group*

The RBI Group is a universal banking group offering a comprehensive range of banking and financial products as well as services to retail and corporate customers, financial institutions and public sector entities. The RBI Group focuses its business on its core markets in Austria and the following regions, which are collectively referred to as CEE:

- Central Europe ("**CE**"): Czech Republic, Hungary, Poland, Slovakia, Slovenia;
- Southeastern Europe ("**SEE**"): Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Moldova, Romania, Serbia; and
- Commonwealth of Independent States ("**CIS**"): Belarus, Kazakhstan, Russia and Ukraine.

In CEE, the RBI Group operates a network of universal banks, leasing companies and other financial service providers in 17 markets (in 15 of these markets it operates majority-owned banking subsidiaries (the "**Network Banks**"). RBI Group also provides commercial and investment banking services to Austrian and international corporate clients and multinationals and has long-standing operations in Asia, including China and Singapore, to take advantage of selected business opportunities. With approximately 3,100 business outlets, the RBI Group serves approximately 14.2 million customers and employs approximately 57,000 employees, all as of 31 December 2012, in CEE. In Austria, RBI is one of the largest corporate and investment banks and primarily serves Austrian customers, but also international customers as well as major multinational clients operating in CEE. All in all, RBI employs approximately 60,000 employees.

The RBI Group's products and services include loans, deposits, payment and account services, credit and debit cards, leasing, asset management, distribution of insurance products, export and project financing, cash management, foreign exchange and fixed income products as well as investment banking services. While the CEE business covers both retail and corporate customers, business in Austria and other countries outside CEE concentrates on services for corporate clients (medium- and large- sized corporates and financial institutions), with a particular focus on clients that offer cross-selling opportunities in CEE.

In Poland the RBI Group has had a presence since 1991 through its wholly-owned subsidiary Raiffeisen Bank Polska S.A. In February 2011 RBI acquired Polbank EFG ("**Polbank**"), the Polish branch of EFG Eurobank Ergasias S.A., now Eurobank Ergasias S.A. ("**Eurobank**"), which in the context of this transaction has been transformed into a separate Polish banking unit.

With completion of all regulatory requirements, the acquisition was closed in April 2012, and after the subsequent execution of a put option received by Eurobank in the context of the acquisition, RBI held 100 per cent of Polbank. The legal merger of Polbank into Raiffeisen Bank Polska S.A. was finalised as of 31 December 2012. The merged bank operates under the brand “Raiffeisen Polbank”.

For the acquisition of Polbank a cash purchase price of EUR 637.25 million was paid by RBI to Eurobank, including amounts payable upon completion of the put option and a price adjustment payable in connection with the exercise of the put option. The pricing of the transaction was based on a guaranteed minimum equity of EUR 400 million for Polbank, and, RBI had agreed, in addition to the provisional cash purchase price, to compensate Eurobank (without premium) for the amount by which the equity position of Polbank at closing exceeded the guaranteed minimum amount. According to the closing accounts for Polbank an adjustment payment of EUR 179.4 million would be payable. Eurobank has made objections to certain line items of the closing accounts of Polbank; all items specified in Eurobank's objection notice total up to EUR 80 million. In RBI's view the Polbank closing statement was prepared in accordance with applicable accounting principles, and therefore Eurobank's objections to the closing accounts are not, and are in any event not fully justified. As a result, the related price adjustment is about to be determined by expert determination by Deloitte, who was appointed in the contractual arrangements for the acquisition of Polbank as the agreed expert for such purposes.

### ***Strategy***

RBI Group has a strong regional focus in its home markets in CEE and Austria and the target of a customer oriented business model fulfilling all banking product requirements of these customers. Limited activities in Asia, where RBI Group acts as a niche player, should support business in relation to CEE and Austria or provide additional profitability. A significant branch network in CEE strengthens the embedding in local economies via a retail banking presence and secures local funding.

RBI Group's goal is to maintain a leading market position in its home markets in CEE and Austria in order to safeguard its long-term development. A balanced distribution of business activities within its home markets shall contribute to the diversification of risk in the business portfolio. Through group-wide uniform risk management, corresponding to the bank's risk-taking capacity and aimed at avoiding concentration risks (loans, liquidity, etc.), the RBI Group's wellbeing shall be safeguarded.

The strategic business focus of RBI Group in particular is on the following:

- ***Customers***

RBI Group's business activities focus on providing financial services to corporate customers and (in CEE only) private individuals. Financial institutions are served primarily with a view to cross selling of fee related products. Priorities within the customer segments of the core region are based on profitability, risk and related facts. Within Austria, RBI Group concentrates on larger entities and does not maintain a branch network.

RBI Group has a primacy of customer relationship over a product focus with the aim to promote long term relationships.

- ***Products***

RBI Group follows the concept of a universal bank aiming to provide all necessary financial products to the customers directly out of banks or out of specialized entities like leasing, asset management, factoring etc.

#### **2.1.1 Significant New Products and Services**

Although the Issuer's products and services are subject to ongoing reviews and adjustments against the background of a frequently changing legal framework and market conditions, currently no significant new products and services are implemented.

#### **2.1.2 Principle Markets**

### ***Management and organization of the RBI Group***

The RBI Group's business is divided into seven segments. These consist of four geographic segments covering the CEE region and three functional segments: (i) Central Europe; (ii) Southeastern Europe; (iii) Russia; (iv) CIS Other; (v) Group Corporates; (vi) Group Markets; and (vii) Corporate Center. The four geographic segments (Central Europe, Southeastern Europe, Russia and CIS Other) focus on traditional banking business. Two functional segments (Group Corporates and Group Markets) focus on corporate customers in Austria and in countries other than CEE, on corporate business with major CEE customers, including CEE-multinationals as well as on financial institutions,

institutional and sovereign customers and capital markets products and to a limited extent on proprietary trading. The Corporate Center segment comprises the RBI Group's headquarters function.

The shares in many of the Network Banks, which were previously held directly by the Issuer, were transferred to three indirectly wholly-owned holding companies of RBI in order to bundle the stakes of the Network Banks corresponding to the geographic segments (i) Central Europe, (ii) Southeastern Europe and (iii) CIS Other (including, in this case, Russia). It is intended to transfer also those shares in Network Banks still directly held by the Issuer to the respective holding company in the near future. The geographic allocation shall improve the Issuer's management, steering and control functions over the Network Banks.

## **Business Segments**

### ***Central Europe segment***

This segment comprises the Czech Republic, Hungary, Poland, Slovakia and Slovenia. Each of these five countries joined the European Union on 1 May 2004. Slovenia and Slovakia also joined the euro zone, in 2007 and 2009, respectively. These countries represent the most mature banking markets in CEE in terms of banking intermediation. They are also the countries in which the RBI Group has been operating the longest. In each of these countries, RBI is represented by a bank, leasing companies and other specialized financial institutions.

### ***Southeastern Europe segment***

This segment comprises Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Moldova, Romania and Serbia. Within these countries, RBI is represented by banks, leasing companies, as well as, in some markets, by separate capital management and asset management companies and pension funds, except for Moldova, where RBI only owns a leasing company. In addition, Moldova is managed out of the Romanian subsidiary and, consequently, is reported as part of Romania, due to their close economic ties.

### ***Russia segment***

The Russia segment comprises the RBI Group's assets and business activities within the Russian Federation. The Network Bank in Russia is one of the large foreign banks in Russia. RBI also offers leasing products to its Russian clients through a leasing company.

### ***CIS Other segment***

The CIS Other segment comprises the RBI Group's activities carried out within the Commonwealth of Independent States excluding Russia such as Belarus, Kazakhstan and Ukraine. In Belarus and the Ukraine RBI is represented by banks, leasing companies and other financial service companies whereas in Kazakhstan, RBI's presence with only a leasing company is more limited.

### ***Group Corporates segment***

The Group Corporates segment covers commercial and investment banking business carried out by the Issuer's operations in its Vienna headquarter with Austrian and international – notably Western European - corporate customers. These customers include Austria's largest companies and multinational customers. The segment also comprises corporate business with major CEE customers, including multinationals with CEE-business. Moreover, the corporate customer business conducted at the China, Malaysia and Singapore branches, the Maltese banking subsidiary and lending business of RB International Finance (USA) and RB International Finance (Hong Kong) Ltd, all of which provide a selection of products for niche market customers, is included in this segment. The Group Corporates segment's product range includes global corporate banking products such as investment and export financing, acquisition financing and project and structured finance and cash management. The Group Corporates segment has a distribution emphasis on funding- and capital- light products.

### ***Group Markets segment***

The Group Markets segment covers the RBI Group's capital markets, investment banking and securities trading business, as well as business with institutional and sovereign customers. Under its capital markets operations, RBI Group generates income from currency and securities trading and interest-based transactions executed for its customers, from investment banking services that are provided by Raiffeisen Centrobank AG, and from proprietary securities trading carried out at the Issuer's headquarters in Vienna and at its London and Singapore branches. This segment also includes net income from customer business, sales of all banking products and business relationships with banks, institutional customers, governments and local authorities. The strategic focus here is on capital-light products (such as trade finance, cost management and custody), equity and debt capital market products as well as

M&A advisory activities (via its hub-model). Furthermore, the focus is on credit exposure on customer related and trade finance business. The Group Markets segment also includes private banking, carried out through Kathrein Privatbank Aktiengesellschaft, which advises on wealth and asset management for private banking clients and provides advisory services for foundations.

### **Corporate Center segment**

The Corporate Center segment encompasses all the services as well as the oversight function provided by the RBI Group headquarters in Vienna in various divisions to implement the overall strategy and that are allocated to this segment to ensure comparability. This segment also includes liquidity management and balance sheet structure management linked to securities trading, as well as net income from the equity investment portfolio. In addition, the Corporate Center segment covers net income from intra-group financing carried out by RBI Group headquarters and the Maltese subsidiary (whose business with external customers is included in the Group Corporates segment) and from Austrian transaction services business, which comprises processing and other services for financial service providers. Net income from holding companies and other companies not directly allocated to any other segment, as well as interest expenses linked to refinancing using hybrid instruments, are also included in this segment, as well as net income from treasury and balance sheet structure management controlling.

### **2.1.3 Competitive position**

The RBI Group's core markets comprise Austria and CEE. In addition to its core markets, the Issuer also has long-standing operations in Asia, including China and Singapore, to take advantage of selected business opportunities. In Austria, the Issuer is member of one of the largest banking groups, the Raiffeisen Banking Group Austria (as described in more detail in 3. *Raiffeisen Bankengruppe Österreich ("RBG")*) (Source: internal data based on publicly available company data, unaudited). In CEE the RBI Group considers itself as one of the leading banking groups serving customers throughout CEE. CEE countries include Central Europe ("CE"), Southeastern Europe ("SEE"), Russia and CIS Other. CE comprises the countries with the most developed banking markets in terms of banking intermediation in the CEE region, i.e. countries that joined the European Union in 2004, Poland, Hungary, the Czech Republic, Slovenia and Slovakia, the latter two also being Eurozone members. SEE comprises Bulgaria and Romania, which joined the European Union in 2007, as well as Albania, Bosnia and Herzegovina, Croatia, Kosovo, Moldova and Serbia. Due to its close economic ties to Romania, Moldova is managed out of the Romanian subsidiary bank. The Russian economy and banking sector is by far the largest individual market in CEE. CIS Other comprises Ukraine, Belarus and Kazakhstan. Banking penetration and consolidation in CIS Other is not yet as advanced as in other regions in CEE.

**Competitive landscape in CEE:** The RBI Group faces strong competition from Western European banking groups as well as stronger local competitors in all business segments in its core markets in CEE, but the level of competition varies from country to country and depends on a number of country specific factors, including concentration of local banking markets, capital resources and management quality of local competitors. Many of the international competitors in the CEE region have a very high asset concentration in just a few countries of the region, whereas the RBI Group's asset base is diversified across most countries in CEE.

The following table presents the RBI Group's competitive position as of 31 December 2012:

<b>Country</b>	<b>RBI market share by total loans</b>	<b>RBI market position by total loans</b>
Albania	22.56%	1
Belarus	4.40%	6
Bosnia and Herzegovina	15.93%	2
Bulgaria	9.21%	3
Croatia	8.82%	5
Czech Republic	6.34%	5
Hungary	9.40%	5
Kosovo	25.29%	2
Poland	4.69%	6

Romania	7.41%	3
Russia	1.43%	10
Serbia	7.08%	5
Slovakia	16.88%	3
Slovenia	3.35%	10
Ukraine	4.25%	4

Source: Internal estimates (unaudited).

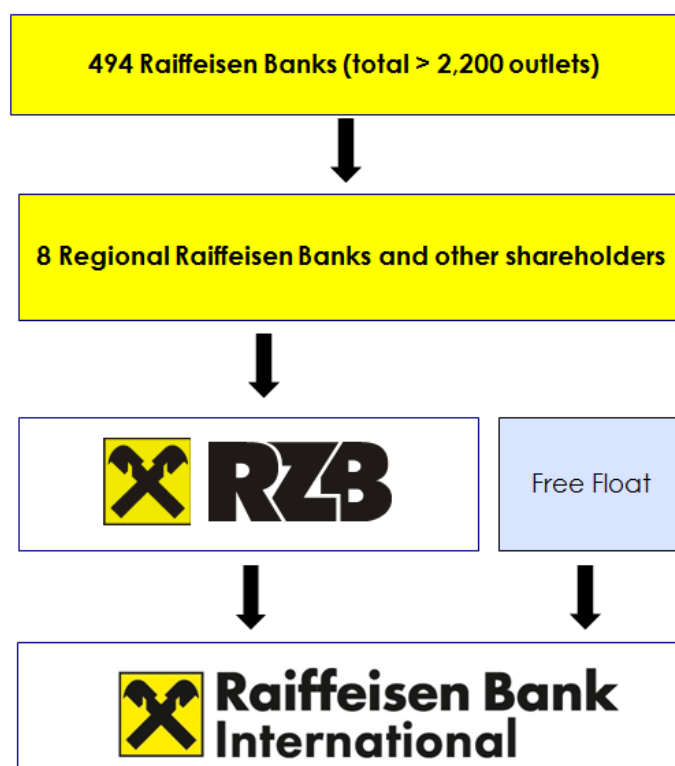
***Competitive landscape in Austria:*** The Austrian banking market is mainly composed of private, savings and state mortgage banks as well as credit cooperatives and loan associations. According to the statistics of the Austrian Central Bank (OeNB), as of 31 December 2012, there were a total of 809 banks in Austria (*Source: OeNB Statistics*). As the RBI Group focuses on the commercial banking market in Austria, the Austrian retail banking system is not discussed in detail in this Registration Document. The Austrian commercial banking market is highly competitive, with substantial pricing pressure among the various players and relatively high operating cost levels. As a result, profitability levels are relatively low in the Austrian market, and, in addition, the growth prospects are rather limited for the future as the penetration level is already relatively high.



### 3. ORGANISATIONAL STRUCTURE

#### *Raiffeisen Bankengruppe Österreich ("RBG")*

The Issuer is a member of the Raiffeisen Banking Group Austria (*Raiffeisen Bankengruppe Österreich*, "**RBG**") one of Austria's largest banking groups (*Source: internal data based on publicly available company data, unaudited*). RBG is a three-tiered organization comprising the autonomous and locally active Raiffeisen banks ("**Raiffeisen Banks**" – first tier), the autonomous regional Raiffeisen banks ("**Raiffeisen-Landeszentralen**" - second tier) as well as RZB (third tier). Below is an illustration of the structure of RBG:



Source: Internal Data (unaudited) as at 31 December 2012

In each of Austria's federal provinces, the Raiffeisen banks, which are mainly organized as cooperatives, act as so-called universal banks (*Universalbanken*), offering a complete range of banking products and services, and collectively own the *Raiffeisen-Landeszentrale* in the respective federal province. The *Raiffeisen-Landeszentralen* operate at a regional level, render central services for the Raiffeisen banks within their region and also operate as universal banks (*Universalbanken*). The Raiffeisen banks and the *Raiffeisen-Landeszentralen* are neither part of the RZB Group nor part of the RBI Group.

RZB, in which the Raiffeisen-Landeszentralen directly and indirectly hold together a share of approximately 90 per cent. of its share capital, acts as the central institution of RBG as provided in § 23 subparagraph 13 no. 6 and § 25 subparagraph 13 BWG. In its capacity as the central institution of the RBG, RZB acts as representative of RBG with respect to nationwide issues as well as central interface for liquidity reserves held by those associated institutions that are members of the decentralized RBG. After the Reorganisation, RBI also joined the common liquidity balancing system.

In terms of total assets, market share data relating to the business with retail customers as well as small and medium-sized enterprises and the number of branch offices, RBG is one of the largest banking groups in Austria. However, RBG does not constitute a group of companies (*Konzern*) within the meaning of § 15 of the Austrian Stock Corporation Act (*Aktiengesetz*, BGBl. 1965/98, as amended).

## **Relationship with RZB in general**

Pursuant to § 30 of the BWG, the RBI Group is part of the RZB credit institution group (*Kreditinstitutsgruppe*) which comprises all credit institutions, financial institutions, securities companies and enterprises offering banking related support services in which RZB, in its capacity as superordinated credit institution (*übergeordnetes Kreditinstitut*), holds an indirect or direct majority interest or exerts a controlling influence. The BWG requires RZB in its function as superordinated credit institution (*übergeordnetes Kreditinstitut*) to control amongst other things risk management, accounting and control processes and the risk strategy for the entire RZB Group. As at 31 December 2012, RZB indirectly holds around 78.5 per cent of the shares of the Issuer, which are listed on the Vienna Stock exchange, through its wholly owned subsidiary Raiffeisen International Beteiligungs GmbH, Vienna. This shareholding enables RZB to effectively control all decisions made by the Issuer, subject only to statutory minority rights. Decisions that RZB may control include amendments of the Issuer's articles of association, appointments to the Issuer's supervisory board (which appoints the Issuer's management board), approval of the Issuer's annual financial statements and approval of the Issuer's resolutions regarding the appropriation of net income. RZB is also able to block resolutions at shareholders' meetings, in particular resolutions requiring a qualified majority of votes cast or share capital represented. The Issuer's chief risk officer also acts as a member of the management board of RZB in order to safeguard the alignment of the Issuer's risk policies with the policies of the RZB Group in accordance with the requirements of Austrian law. Several members of RZB's management also serve on the Issuer's supervisory board, which allows RZB to determine the composition of the Issuer's management board and thereby significantly influence business and financial decisions of the RBI Group. The remaining approximate 21.5 per cent. of the Issuer's shares are free float and held by institutional and private investors.

Approximately 90 per cent. of RZB's share capital are directly or indirectly (through holding companies, in particular the *Raiffeisen-Landesbanken-Holding GmbH*) held by the members of RBG.

As a result of the Issuer's inclusion as part of the RZB Group, RZB's influence as majority shareholder and certain legal requirements, the RBI Group has a number of important business relationships with RZB, members of the RZB Group as well as other entities of RBG, which are affiliated with RZB. Moreover, the Issuer is member of the tax group (*steuerliche Unternehmensgruppe*) headed by RZB as group parent.

The relationships with RZB include in particular the maintenance of liquidity reserves, intra-group funding and deposit transactions, the provision of loans and other financings, contracts for the provision of services, the use of distribution channels and marketing of products as well as agreements concerning the management of certain aspects of the RBI Group's business, including in particular a coordinated approach towards the allocation of business or capital and risk management.

Furthermore, RBI Group from time to time also enters into business transactions with RBG members in the ordinary course of its business.

### **Service level agreements**

The Issuer provides services to RZB such as accounting, legal, tax, global treasury and markets, transaction services, cash management, human resources, research, IT and other services to RZB pursuant to a framework agreement and certain other specific service level agreements. RZB and RBI have also entered into service level agreements pursuant to which RZB provides certain services to RBI.

### **Licenses**

The Raiffeisen Bank International name and logo have been registered as a combined trademark by RZB in Austria, and the protection of the Raiffeisen Bank International name and logo has been expanded to all relevant countries where units of the RBI Group presently operate. On that basis RZB has given the RBI Group the right to use the Raiffeisen Bank International name and logo for an unlimited period of time in all jurisdictions in which the trademark is presently, or in the future will be, registered. The Issuer may sublicense the registered trademarks to any subsidiary directly or indirectly controlled by it. If RZB or together with other members of the RBG ceases to hold at least 50 per cent. of the voting rights in the Issuer, RZB may terminate the licensing agreement. Beside that, RZB has other termination rights.

In addition, the Austrian Raiffeisen Association (*Österreichischer Raiffeisenverband - "ÖRV"*) has registered the name Raiffeisen and the logo of the Raiffeisen organization, the so called "*Giebelkreuz*" as trademarks. The Issuer, as a member of the ÖRV is entitled to use these trademarks also by virtue of this membership in the ÖRV.

## Liquidity Reserves and Funding

RZB has been and continues to be an important funding source for the RBI Group.

Following the Merger, the Issuer joined RBG's joint liquidity clearing system with RZB in accordance with § 25 para. 13 of the BWG, where RZB acts as central institution. As a consequence, the RBI Group holds its statutory liquidity reserves with RZB. RZB in its capacity as central institution of the RBG also has an important clearing function for the Raiffeisen-Landeszentralen and certain other members of the RBG that also maintain their respective statutory liquidity reserves with RZB. RZB, in turn, holds a significant portion of deposits received in its capacity as central institution of RBG with the Issuer. The Issuer, like any other member of the liquidity clearing system, may access funds held with RZB as liquidity reserves, if so required, as a resort liquidity buffer.

In addition to its statutory function as central institution of RBG, RZB continues to serve as a central point of contact for business with other RBG members and holds short and long term deposits taken from other entities of the RBG.

## Capital Adequacy and Restriction on Capital Resources

The RBI Group does not form an independent credit institution group (*Kreditinstitutsgruppe*) as defined by the BWG and therefore is not subject to the regulatory provisions on a consolidated basis, but it is part of the RZB credit institution group with RZB as superordinated credit institution (*übergeordnetes Kreditinstitut*).

The disclosed consolidated regulatory capital calculations of the RBI Group are prepared on a voluntary basis and for illustrative purposes only by applying Austrian legal total own funds requirements to the RBI Group; these calculations are based on the assumption that the Issuer is the superordinated credit institution (*übergeordnetes Kreditinstitut*) of the RBI Group. These calculations are however also used for purposes of steering and decisions with regard to asset allocation of the RBI Group.

In addition to internal restrictions resulting from these internal capital valuations within the RBI Group, the allocation of capital and an expansion of RBI Group's operations may also be subject to restrictions on capital as measured for regulatory purposes on RZB Group level. The potential impact resulting from these limitations is reflected also in certain functions allocated to RZB in connection with the RBI Group's risk management policies and will be especially relevant once Basel III, the Capital Requirements Directive IV (CRD IV), and the implementing Capital Requirements Regulation (CRR) become effective.

## Deposit Guarantee Schemes

### *Membership in Österreichische Raiffeisen-Einlagensicherung eGen ("ÖRE")*

Pursuant to the Austrian Banking Act, any credit institution which receives deposits or provides securities services requiring protection under applicable Austrian law must join the deposit guarantee and investor compensation scheme of its sector within the banking system. The Issuer is a member of ÖRE, which takes on the function as statutory deposit guarantor and investor compensator for RBG.

The deposit balances (i.e. deposit and credit balances on savings book accounts and other accounts, e.g. salary accounts, savings accounts, pension accounts, other current accounts, term deposits and fixed-term and fixed-rate savings books (*Sparbücher*)) of private individuals are protected up to a maximum of EUR 100,000. The maximum protection amount of EUR 100,000 also applies to deposits of legal persons; however, large corporations (*große Kapitalgesellschaften*) within the meaning of the Austrian Commercial Code are excluded from protection. Monetary claims from securities services are protected up to a maximum of EUR 20,000, with an additional cap of 90 per cent. of the receivables arising from securities transactions for legal persons (other than large corporations).

Payments made by a deposit insurance scheme to restore insured deposits are met by contributions from each member credit institution in the relevant sector. Each bank's contribution is determined in proportion to the aggregate amount of such credit institution's deposits, subject to a maximum contribution amount equal to 1.5 per cent. of most classes of risk-weighted assets calculated for capital adequacy purposes, plus 12.5 times of the regulatory capital requirement for certain positions of the trading book, each as per the most recent balance sheet date.

In the event that the aggregate maximum amount that a sector's member can be called upon to contribute is less than the payment liability under the insurance scheme, each deposit insurance scheme of the other banking sectors will contribute a pro rata portion of the amount then remaining unpaid. The participation of each deposit insurance scheme is to be determined as summarized in the preceding paragraph. If the amount contributed by all insurance schemes is insufficient to make the required payment, the insurance scheme that is primarily obligated to repay such protected deposits must take up loans or issue bonds to cover any amount then remaining unpaid. The Republic of Austria may guarantee such liabilities.

### ***Membership in Raiffeisen-Kundengarantiegemeinschaft Österreich ("RKÖ")***

In addition to the statutory deposit insurance, the nationwide voluntary Raiffeisen customer guarantee scheme RKÖ, which consists of the provincial customer guarantee associations open to every Austrian Raiffeisen bank, protects customers from financial damages in the event of bankruptcy. Approximately 82 per cent. of all the Austrian Raiffeisen banks currently belong to a customer guarantee association. The Issuer is also a member of RKÖ. In the case of bankruptcy of a Raiffeisen bank (which has not happened to date) that is a member of RKÖ, its customers can hold the respective provincial customer guarantee association liable for their money claims from deposits and issued securities as specified in RKÖ's statutes. Its members are contractually obliged to guarantee, limited by their respective economic reserves, to meet all such customer deposits and money claims arising from the issue of securities. Customers of the insolvent bank are offered equivalent claims against other members of the RKÖ instead of bankruptcy claims. If a provincial customer guarantee association is unable to fulfil all protected customer claims, the members of the RKÖ guarantee, limited by their respective economic reserves, to meet all protected claims against an insolvent member in good time according to the statutes. Funds are raised within RKÖ by contributions from all members. The economic reserves of all member banks are applied in a legally binding manner in accordance with a precisely stipulated allocation and debiting system so that the value of customer deposits, in certain circumstances, will be safeguarded beyond the amount guaranteed under the statutory deposit insurance in the event of bankruptcy.

### ***EU-legislation on mandatory deposit guarantee and investor compensation schemes***

The existing EU-legislation on mandatory deposit guarantee and investor compensation schemes, including the rules relating to their financing, are currently being amended. As a result of such amendments, the level of the annual contributions to national deposit guarantee and investor compensation schemes the Issuer and the Network Banks are subject to may increase in the future.

Furthermore, it is being proposed by the European Commission to introduce resolution funds in order to provide supplementary funding for tools in connection with crisis management measures and the recovery and resolution of banks. Such resolution funds might also be amalgamated with deposit guarantee schemes. According to current proposals, resolution funds, if not amalgamated with deposit guarantee schemes, would raise additional contributions from banks proportionate to their liabilities and risk profile up to a capacity of 1,5% of covered deposits in a time span of 10 years.

It is currently unclear what effect these amendments may have on the existing statutory and voluntary deposit guarantee and investor compensation schemes in which RBI Group members participate.

#### 4. TREND INFORMATION

##### 4.1. Material adverse changes in the prospects of the Issuer since the date of its last published audited financial statements

A negative statement to the effect that there has been no material adverse change in the prospects of the Issuer since 31 December 2012 cannot be given in view of the fact that the difficult overall macroeconomic environment with decreasing growth rates and negative forecasts, exchange rate volatility as well as the continuing tense situation on the financial and capital markets had and may continue to have a negative impact on the Issuer's business activity and results of operations, in particular also on the Issuer's capital costs.

Negative impacts with regard to the Issuer include the following:

*Business results as reported in the unaudited interim consolidated financial statements of RBI for the three months ended 31 March 2013, as incorporated by reference herein.*

###### *Individual impacts on RBI's results in the second quarter 2013*

RBI's second quarter results are impacted by changes in credit spreads of own liabilities measured at fair value, especially long-term structured notes, senior and subordinated liabilities. The impact of the credit spread movement of own liabilities measured at fair value amounted to minus EUR 52 million in the second quarter 2013. This valuation result has no effect on regulatory capital or respective capital ratios.

Furthermore, the second quarter results will be negatively impacted by an additional EUR 20 million due to the immediate booking of the banking levy in Hungary for the remainder of the financial year 2013 (financial year 2013 total charge EUR 40 million).

###### *Recent developments in Hungary:*

The market environment in Hungary continues to be difficult. Restructuring of Raiffeisen Bank in Hungary (*Raiffeisen Bank Zrt.*) is in progress, involving selective portfolio reductions, a strong focus on collection and work-out and a further reduction in staff and branches.

In December 2011 the National Debt Management Agency (*Államadósság Kezelo Központ - "AKK"*) took over the financing and cash management of the county municipalities. This regulation, however, did not affect the municipalities of towns and villages. In 2012, the municipalities of towns and villages were included in the debt takeover by the central government as well. A distinction was made between municipalities with more than 5,000 inhabitants and less than 5,000 inhabitants. In the latter case, most of the debt outstanding was assumed and fully repaid in the original currency by the AKK in December 2012. In the case of municipalities with more than 5,000 inhabitants the AKK will convert all bonds issued by the local governments and held by banks to loans, the loans will be combined and the banks will grant such combined loans to the National Debt Management Agency with average margin and average maturity (based on their municipal portfolio). The volume of municipal debt which was taken over by the state from Raiffeisen Bank Zrt. is 57% of the total exposure of EUR 635million under the aforementioned initiative. Further initiatives in this context may be taken in the future. About 70 per cent. of such total outstanding municipal debt is denominated in CHF and EUR.

Following the "Home Protection Law"-scheme in 2011, which had resulted in significant losses for the RBI Group, a new programme in favour of foreign exchange mortgage debtors has been prepared. The exchange rate protection scheme is open to performing foreign exchange debtors. For those debtors who opted or opt for this scheme the amount of the monthly instalment (principal and interest) will be fixed at 250 EUR/HUF and 180 CHF/HUF. The portion of the monthly instalments above the fixed exchange rate will go to a buffer account. The principal part on the buffer account still needs to be paid by the customer. The interest on the buffer account will be split equally between the government and the banks. If exchange rates go above 340 EUR/HUF and 270 CHF/HUF, the government will pay 100% of the interest. At this point of time it is not yet possible to evaluate the negative impact of this programme on the Issuer.

Due to the current political and economic developments in Hungary, the RBI Group considers the risk that additional legislative measures, which adversely affect the banking sector as a whole and foreign banks in particular, are taken by the Hungarian government to be significant.

### ***Developments in Slovenia:***

RBI Group is re-scaling its activities in Slovenia to focus on those segments where it can generate value, such as multi-national customers and high net worth individuals. The new strategy is expected to result in a reduction of assets and employees to around one third of the current level by 2015. From today's perspective, RBI will continue to maintain a presence in the country.

### ***Bank levies and specific taxes:***

Various countries have already implemented bank specific taxes or levies.

In Hungary, a bank levy was introduced in 2010 and is calculated on the basis of total assets. According to recently approved legislation a financial transaction tax was introduced in Hungary and financial transactions, with certain exemptions, are taxed at a rate of 0.2% from January 1, 2013 having – at the rate of 0.2% – an estimated negative impact on RBI Group of approximately EUR 30 million in 2013. In June 2013 the Hungarian government announced plans to raise the financial transaction tax from 0.2% to 0.3%. These plans are not yet passed by the Hungarian parliament but shall be effective within the next months. From today's standpoint, RBI assumes that a certain part can be passed on to customers. Contrary to previous announcements, the introduction of a financial transaction tax will not reduce the bank levy and, thus, a negative impact resulting from the bank levy in Hungary on RBI Group in the amount of EUR 40 million is also expected for 2013. Furthermore, an additional special financial transaction tax in the amount of EUR 19 million is imposed in 2013.

In Austria, a bank levy was introduced in December 2010 and has been effective as of 1 January 2011. The Austrian bank levy is deductible from corporate income tax and consists of two components, one of which is levied on total assets, the other on average derivative volumes in the trading book. Following the increase of the Austrian bank levy in March 2012, the total amount of the Austrian bank levy is expected to negatively impact the RBI Group's 2013 results by EUR 103 million.

Moreover, Slovakia introduced a bank levy effective as of 2012. The negative impact resulting from the bank levy in Slovakia is expected at EUR 34 million in 2013.

Slovenia has also introduced a bank levy at a rate of 0.1 % of total assets (with certain exceptions) expected to have a negative impact on RBI Group of less than EUR 1 million in 2013.

Other countries in which the RBI Group operates are currently discussing or planning the implementation of similar bank levies.

Furthermore, in Poland an increase in contribution to the existing Bank Guarantee Fund is currently under discussion.

### ***Stagnation or continued down-scaling of certain parts of RBI Group's business:***

In response to the financial crisis and the above mentioned changes in the business and regulatory environment, in 2012, the RBI Group began moving away from an expansion and general growth strategy towards a more distinct approach with a focus on certain key markets and business areas, particularly capital-light products, such as cash management and treasury services, private wealth management and investment banking, and has down-scaled certain of its activities. RBI Group may even decide to deleverage its business further in some markets which would result in a negative development and reduced business volumes for the RBI Group as a whole. In the course of a continued deleveraging, the RBI Group may have difficulties selling assets at favourable prices, or at all, and may experience material losses from these assets and other investments irrespective of market developments. Such sales may prove difficult in the current market environment as many of the RBI Group's competitors are also seeking to dispose of assets.

It might also be difficult for the RBI Group to adapt its cost structure to such stagnation or the smaller size of certain of its businesses which can adversely affect the RBI Group's cost /income ratio and overall profitability.

### ***Capital Planning and Evaluation:***

Against the backdrop of the Issuer's further strengthening of the bank's capital structure and preparation for the changing regulatory requirements, the Issuer is, in its capital planning, evaluating on a continuous basis whether a strengthening of the Issuer's equity is advisable. Depending on market developments, a capital increase may be a possible option within the next 12 months.

#### **4.2. Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects for at least the current financial year**

Please also refer to point 4.1 above.

##### ***EU financial transactions tax ("FTT"):***

The European Commission has published a proposal for a Directive for a common FTT in eleven EU Member States (Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia; the "**Participating Member States**").

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain financial transactions in certain circumstances. Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain financial transactions where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

The FTT proposal remains subject to negotiation between the Participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. It is at this point of time not possible to make any statement on whether or when such tax will actually be introduced and on the impact on the Issuer.

##### ***EMIR:***

In the EU, the European Market Infrastructure Regulation ("**EMIR**") on over the counter (OTC) derivatives, central counterparties and trade repositories came into force on 16 August 2012. Under EMIR, certain types of standardised derivative contracts that are currently in most cases concluded directly (i.e., OTC) between financial counterparties, will soon have to be cleared through a central counterparty. In addition, EMIR introduces certain mandatory reporting requirements and risk mitigation techniques, including rules regarding margining and collateral arrangements, which will ultimately result in higher costs for derivative transactions. Accordingly, this legislation has led and will lead to changes which affect the profitability of the Issuer's business activities, require adaptations to its commercial practices, and increase costs, including compliance and, in particular, IT costs.

##### ***Banking Union:***

Plans to deepen the economic and monetary integration, including a banking union, are currently discussed at a European level. The term "Banking Union" in particular comprises the following four pillars: a single rulebook for financial institutions in the single market, introduction of a single supervisory mechanism ("**SSM**") built around the European Central Bank ("**ECB**"), the strengthening of deposit guarantee schemes and the establishment of a single resolution system. Within the SSM the ECB would have supervisory authority in cooperation with national financial authorities and thus would have direct and/or indirect supervisory authority over the Issuer. Due to controversial attitudes within Europe and yet unsolved legal questions, considerable uncertainty remains around the point of time, form and details of implementation. At this point of time it is not possible to make any statement on the impact on the Issuer, which operates as a cross-border bank in Euro zone member states as well as in states which will not be part of the Banking Union.

##### ***Regulatory framework (Basel III / CRD IV / CRR):***

National and international regulations of various legislators, supervisory authorities and bodies that set standards (e.g., the European Commission, the Austrian legislator, the Austrian Central Bank ("**OeNB**"), the Austrian Financial Markets Authority (*Finanzmarktaufsicht* – "**FMA**"), the Basel Committee on Banking Supervision and the European Banking Authority ("**EBA**")) have in recent years steadily tightened regulatory capital and liquidity requirements for financial institutions. In several cases, this took place in close cooperation with the affected institutions over suitably long implementation periods. In other cases, this took place without consultation and over very short implementation periods. Also for the future, it can be assumed that such measures will be carried out with more or less long implementation periods.

The business volume and business activity of the various business divisions of the RBI Group are materially affected by the regulatory capital standards that apply to the relationship between specific capital components and risk-weighted assets (a measure for regulatory relevant counterparty default risk, market risk and operational risk which

are to be backed by equity – "**RWA**"). The same applies to provisions on liquidity management with specifications for necessary liquidity buffers.

In addition to short-term requirements set forth by the EBA, a whole array of rules to tighten regulatory capital and liquidity standards are under discussion or already being implemented. This is true for example of the European Directives or Regulations to implement the rules of the Basel Committee (in particular Basel III). The legislation submitted to this aim by the European Commission comprises the new Capital Requirements Directive ("**CRD IV**") and the new Capital Requirements Regulation ("**CRR**"), and will replace the regulatory capital requirements that are currently in force. The CRR will be directly applicable to institutions in the European Union from 1 January 2014 and need not be implemented into national law. The CRR will primarily stipulate highly specific rules for determining quantitative monitoring mechanisms. This applies in particular to regulations regarding regulatory capital, liquidity standards, maximum leverage ratio (non- risk-based leverage ratio, which is the ratio of a bank's capital to its total exposures), capital requirements relating to counterparty default risk (including exposures arising from derivatives, repos and securities financing transactions) and large exposure limits. On 16 April 2013, the European Parliament voted in favour of CRD IV and CRR. The legislation was published in the Official Journal of the European Union on 27 June 2013. The Member States have to implement the Directive by 1 January 2014.

Furthermore, on 21 November 2011, the OeNB (Austrian central bank) and the FMA (Austrian Financial Market Authority) jointly announced plans and on 14 March 2012 released a supervisory guideline to strengthen the sustainability of the business models of large internationally active Austrian banks, including RZB Group (which became publicly known as "**Austrian Finish**"). The guideline, however published as a press release due to the lack of a supporting law, required the parent institutions of such banks to submit groupwide recovery and resolution plans to the FMA to ensure the possibility of a swift reorganization or winding up in the event of a crisis. Other measures pursuant to the guideline included: the acceleration of certain transitional provisions and grandfathering rules for the implementation of Basel III standards on common equity tier 1 capital ("**CET1**"), the announcement of an additional capital surcharge of up to 3 percentage points of CET1 (depending on the riskiness of the banks' business models) from 1 January 2016 as well as the setting of a reference ratio of 110 per cent. for the ratio of net new lending to local stable funding in order to ensure a balanced refinancing structure of banking subsidiaries.

On national Austrian level CRD IV will be implemented through an amendment of the Austrian Banking Act (BWG). The amended BWG will also contain provisions that will allow OeNB and FMA to issue a regulation dealing with the contents of the "**Austrian Finish**" and thus, presumably, replacing the aforementioned guideline.

Banking regulations in non-EU member states in which the RBI Group operates are evolving in parallel to the global changes and international regulatory environment. Changes in the regulatory requirements in a relevant jurisdiction may impose additional obligations on the RBI Group or the local Network Banks. In addition, to counteract increasing indebtedness in their countries, various central banks in the markets where RBI Group operates have implemented measures that effectively restrict the ability of banks to grow their loan books, such as increased own funds and liquidity requirements, increases in the risk weighting of assets or outright caps on the growth of loan portfolios. In the wake of the financial and economic crisis, local regulators have also focused on increased capital ratios, measures against the outflow of capital and dividends or adequate liquidity buffers.

The qualification of certain items as regulatory capital may change due to amendments to supervisory regulations, but also due to measures of the RBI Group. Under the CRD IV and the CRR including the draft technical standards governing their implementation the recognition of certain instruments that will no longer be included in Tier 1 capital (core capital) or Tier 2 capital will be gradually phased out. Minority interest recognition and deferred tax assets will experience limitations in capital calculations. Such changes in the qualification of regulatory capital could restrict business operations which may have material adverse effects on RBI Group's net assets, financial position and results of operations and on the RBI Group's prospects.

#### ***EU Framework for Bank Recovery and Resolution***

In early June 2012, the EU Commission published the proposal for a directive establishing a framework for the recovery and resolution of credit institutions and investment firms (the so called "**Crisis Management Directive**") on which the EU finance ministers reached agreement on 27 June 2013. Depending on the extent of future regulations regarding crisis management and the winding up of banks, it is possible that this will have consequences for the business activities and/or the structure of the RBI Group and thereby have a materially adverse effect on its net assets, financial position and results of operations.

The purpose of the legal framework, which is proposed to be implemented into national law by the end of 2014, is to ensure throughout the EU that credit institutions, investment firms, financial holding companies and branches of



institutions having their registered offices outside the EU, in particular at a point of non-viability, may recover or, if necessary, be resolved without imposing risks on the stability of the financial markets. The proposal for the Crisis Management Directive includes provisions in this respect, granting additional competencies and powers to supervisory authorities, additional organizational and reporting duties for banks, possible loss participations of bondholders, as well as considerations for the financing of a bank restructuring fund. As a result, the Issuer, the RBI Group and the RZB Group may have to conduct stress tests ordered by the supervisory authority whose results may restrict their business activity and have a negative impact on its net assets, financial position and results of operations.

The proposal for the Crisis Management Directive sets out a minimum set of resolution tools. Member States may however retain specific national tools and powers to deal with failing institutions if those additional powers are consistent with the principles and objectives of the resolution framework pursuant to the Crisis Management Directive and do not pose obstacles to effective group resolution. In particular, the proposal for the Crisis Management Directive proposes to give the competent regulators and/or authorities the power to write down the share capital of a credit institution and to write down or to convert into equity its relevant capital instruments (i.e. the own funds instruments of the credit institution) if certain conditions are met (the “write-down tool”) and proposes the obligatory issue of debt instruments providing for loss participations by unsecured holders of debt instruments and their conversion into equity (i.e. a “bail in”) and to authorize the resolution authorities to write down debt instruments held by unsecured holders of a defaulting institution and to convert debt into equity (the “bail-in tool”). Pursuant to the proposal for the Crisis Management Directive, any write-down (or conversion) in accordance with the bail-in tool or the write-down tool would not constitute an event of default under the terms of the relevant instruments. Consequently, any amounts so written down would be irrevocably lost and the holders of such instruments would cease to have any claims thereunder, regardless whether or not the bank's financial position is restored.

The Crisis Management Directive would require Member States to apply the national law, regulations and administrative provisions adopted to comply with the Crisis Management Directive by 1 January 2015. However, provisions adopted to implement the bail-in tool would be applied by Member States by 1 January 2018.

Furthermore, the proposal for the Crisis Management Directive also provides for a European system of financing arrangements which also provide for using the funds of deposit guarantee schemes in the event of a resolution. At present it is unclear to what extent a European system of financing arrangements would affect the RBI Group's contribution obligations for the deposit guarantee scheme or for the bank restructuring fund.

The developments described above may result in negative consequences and charges for the RBI Group and could have a material adverse effect on the RBI Group's prospects.

## 5. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

### 5.1. Members of the administrative, management and supervisory bodies of RBI

All members of the management board have their commercial address at the seat of the Issuer and may be contacted there.

Body (members)	Major functions outside RBI
<b>Management Board</b>	
Chairman of the Management Board: Mag. Dr. Karl Sevelda	<i>Management Board</i> - BestLine Privatstiftung  <i>Supervisory Board</i> - Raiffeisen Centrobank AG - Raiffeisen Investment Aktiengesellschaft - Raiffeisen-Leasing Management GmbH - Raiffeisen Bank Aval JSC, Kiev, Ukraine - Raiffeisen Bank Zrt, Budapest, Hungary - Raiffeisen Bank S.A., Bucharest, Romania - ZAO Raiffeisenbank, Moscow, Russia - Raiffeisenbank a.s., Prague, Czech Republic - Tatra banka a.s., Bratislava, Slovakia  <i>Limited Partner</i> - "MILLETERTIUS" Kreihlsler Immobilienhandel KG - "SECUNDUS" FRANKE IMMOBILIEN HANDEL KG
Deputy Chairman of the Management Board: Dr. Johann Strobl	<i>Management Board</i> - Raiffeisen Zentralbank Österreich Aktiengesellschaft - Österreichische Raiffeisen-Einlagensicherung eGen  <i>Supervisory Board</i> - Raiffeisen Centrobank AG - Raiffeisen-Leasing Management GmbH - Raiffeisen Bank Aval JSC, Kiev, Ukraine - ZAO Raiffeisenbank , Moscow, Russia - Raiffeisen Bank Zrt., Budapest, Hungary
Mag. Martin Grill	<i>Management Board</i> - Stefan Stoltzka Privatstiftung  <i>Supervisory Board</i> - ZUNO BANK AG - Raiffeisen Bank Aval JSC, Kiev, Ukraine - ZAO Raiffeisenbank , Moscow, Russia - Raiffeisenbank Polska S.A., Poland - Raiffeisen Bank S.A., Bucharest, Romania - RB International Finance (USA) LLC, New York - RB International Markets (USA), New York  <i>Managing Director</i> - Raiffeisen CEE Region Holding GmbH - Raiffeisen CIS Region Holding GmbH - Raiffeisen RS Beteiligungs GmbH - Raiffeisen SEE Region Holding GmbH

Aris Bogdaneris, M.A	<p><i>Supervisory Board</i></p> <ul style="list-style-type: none"> <li>- Kathrein Privatbank Aktiengesellschaft (<i>chairman</i>)</li> <li>- ZUNO BANK AG</li> <li>- RSC Raiffeisen Service GmbH</li> <li>- Raiffeisen Bank Aval JSC, Kiev, Ukraine</li> <li>- Raiffeisenbank Polska S.A, Poland</li> <li>- ZAO Raiffeisenbank, Moscow, Russia</li> <li>- Tatra Banka a.s., Bratislava, Slovakia</li> </ul> <p><i>SeniorClient Council</i></p> <ul style="list-style-type: none"> <li>- Visa Worldwide Pte. Limited</li> </ul>
Dkfm. Klemens Breuer	<p><i>Supervisory Board</i></p> <ul style="list-style-type: none"> <li>- Raiffeisen Centrobank AG</li> <li>- Raiffeisenbank Polska S.A, Poland</li> <li>- Raiffeisen Bank S.A., Bucharest, Romania</li> <li>- ZAO Raiffeisenbank , Moscow, Russia</li> <li>- Raiffeisen Bank International AG, London Branch, United - Kingdom (<i>chairman</i>)</li> <li>- RB International Markets (USA) LLC, New York (<i>chairman</i>)</li> </ul>
Mag. Peter Lennkh	<p><i>Supervisory Board</i></p> <ul style="list-style-type: none"> <li>- HFA Zwei Mittelstandsfinanzierungs-AG (<i>chairman</i>)</li> <li>- Raiffeisen Bank Aval JSC, Kiev, Ukraine</li> <li>- ZAO Raiffeisenbank, Moscow, Russia</li> <li>- Raiffeisen Bank Sh.a., Tirana, Albania</li> <li>- Raiffeisen BANK d.d. Bosna i Hercegovina, Sarajevo, Bosnia and Herzegovina (<i>chairman</i>)</li> <li>- Raiffeisenbank Austria d.d., Zagreb, Croatia (<i>chairman</i>)</li> <li>- Raiffeisen banka a.d., Belgrad, Serbia (<i>chairman</i>)</li> <li>- Raiffeisenbank (Bulgaria) EAD, Sofia, Bulgaria</li> <li>- Perun Capital GmbH</li> <li>- Raiffeisen Property International GmbH</li> </ul> <p><i>Managing Director</i></p> <ul style="list-style-type: none"> <li>- Raiffeisen CEE Region Holding GmbH</li> <li>- Raiffeisen CIS Region Holding GmbH</li> <li>- Raiffeisen RS Beteiligungs GmbH</li> <li>- Raiffeisen SEE Region Holding GmbH</li> </ul>
<b>Supervisory Board</b>	
Chairman of the Supervisory Board: Dr. Walter Rothensteiner	<p><i>Management Board</i></p> <ul style="list-style-type: none"> <li>- HK Privatstiftung</li> <li>- Raiffeisen Zentralbank Österreich Aktiengesellschaft (<i>chairman</i>)</li> <li>- Österreichische Raiffeisen-Einlagensicherung eGen (<i>chairman</i>)</li> </ul> <p><i>Supervisory Board</i></p> <ul style="list-style-type: none"> <li>- Austria Versicherungsverein auf Gegenseitigkeit Privatstiftung</li> <li>- Casinos Austria Aktiengesellschaft (<i>chairman</i>)</li> <li>- Casinos Austria International Holding GmbH</li> <li>- Kathrein Privatbank Aktiengesellschaft (<i>chairman</i>)</li> </ul>

	<ul style="list-style-type: none"> <li>- KURIER Redaktionsgesellschaft m.b.H.</li> <li>- KURIER Zeitungsverlag und Druckerei Gesellschaft m.b.H.</li> <li>- LEIPNIK-LUNDENBURGER INVEST Beteiligungs Aktiengesellschaft</li> <li>- Oesterreichische Kontrollbank Aktiengesellschaft</li> <li>- Österreichische Lotterien Gesellschaft m.b.H. (<i>chairman</i>)</li> <li>- Raiffeisen Centrobank AG (<i>chairman</i>)</li> <li>- Raiffeisen Informatik GmbH (<i>chairman</i>)</li> <li>- UNIQA Insurance Group AG (<i>chairman</i>)</li> <li>- Valida Holding AG (<i>chairman</i>)</li> <li>- Wiener Staatsoper GmbH</li> </ul> <p><i>Managing Director</i></p> <ul style="list-style-type: none"> <li>- Raiffeisen International Beteiligungs GmbH</li> </ul> <p><i>Other</i></p> <ul style="list-style-type: none"> <li>- Generalrat of Oesterreichische Nationalbank AG</li> <li>- Generalanwalt of Österreichischer Raiffeisenverband</li> </ul>
<p>First Deputy member: Mag. Erwin Hameseder</p>	<p><i>Management Board</i></p> <ul style="list-style-type: none"> <li>- ARS BOHEMIAE - Privatstiftung Rotter</li> <li>- Dr. Erwin Pröll Privatstiftung</li> <li>- Raiffeisen Kundengarantiegemeinschaft Niederösterreich-Wien</li> <li>- Solidaritätsverein der Raiffeisen-Bankengruppe Niederösterreich-Wien</li> <li>- RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN registrierte Genossenschaft mit beschränkter Haftung</li> </ul> <p><i>Supervisory Board</i></p> <ul style="list-style-type: none"> <li>- AGRANA Beteiligungs-Aktiengesellschaft</li> <li>- AGRANA Zucker, Stärke und Frucht Holding AG</li> <li>- Flughafen Wien Aktiengesellschaft</li> <li>- LEIPNIK-LUNDENBURGER INVEST Beteiligungs Aktiengesellschaft</li> <li>- Mediaprint Zeitungs- und Zeitschriftenverlag Gesellschaft m.b.H. (<i>chairman</i>)</li> <li>- RAIFFEISEN LANDESBANK NIEDERÖSTERREICH-WIEN AG</li> <li>- Raiffeisen Zentralbank Österreich Aktiengesellschaft (<i>chairman</i>)</li> <li>- RWA Raiffeisen Ware Austria Aktiengesellschaft</li> <li>- RWA Raiffeisen Ware Austria Handel und Vermögensverwaltung eGen</li> <li>- Südzucker AG, Mannheim, Deutschland</li> <li>- STRABAG SE</li> <li>- UNIQA Insurance Group AG</li> <li>- Z&amp;S Zucker und Stärke Holding AG (<i>chairman</i>)</li> </ul> <p><i>Managing Director</i></p> <ul style="list-style-type: none"> <li>- Medial Beteiligungs-Gesellschaft m.b.H.</li> <li>- Medicur - Holding Gesellschaft m.b.H.</li> <li>- Printmedien Beteiligungsgesellschaft m.b.H.</li> </ul>
<p>Dr. Kurt Geiger</p>	<p><i>Supervisory Board</i></p> <ul style="list-style-type: none"> <li>- Demir Bank</li> <li>- Raiffeisen Bank Aval JSC</li> </ul>

	<p><i>Member of the Advisory Board</i></p> <ul style="list-style-type: none"> <li>- Alpha Associates, Zurich (<i>chairman</i>)</li> <li>- Accession Mezzanine Company, Vienna (<i>chairman</i>)</li> </ul> <p><i>Member of the Investment Committee</i></p> <ul style="list-style-type: none"> <li>- Innova Capital, Poland</li> <li>- Genesis, Czech Republic</li> </ul>
Mag. Klaus Buchleitner MBA	<p><i>Management Board</i></p> <ul style="list-style-type: none"> <li>- Österreichische Raiffeisen-Einlagensicherung eGen</li> <li>- Österreichischer Raiffeisenverband</li> <li>- Raiffeisen Kundengarantiegemeinschaft Österreich</li> <li>- RAIFFEISEN LANDESBANK NIEDERÖSTERREICH-WIEN AG</li> <li>- RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN</li> <li>- registrierte Genossenschaft mit beschränkter Haftung</li> <li>- RAIFFEISEN-REVISIONSVERBAND NIEDERÖSTERREICH-WIEN eGen</li> <li>- Raiffeisen-Einlagensicherung Niederösterreich-Wien registrierte Genossenschaft mit beschränkter Haftung</li> <li>- Solidaritätsverein der Raiffeisen-Bankengruppe Niederösterreich-Wien</li> </ul> <p><i>Supervisory Board</i></p> <ul style="list-style-type: none"> <li>- LEIPNIK-LUNDENBURGER INVEST Beteiligungs Aktiengesellschaft</li> <li>- NÖ Kulturwirtschaft GesmbH</li> <li>- Niederösterreichische Versicherung AG</li> <li>- NÖM AG</li> <li>- NÖM International AG</li> <li>- Raiffeisen Zentralbank Österreich Aktiengesellschaft</li> </ul> <p><i>Managing Director</i></p> <ul style="list-style-type: none"> <li>- "CARPETA" Holding GmbH</li> <li>- R-Landesbanken-Beteiligung GmbH</li> <li>- R-Landesbanken-Holding GmbH</li> </ul>
Stewart D. Gager	<p><i>Supervisory Board</i></p> <ul style="list-style-type: none"> <li>- Strategic Active Trading Funds PLC</li> </ul>
Mag. Markus Mair	<p><i>Management Board</i></p> <ul style="list-style-type: none"> <li>- Raiffeisen-Landesbank Steiermark AG (<i>chairman</i>)</li> <li>- Österreichische Raiffeisen-Einlagensicherung eGen</li> <li>- Raiffeisen – Einlagensicherung Steiermark registrierte - Genossenschaft mit beschränkter Haftung</li> </ul> <p><i>Supervisory Board</i></p> <ul style="list-style-type: none"> <li>- Energie Steiermark AG</li> <li>- GRAWE-Vermögensverwaltung</li> <li>- Grazer Wechselseitige Versicherung Aktiengesellschaft</li> <li>- Landes-Hypothekenbank Steiermark Aktiengesellschaft - (<i>chairman</i>)</li> <li>- Raiffeisen Zentralbank Österreich Aktiengesellschaft</li> <li>- SAG Immobilien AG</li> <li>- Styria Media Group AG</li> </ul> <p><i>Managing Director</i></p>

	<ul style="list-style-type: none"> <li>- KONKRETA Beteiligungsverwaltungs GmbH</li> <li>- NWB Beteiligungs GmbH</li> <li>- R-Landesbanken-Beteiligung GmbH</li> <li>- Raiffeisen-Landesbanken-Holding GmbH</li> <li>- RLB-Stmk Management GmbH</li> </ul>
Dr. Heinrich Schaller	<p><i>Management Board</i></p> <ul style="list-style-type: none"> <li>- Österreichische Raiffeisen Einlagensicherung eGen</li> <li>- Raiffeisenlandesbank Oberösterreich Aktiengesellschaft (Vorsitzender)</li> <li>- Raiffeisen-Einlagensicherung Oberösterreich registrierte Genossenschaft mit beschränkter Haftung</li> <li>- Raiffeisenverband Oberösterreich eGen</li> <li>- Privatstiftung der Raiffeisenlandesbank Oberösterreich Aktiengesellschaft</li> </ul> <p><i>Supervisory Board</i></p> <ul style="list-style-type: none"> <li>- AMAG Austria Metall AG</li> <li>- Energie AG Oberösterreich</li> <li>- Gesellschaft für den Wohnungsbau, Gemeinnützige Gesellschaft mit beschränkter Haftung</li> <li>- Privatbank AG der Raiffeisenlandesbank Oberösterreich</li> <li>- Raiffeisen Kredit Garantiegesellschaft m.b.H.</li> <li>- Raiffeisen Zentralbank Österreich Aktiengesellschaft</li> <li>- Oberösterreichische Landesbank Aktiengesellschaft</li> <li>- Salzburger Landeshypothekenbank Aktiengesellschaft</li> <li>- Salinen Austria Aktiengesellschaft</li> <li>- gvb services gemeinnützige gmbh</li> <li>- voestalpine AG</li> <li>- wohnungsfreunde gemeinnützige bau- und siedlungs- gesellschaft m.b.h.</li> <li>- Österreichische Salinen Aktiengesellschaft</li> <li>- VIVATIS Holding AG</li> </ul> <p><i>Managing Director</i></p> <ul style="list-style-type: none"> <li>- R-Landesbanken-Holding GmbH</li> <li>- Raiffeisen Landesbanken-Holding GmbH</li> <li>- RLB Holding reg. Gen.m.b.H</li> <li>- RBG OÖ Verbund eGen</li> </ul>
Mag. Dr. Günther Reibersdorfer	<p><i>Management Board</i></p> <ul style="list-style-type: none"> <li>- Raiffeisenverband Salzburg registrierte Genossenschaft mit beschränkter Haftung</li> <li>- Raiffeisen-Einlagensicherung Salzburg registrierte Genossenschaft mit beschränkter Haftung</li> <li>- Österreichische Raiffeisen-Einlagensicherung eGen</li> <li>- Österreichischer Raiffeisenverband</li> <li>- FLEIWA Salzburger Fleischwarenzentrale registrierte Genossenschaft mit beschränkter Haftung</li> <li>- Landwirtschaftliche Besitzbefestigungsgenossenschaft Salzburg registrierte Genossenschaft mit beschränkter Haftung</li> <li>- Salzburger Viehvermarktung registrierte Genossenschaft mit beschränkter Haftung</li> </ul> <p><i>Supervisory Board</i></p> <ul style="list-style-type: none"> <li>- GEISLINGER GmbH, Salzburg</li> <li>- Porsche Bank Aktiengesellschaft</li> </ul>

	<ul style="list-style-type: none"> <li>- Raiffeisen Zentralbank Österreich Aktiengesellschaft</li> <li>- Salzburg München Bank AG (<i>Vorsitzender</i>)</li> <li>- Salzburger Landes-Versicherungen AG</li> <li>- UNIQA Insurance Group AG</li> </ul> <p><i>Managing Director</i></p> <ul style="list-style-type: none"> <li>- Agroconsult Austria Gesellschaft m.b.H.</li> <li>- RAIFFEISEN BETEILIGUNG GmbH</li> <li>- Raiffeisenverband Salzburg Anteils- und BeteiligungsverwaltungsGmbH</li> </ul>
Dr. Johannes P. Schuster	<p><i>Management Board</i></p> <ul style="list-style-type: none"> <li>- Raiffeisen Zentralbank Österreich Aktiengesellschaft</li> <li>- Österreichische Raiffeisen-Einlagensicherung eGen</li> </ul> <p><i>Supervisory Board</i></p> <ul style="list-style-type: none"> <li>- card complete Service Bank AG</li> <li>- PayLife Bank GmbH</li> <li>- Raiffeisen Bausparkasse Gesellschaft m.b.H.</li> <li>- Raiffeisen e-force GmbH (<i>chairman</i>)</li> <li>- Raiffeisen Factor Bank AG (<i>chairman</i>)</li> <li>- Raiffeisen Informatik GmbH</li> <li>- Raiffeisen-Leasing Gesellschaft m.b.H. (<i>chairman</i>)</li> <li>- Raiffeisen-Leasing Management GmbH (<i>chairman</i>)</li> <li>- Raiffeisen Software Solution und Service GmbH</li> <li>- Raiffeisen Wohnbaubank Aktiengesellschaft</li> <li>- Raiffeisen Versicherung AG</li> <li>- RSC Raiffeisen Service Center GmbH</li> <li>- UNIQA Insurance Group AG</li> </ul> <p><i>Managing Director</i></p> <ul style="list-style-type: none"> <li>- Raiffeisen International Beteiligungs GmbH</li> </ul>
Mag. Christian Teufl	<p><i>Management Board</i></p> <ul style="list-style-type: none"> <li>- LEIPNIK-LUNDENBURGER INVEST Beteiligungs Aktiengesellschaft</li> </ul> <p><i>Supervisory Board</i></p> <ul style="list-style-type: none"> <li>- VK Mühlen Aktiengesellschaft-Hamburg</li> </ul> <p><i>Managing Director</i></p> <ul style="list-style-type: none"> <li>- BL Syndikat Beteiligungs Gesellschaft m.b.H.</li> <li>- Marchfelder Zuckerfabriken Gesellschaft m.b.H</li> </ul>
<b>Members of the Supervisory Board delegated by the Staff Council:</b>	
Chairman of the Staff Council Martin Prater	<p><i>Supervisory Board</i></p> <ul style="list-style-type: none"> <li>- Valida Pension AG</li> </ul>
1st Deputy to the Chairman of the Staff Council Mag. Peter Anzeletti-Reikl	
2nd Deputy to the Chairman of the	

Staff Council Mag. Rudolf Kortenhof	
Dr. Susanne Unger	
Mag. Helge Rechberger	<i>Managing Director</i> - Raiffeisen Research GmbH

Source: Internal data.

#### **Other/state commissioners (*Staatskommissäre*)**

Unless otherwise provided for by law, a state commissioner (*Staatskommissär*) and a deputy must be appointed for a term of office of no more than five years by the Austrian Federal Minister of Finance with respect to credit institutions whose balance sheet total exceeds EUR 1 billion. Re-appointments are permissible.

## **5.2. Potential Conflicts of Interest**

Raiffeisen Bank International AG is not aware of any conflicts of interest between the obligations of the Supervisory Board members and/or the Management Board members and their private or other interests.

In addition, the Issuer has internal guidelines pursuant to the Securities Supervision Act (*Wertpapieraufsichtsgesetz – "WAG"*) 2007 as well as compliance rules in place regulating the management of conflicts of interest and the ongoing application of such guidelines and rules. Their objective is to prevent conflicts of interests which may adversely affect the interests of customers or of the Issuer. If any conflicts of interest are identified with respect to the members of the Management Board, Supervisory Board or the upper management level, procedures will be in place or measures will be taken in order to cope with and in particular to disclose such conflicts of interest:

The guidelines and rules relate to potential or actual conflicts which may affect the RBI Group, the employees themselves (including management), their spouses/partners, dependent children or other family members living in the same household for at least one year to the extent that these persons have a close relationship with customers or other contractual partners (in particular suppliers) or issuers of financial instruments.

Such close relationship may arise from a contractual relationship exceeding the scope of everyday transactions or from a direct or indirect shareholding in excess of 5 per cent. of the share capital (on an accumulated basis in case of an indirect holding), membership of any managing or supervisory body (Managing Director, Management Board or Supervisory Board member, etc.), any other opportunity, as determined by the relevant person, to exert a material influence on management or under a general commercial power of attorney (*Prokura*).

Each member of the Management Board must - according to the Austrian Code of Corporate Governance - immediately disclose any conflict of interest to the Supervisory Board and inform the other members of the Management Board of the conflict. Management Board members may hold offices, including supervisory board positions in unrelated companies, subject only to the approval of the Working Committee (*Arbeitsausschuss*) of the Supervisory Board.

The various functions held by the Supervisory Board members might cause a potential conflict of interest in specific circumstances. However, the Supervisory Board members are required to disclose immediately any conflict of interest to the Supervisory Board, especially if such conflicts may arise as a result of consultancy services or by holding a board position with a business partner.

No family ties between the members of the Management Board or Supervisory Board or any senior managers of the Issuer exist.

No potential conflict of interests exists in respect of any member of the Management Board or Supervisory Board between his duties to the Issuer and his private or other duties. Members of the Management Board or Supervisory Board may enter into business transactions with the RBI Group in the ordinary course of business on an arm's length basis.



Individual members of the Management and the Supervisory Board own capital stock of the Issuer or of its subsidiaries.

Members of the Management Board of RBI serving on the management boards or supervisory boards of or performing any similar functions in other companies/foundations (see section 5.1. *Members of the administrative, management and supervisory bodies of RBI* of this Registration Document) may in individual cases be confronted with conflicts of interest arising in the context of the RBI Group's banking operations if the Issuer maintains active business relations with such other companies.

The Supervisory Board of RBI is almost exclusively composed of qualified banking experts (see section 5.1. *Members of the administrative, management and supervisory bodies of RBI* of this Registration Document). To the extent such Supervisory Board members have not been recruited from within the Raiffeisen Bankengruppe, conflicts of interest may arise if they are members of the supervisory boards of companies competing with RBI.

Generally, members of executive bodies serving on management or supervisory boards outside the RBI Group may, in individual cases, be confronted with potential conflicts of interest if the Issuer maintains active business relations with said companies.

To the extent that members of executive bodies simultaneously serve on the management or supervisory boards of companies outside the RBI Group, such companies (including the companies of the RBG not associated with RZB) may also compete with RBI.

## 6. MAJOR SHAREHOLDERS

As at the date of this Registration Document, the Issuer is majority-owned by RZB which holds approximately 78.5 per cent. of the Issuer's issued shares.

The Issuer's nominal share capital consists of 195,505,124 shares, all of which are outstanding with equal voting rights. The following table sets forth the number of shares and the percentage of outstanding shares beneficially owned by RBI's principal shareholder RZB. To the Issuer's knowledge, no other shareholder beneficially owns more than 5 per cent. of the Issuer's shares. RZB does not have voting rights that differ from other shareholders.

Shareholder	Shares held	Percentage of share capital
RZB through Raiffeisen International Beteiligungs GmbH and other subsidiaries controlled by RZB .....	153,509,225	78.52%
RBI own shares (as of 31 December 2012) .....	557,295	0.29%
Free Float (as of 31 December 2012) .....	41,438,604	21.20%
Total shares issued .....	195,505,124	100.00%

Source: Internal data

Just under 90 per cent of the shares of RZB, the parent company of RBI, are directly or indirectly held by the Regional Raiffeisen Banks (*Raiffeisen-Landeszentralen*). The Regional Raiffeisen Banks (excluding ZVEZA BANK) collectively hold approximately 78.52 per cent. of RZB's shares in R-Landesbanken-Beteiligungs-GmbH which, in turn, is wholly-owned by Raiffeisen Landesbanken Holding GmbH. Thus RZB is majority-owned by that company (a mere holding company) as well as indirectly by the shareholders of that company. As Raiffeisen Landesbanken Holding GmbH is a mere holding company held by seven Raiffeisenlandesbanken and the Raiffeisenverband Salzburg via intermediate holding companies and does not pursue any other activities, RZB is the central core company of the RZB Group, irrespective of any formal classification.

Accumulated (direct and indirect) shareholdings:

<b>Total number of shares</b>	<b>6,776,750</b>
<b>Total nominal capital, in EUR</b>	<b>492,466,422.50</b>

Shareholder	Common stock (in %)**
R-Landesbanken-Beteiligung GmbH *	78.525
RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG	0.527
RLB NÖ - Wien Sektorbeteiligungs GmbH	4.466
Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	0.055
RLB OÖ Sektorholding GmbH	0.229
RLB OÖ Unternehmensbeteiligungs GmbH	0.109
Raiffeisen-Landesbank Steiermark AG	0.501
Raiffeisenlandesbank Kärnten - Rechenzentrum und Revisionsverband, registrierte Genossenschaft mit beschränkter Haftung	0.212
RLB Unternehmensbeteiligungs GmbH	0.952
Raiffeisen-Landesbank Tirol AG	0.016
Raiffeisenlandesbank Burgenland und Revisionsverband registrierte Genossenschaft mit beschränkter Haftung	0.209
Raiffeisenlandesbank Vorarlberg Waren- und Revisionsverband, registrierte Genossenschaft mit beschränkter Haftung	0.157
RAIFFEISEN BETEILIGUNG GmbH	3.868
ZVEZA BANK, registrirana zadruga z omejenim jamstvom, Bank und Revisionsverband, registrierte Genossenschaft mit beschränkter Haftung	0.035
<b>Total Raiffeisen Landeszentralen</b>	<b>89.861</b>

UBG-Bankenbeteiligungs GmbH	4.640
RWA - Raiffeisen Ware Austria Aktiengesellschaft	2.397
UNIQA Finanzbeteiligung GmbH	2.378
UNIQA Österreich Versicherungen AG	0.094
Raiffeisen Versicherung AG	0.060
HSE Beteiligungs GmbH	0.570
<b>Total Non-Raiffeisen Landeszentralen</b>	<b>10.139</b>
<b>Total</b>	<b>100</b>

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\*R-Landesbanken-Beteiligung GmbH is wholly-owned by Raiffeisen-Landesbanken-Holding GmbH which, in turn, is owned by the following companies:

Agroconsult Austria Gesellschaft m.b.H. (2.20 per cent.)

KONKRETA Beteiligungsverwaltungs GmbH (18.14 per cent.)

RLB Burgenland Sektorbeteiligungs GmbH (5.51 per cent.)

RLB NÖ-Wien Sektorbeteiligungs GmbH (37.89 per cent.)

RLB OÖ Sektorholding GmbH (18.14 per cent.)

RLB Tirol Holding Verwaltungs GmbH (7.16 per cent.)

RLB Unternehmensbeteiligungs GmbH (5.44 per cent.)

RLB-Vorarlberg Sektorbeteiligungs GmbH (5.51 per cent.)

\*\*Stakeholdings of the individual shareholders might differ slightly due to rounding.

Source: RZB share register.

## 7. HISTORICAL FINANCIAL INFORMATION

### 7.1. Financial Information and Documents incorporated by reference

The specified pages of the following documents which have been previously published or are simultaneously published with this Registration Document and which have been filed with the CSSF are incorporated by reference into and form part of this Registration Document:

<b>1. Unaudited interim consolidated financial statements of RBI for the three months ended 31 March 2013</b>	<b>Extracted from the First Quarter Report as of 31 March 2013 of RBI</b>
– Statement of Comprehensive Income	– pages 44 – 46
– Statement of Financial Position	– page 47
– Statement of Changes in Equity	– page 48
– Statement of Cash Flows	– page 48
– Segment Reporting	– pages 49 – 53
– Notes	– pages 54 – 83
<b>2. Audited consolidated financial statements of RBI for the fiscal year 2012</b>	<b>Extracted from the Annual Report 2012 of RBI</b>
– Statement of Comprehensive Income	– pages 102 – 104
– Statement of Financial Position	– page 105
– Statement of Changes in Equity	– page 106
– Statement of Cash Flows	– pages 107 – 108
– Segment Reporting	– pages 109 – 115
– Notes	– pages 116 – 210
– Auditor's Report	– pages 211 – 212
<b>3. Audited consolidated financial statements of RBI for the fiscal year 2011</b>	<b>Extracted from the Annual Report 2011 of RBI</b>
Statement of Comprehensive Income	- pages 134 – 137
Statement of Financial Position	- page 138
Statement of Changes in Equity	- page 139
Statement of Cash Flows	- pages 140 – 141
Segment Reporting	- pages 142 – 149
Notes	- pages 150 – 261
Auditor's Report	- pages 262 – 263

The auditor's reports, dated 12 March 2012 and 11 March 2013, respectively, regarding the full year consolidated financial statements of RBI for the fiscal years 2011 and 2012 do not contain any qualifications.

RBI is responsible for the free English language translation of its audited annual consolidated financial statements for the financial years ended 31 December 2011 and 31 December 2012 and the related audit opinion as well as the unaudited interim consolidated financial statements for the three months ended 31 March 2013 into the English language.

Any information not incorporated by reference but contained in one of the documents mentioned as source documents in the cross reference list above is either not relevant for the investor or covered in another part of this Registration Document.

## 7.2. Legal and Arbitration Proceedings

From time to time, the Issuer and its subsidiaries are party to certain legal, governmental or arbitration proceedings before various courts and governmental agencies arising in the ordinary course of business involving contractual, labor and other matters. There is also a tendency, in particular in the aftermaths of the financial market and economic crisis, towards a more aggressive behavior on the part of competitors in the context of legal or other disputes. This also applies to banks with whom an agreement could be reached in the past as well as to credit institutions with whom RBI Group maintains business relationships in connection with syndicated loan facilities where it acts *inter alia* as co-manager or agent.

The following is a description of the most significant proceedings in which the RBI Group is currently involved:

- Legal action was filed against RZB (prior to the Merger) and Raiffeisen Investment AG ("**RIAG**") (prior to the Merger) in New York. The claimant alleged that RBI, in its capacity as universal successor to RZB, had unlawfully paid USD 150,000 on a bid bond and that RIAG had been involved in a fraud committed by the Serbian privatization agency resulting in a damage in the range of USD 31 million to USD 52 million. According to the defendants' and Issuer's assessment the claim is unfounded and very unlikely to succeed.
- In August 2011 a U.S. company filed a law suit against F.J. Elsner Trading Gesellschaft m.b.H. ("**FJ Elsner**"), a commodities trader and wholly-owned subsidiary of the Issuer, with the Commercial Court in Vienna. According to the claimant, FJ Elsner delivered steel coils that did not satisfy the agreed upon quality criteria, so that the claimant was not able to use such steel coils for further processing. The claimant claims damages of USD 41.9 million and further requests a declaratory judgment that FJ Elsner has to hold it harmless from any third-party claims resulting from the delivery of the steel coils. The legal proceedings are still pending. FJ Elsner is involved in other lawsuits, the claims currently filed against FJ Elsner amount to an aggregate of approximately EUR 9.4 million. FJ Elsner has indicated to RBI that it expects an overall success rate of less than 50 per cent. in favor of the claimants.
- In June 2012, a client of the Issuer's subsidiary in Slovakia, Tatra banka, a.s. filed a petition for compensation of damage and lost profits in the amount of approximately EUR 71 million. The lawsuit is connected with some credit facilities agreements entered into between Tatra banka, a.s. and the client. The client claims that Tatra banka, a.s. breached its contractual obligations by refusing to execute payment orders from the client's accounts without cause and by not extending the maturity of facilities despite a previous promise to do so, which led to non-payment of the client's obligations towards its business partners and the termination of the client's business activities. Although the legal proceedings have been interrupted due to the insolvency of the claimant, proceedings are expected to be continued. According to the defendants' assessment the claim is likely to be dismissed.
- Various claims for the repayment of deducted loan account maintenance fees have been filed against ZAO Raiffeisenbank, Russia, by a number of its clients based upon a decision of an arbitration court in Russia in 2009. Currently, claims amounting to a repayment of estimated EUR 3 million are pending. Due to the fact that all retail commissions have been cancelled and are no longer charged by ZAO Raiffeisenbank, Russia and that the limitation of action period for any claim set by the Civil Code of Russia is three years and has already expired for the majority of possible claims, it is estimated at this point of time that the maximum possible loss in relation to potential claims for the repayment of such commission fees could amount to up to EUR 26 million (including the claims for the EUR 3 million described above).
- In 2004 a claim in the amount of EUR 10.4 million was launched against the Issuer's subsidiary in the Ukraine, Raiffeisen Bank Aval JSC with a court in Moldova. The court proceeding is still pending. At this point of time the outcome of this proceeding cannot be estimated.
- Particularly in connection with its lending activities, the RBI Group is from time to time subject to claims from insolvency administrators or similar persons or authorities, seeking to recover assets of insolvent borrowers. In February 2012 a claim was submitted to RZB and RBI in which it was alleged that a borrower made a voluntary repayment under a syndicated loan agreement to RZB and/or RBI in the amount of EUR 75 million prior to its maturity date. The borrower became insolvent and it is now claimed that RZB and/or RBI has to repay a part of this amount, namely EUR 25 million.

- In 2011, the Hungarian Competition Office ("**HCO**") launched a competition supervision proceeding against various financial institutions, including the Raiffeisen Bank in Hungary (*Raiffeisen Bank Zrt*). The HCO claims that the banks were offering products with higher interest rates and were limiting access to lower interest rate products in connection with the early repayment of foreign currency loans. The amount of the fine cannot be estimated yet, but based on the relevant regulation, on the guideline issued by HCO relating to its imposing policy and on the practice of the HCO in similar matters, the fines may reach 5 % and will not exceed 10 % of the relevant net turnover in the calendar year preceding the adoption of the HCO decision, namely the revenues originating from the retail mortgage lending in the relevant sector. At this point of time it is not possible to evaluate the potential financial impact of this proceeding.
- Furthermore, the HCO launched a competition supervision proceeding against the Banking Association and Institute for Training and Consulting in Banking (Bankárképző). The HCO alleges that the establishment and the maintenance of the interbank database (BankAdat) being regularly updated by banks and containing partly non-public data may qualify as an information cartel. The database was available free of charge and contained quarterly updated data about the member banks and their performance uploaded by the banks themselves. Since 2000 and until recently the data uploaded were accessible on principle reciprocity basis (banks uploading data could see equivalent types of data uploaded by other banks). Subsequently, the HCO extended the ongoing proceeding to all participant commercial banks and financial institutions including Raiffeisen Bank Zrt. The amount of the fine cannot be estimated yet, but based on the relevant regulation, on the guideline issued by HCO relating to its imposing policy and on the practice of the HCO in similar matters the fines may reach 2-3 % and will not exceed 10 % of the net turnover in the calendar year preceding the adoption of the HCO decision. At this point of time it is not possible to evaluate the potential financial impact of this proceeding.
- There is a tendency in CEE countries towards a more aggressive behavior on the part of customers and consumer protection associations in the context of legal disputes in relation to consumer protection. For instance, on July 4, 2013 the Zagreb Commercial Court ruled against several banking subsidiaries of eurozone banks, including RBI's Network Bank in Croatia, Raiffeisenbank Austria d.d. requiring those banks to offer to borrowers of Swiss-francs-denominated loans made to retail customers to convert their loans into Croatian Kuna at the exchange rate applicable on the date of loan disbursement and to reset the respective interest rate on the loans to the rate applicable to Kuna based loans at the disbursement date, which interest rate will be fixed until maturity. Raiffeisenbank Austria d.d. and various other defendants have appealed the court decision. The court ruling against Raiffeisenbank Austria d.d. may affect the current outstanding loans as well as loans redeemed in the period of five years preceding the date of the ruling. In case the court of appeal will uphold the ruling of the first instance, the potential negative financial impact on Raiffeisenbank Austria d.d. could be significant, and finally would depend on the actual number of claims to be launched by customers based on such final ruling; the ruling as such may not be binding for subsequent claims, however it may have an indicative effect on other business relationships. Potential losses of Raiffeisenbank Austria d.d. would mainly result from the differences in conversion rates resulting from the fact that the value of Swiss francs to the Croatian Kuna has substantially increased over the past 5 years. As of the end of March 2013 Raiffeisenbank Austria d.d., Croatia had an outstanding volume of Swiss-francs-denominated retail loans in the currency equivalent of approximately EUR 311 million. The volume of Swiss-francs-denominated retail loans redeemed in the last five years amounts to approximately EUR 882 million.
- In 2011 a client of Raiffeisenbank Austria, d.d., Croatia launched a claim for damages in the amount of approximately EUR 19.2 million and alleged that damages have been caused by an unjustified termination of the loan. According to the defendant's assessment the claim is likely to be dismissed.
- *Procedures launched against board members of RBI by the Austrian Financial Market Authority (FMA)*  
In the course of the administrative penal procedure of the FMA, all members of the former board of management of RI, four of which are currently members of the management board of RBI, received the appeal decision of the independent administrative panel (*UVS, Unabhängiger Verwaltungssenat*) in October 2012. The FMA accused the board members that preparations pertaining to the Reorganisation of RZB and RI had not been made public in time via an ad-hoc release and the FMA as well as the Vienna Stock Exchange had not been informed in time prior to this ad-hoc release.

In contrast to the accusation, RBI's legal viewpoint is that in November 2009, when the project was discussed in the RZB board, the actual implementation of the Reorganisation was not sufficiently concrete

and to inform the public without concrete facts would have been a major economic disadvantage for the company. The obligation to provide an ad-hoc release arises only once a reasonable probability of occurrence for the underlying event has materialized.

From RBI's point of view, the FMA's legal view in an unresolved legal issue was surprising. Especially to ensure legal certainty in this area, an appeal against these penal rulings has been lodged. However, the UVS is in line with the FMA in its appeal decision. The affected board members have lodged a complaint at the Austrian Higher Administrative Court (*Verwaltungsgerichtshof*) as a court of last instance in December 2012.

Save as disclosed in this section "7.2. Legal and Arbitration Proceedings" and based on the Issuer's and the RBI Group's current assessment of the facts and legal implication, there were no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the previous 12 months, which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer or the RBI Group.

### **7.3. Significant change in the financial position of the Issuer**

There has occurred no significant change in the financial position of RBI Group since 31 March 2013.

## 8. MATERIAL CONTRACTS

Between 1999 and 2009, RZB issued, among others, notes under an English law-governed Euro Medium Term Note programme (updated for the last time on 2 March 2009). In connection with the Merger, all notes issued and outstanding under such program were allocated to the Issuer. However, due to the program being governed by English law, only the economic rights and obligations arising in connection with such notes were transferred to the Issuer, whereas, from a civil law perspective, RZB remained the issuer and fully liable towards noteholders for all payments under the notes. Reflecting the transfer of all economic effects from the notes, the Issuer (i) issued an irrevocable and unconditional guarantee towards the holders of senior notes and an irrevocable and unconditional subordinated payment undertaking towards the holders of subordinated notes and (ii) undertook towards RZB to compensate RZB for all payments made under the notes to the extent and as if RBI were itself issuer of the Securities.

In 2003, 2004 and 2006, RZB via special purpose vehicles incorporated in Jersey issued hybrid capital in the aggregate principal amount of EUR 800 million. The issue proceeds were on-lent in the form of supplementary capital (*Ergänzungskapital*) by the Jersey special purpose vehicles to RZB, which as the superordinated credit institution (*übergeordnetes Kreditinstitut*) of the RZB credit institution group was entitled to show the hybrid capital in its consolidated accounts. In connection with the Merger, the supplementary capital subscribed by the Jersey special purpose vehicles was transferred to the Issuer. In order to enable RZB to continue to show the hybrid capital in its consolidated accounts, the Issuer contractually assumed the obligation toward RZB to make available to RZB own funds in an amount equivalent to the amount of outstanding supplementary capital contributions upon request by RZB if RZB's own funds ratio on a non-consolidated basis would be less than 1 percentage-point above the Austrian legal requirement. The hybrid capital was the subject of a liability management transaction in the first quarter of 2012 in which part of it was purchased by the Issuer in a tender offer and such part subsequently cancelled.

In 2008 and 2009, RZB issued the Participation Capital 2008/2009 (*Raiffeisen-Partizipationskapital 2008/2009*) in the aggregate principal amount of EUR 2,500 million of which EUR 1,750 million were subscribed by the Republic of Austria in connection with financial market support measures. The Participation Capital 2008/2009 was transferred to the Issuer in connection with the Merger. The dividends payable on the Participation Capital 2008/2009 in the amount of 8 per cent. per annum for the business years 2009 until and including 2013, and increasing thereafter up to a maximum of 12 months-Euribor plus 10 per cent. per annum, are to be paid from the Issuer's annual profit before any distributions to the Issuer's shareholders are paid. Dividends on the Participation Capital 2008/2009 may be distributed only to the extent of the Issuer's profit for the preceding business year as reported in the Issuer's unconsolidated financial statements prepared in accordance with Austrian GAAP. Pursuant to an agreement with the Republic of Austria in the context of the issuance of the Participation Capital 2008/2009, the Issuer, among others, is obliged to use best efforts to grant loans in a certain amount to the Austrian economy, to refrain from distorting competition by offering unusual conditions or engaging in aggressive competitive activities, to pursue a sustainable business policy as well as to comply with reporting and disclosure obligations.

In 2009, RZB issued three bonds in an aggregate principal amount of EUR 4,250 million with maturities of two to five years which are guaranteed by the Republic of Austria in connection with financial market support measures. These bonds were transferred to the Issuer in the course of the Merger. One of these bonds, which was also the subject of a liability management transaction involving a partial repurchase in 2013, is still outstanding. Pursuant to the agreements with the Republic of Austria, the Issuer is obliged to pay a remuneration to the Republic of Austria for the guarantees and comply with similar restrictions, limitations and obligations as under the Participation Capital 2008/2009.

RBI has, as a member of the RZB credit institution group (*Kreditinstitutsgruppe*) connected to the central institution RZB, joined on an agreement according to §25(13) BWG (system of a common liquidity balance).

With respect to the Issuer's membership in the RKÖ and ÖRE, reference is made to the Section "*Membership in the Raiffeisen-Kundengarantiegemeinschaft Österreich*" and "*Membership in the Österreichische Raiffeisen-Einlagensicherung eGen*" in "**3. ORGANISATIONAL STRUCTURE**" of this Registration Document.

In the ordinary course of its business, the RBI Group enters into a variety of contracts with various other entities. Other than set forth above, the Issuer has not entered into any material contracts outside the ordinary course of its business which could result in any group member being under an obligation or entitlement that has a material adverse impact on the Issuer's ability to meet its obligations under the Securities.



## **9. THIRD PARTY INFORMATION**

If and to the extent information contained in this Registration Document, as supplemented from time to time, has been sourced from a third party, RBI confirms that to the best of its knowledge this information has been accurately reproduced and that, so far as RBI is aware and able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## **10. DOCUMENTS ON DISPLAY**

This Registration Document, any supplements hereto and the documents incorporated herein by reference are available on the website of the Issuer ([www.rbinternational.com](http://www.rbinternational.com)) and on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). The day of such first publication is deemed to be the valid day of publication.

This Registration Document is valid for a period of twelve months from the date of its approval. For the period of validity of the Registration Document all documents mentioned above and the Articles of Association (*Satzung*) of the Issuer are available free of charge at the registered office of the Issuer.