Joint Audit Report

of the Supervisory Board of Raiffeisen Zentralbank Österreich Aktiengesellschaft
and of the Supervisory Board of Raiffeisen Bank International AG
on the Merger of Raiffeisen Zentralbank Österreich Aktiengesellschaft with
Raiffeisen Bank International AG

TRANSLATION FROM GERMAN ORIGINAL
ONLY THE GERMAN ORIGINAL IS BINDING AND VALID

Raiffeisen Zentralbank Österreich Aktiengesellschaft, with its registered office in Vienna and the business address Am Stadtpark 9, 1030 Vienna, registered with the commercial register of the Commercial Court of Vienna under FN 58882 t is the lead and central institution of the Austrian Raiffeisen Banking Group (RBG Austria). RZB is, among other duties, the service unit for the members of the RBG Austria. RZB also coordinates the minimum reserve and the statutory liquidity reserve of the individual affiliated regional headquarters (i.e. the regional Raiffeisen banks). RZB pools equity participations in affiliated companies (such as Raiffeisen Bausparkasse, Raiffeisen Capital Management, Raiffeisen Factor Bank, Raiffeisen-Leasing, etc.) and in other associated companies such as card complete Service Bank AG, LLI or UNIQA.

Furthermore, through its listed subsidiary Raiffeisen Bank International AG, with its registered office in Vienna and the business address Am Stadtpark 9, 1030 Vienna, registered with the commercial register of the Commercial Court of Vienna under FN 122119 m, RZB has one of the largest banking networks in Central and Eastern Europe (CEE) and has a leading position within the corporate business market in Austria.

RZB is the sole shareholder of Raiffeisen International Beteiligungs GmbH, with its registered office in Vienna and the business address Am Stadtpark 9, 1030 Vienna, registered with the commercial register of the Commercial Court of Vienna under FN 294941 m. RI Bet holds 177,847,115 ordinary shares (approximately 60.7% of the share capital and voting rights) in the listed company RBI.

In order to simplify the Group's structure, and the corporate governance and decision-making structures of the credit institution group, and to improve its regulatory capital (in particular to avoid minority deductions), it is intended to merge RZB and RBI. This will be carried out in two steps. Firstly, RI Bet, as the Transferring Company, will be merged upstream with RZB as the Acquiring Company. Subsequently RZB, as the Transferring Company, will be merged downstream with RBI as the Acquiring Company.

The executive management of RI Bet and the Management Board of RZB have drawn up a Draft Merger Agreement on the merger of RI Bet with RZB, which will precede this Merger. This Draft Merger Agreement will be presented to the General Meeting of RZB on 23 January 2017 for its approval.

The RZB Management Board and the RBI Management Board have drawn up a Draft Merger Agreement on the merger of RZB with RBI. This Draft Merger Agreement will be submitted to the RZB General Meeting on 23 January 2017 for its approval and to the RBI General Meeting on 24 January 2017 for its approval.

When the Preceding Merger of RI Bet with RZB enters into effect, RZB will directly hold 117,847,115 ordinary bearer shares in RBI, corresponding to around 60.7% of the share capital of and voting rights in RBI.

RZB will be merged with RBI by granting shares in RBI pursuant to secs. 219 et seq. of the Austrian Stock Corporation Act (*Aktiengesetz - AktG*) (including granting of the shares in RBI which were previously held indirectly by RZB to RZB shareholders).

The RZB Supervisory Board members and the RBI Supervisory Board members have been provided with the following documents:

- the Draft Merger Agreement on the merger of RI Bet with RZB including annexes;
- the Draft Merger Agreement on the merger of RZB with RBI including annexes;

- the Reorganization Plan pursuant to sec. 39 of the Reorganization Tax Act (*Umgründungssteuergesetz - UmgrStG*);

- the Joint Merger Report of the RZB Management Board and of the RBI Management Board pursuant to sec. 220a of the Stock Corporation Act; and

- the Report of the Joint Merger Auditor pursuant to sec. 220b of the Stock Corporation Act.

The RBI Supervisory Board has also been provided with a fairness opinion by Citigroup Global Markets Limited, London, which has been issued to the Supervisory Board for its sole benefit.

Pursuant to sec. 220c of the Stock Corporation Act, the RZB Supervisory Board and the RBI Supervisory Board must examine the intended Merger on the basis of the Joint Merger Report of the RZB Management Board and of the RBI Management Board and of the Audit Report of the Joint Merger Auditor and prepare a written report on it.

Consequently, the RZB Supervisory Board and the RBI Supervisory Board have examined the intended Merger on the basis of the Joint Merger Report of the RZB Management Board and of the RBI Management Board and of the Audit Report of the Joint Merger Auditor and have found as follows.

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DEFINITIONS AND ABBREVIATIONS

AktG	Austrian Stock Corporation Act (Bundesgesetz über Aktiengesellschaften (Aktiengesetz - AktG)), Austrian Federal Law Gazette (BGBl) 1965/98, as amended
AT1	Additional core capital instruments
approx.	approximately
RBG Austria	Raiffeisen Banking Group Austria, comprising RZB, RBI, regional Raiffeisen banks and Raiffeisen banks and the majority of their subsidiaries; the Raiffeisen Banking Group Austria is neither a corporate group pursuant to sec. 15 of the Stock Corporation Act nor a credit institution group pursuant to sec. 30 of the Austrian Banking Act, nor a credit institution association pursuant to sec. 30a of the Austrian Banking Act
BDO	BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft FN 96046 w
B-IPS	Federal institutional protection scheme in Austria (*Bundes-IPS*)
Bn	billion(s)
BWG	Austrian Banking Act (*Bundesgesetz über das Bankwesen (Bankwesengesetz - BWG)*), Austrian Federal Law Gazette (*BGBl*) 1993/532, as amended
CAPM	Capital Asset Pricing Model
CEE	Central and Eastern Europe
CET1	Common equity instruments
Citi	Citigroup Global Markets Limited, London
CRR	REGULATION (EU) No 575/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012
DCF	Discounted Cash Flow
Deutsche Bank	Deutsche Bank AG, Frankfurt am Main
ECB	European Central Bank
e.g.	*exempli gratia* (for example)
et seq.	and the following
EUR	Euro
EY	Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. (FN 267030 t)
FMA	Austrian Financial Market Authority (*Finanzmarketaufsichtsbehörde*)
GmbHG	Act of 6 March 1906 on limited liability companies (Limited Liability Companies Act) (*Gesetz über Gesellschaften mit beschränkter Haftung - GmbHG*), Austrian Reich Law Gazette (*RGBl*) 1906/58, as amended
i.e.	*id est*, this means

incl.	including
Interfides	INTERFIDES audit Wirtschaftsprüfungs- und SteuerberatungsgesellschaftmbH FN 284914 t
IPS	Institutional protection scheme
LLI	LEIPNIK-LUNDENBURGER INVEST Beteiligungs Aktiengesellschaft (FN 214802 k)
Merger Shares	has the meaning specified in VI.6
Mn	million(s)
para.	paragraph
Raiffeisen Bausparkasse	Raiffeisen Bausparkasse Gesellschaft m.b.H. (credit institution) (FN 116309 v)
Raiffeisen-Leasing	Raiffeisen-Leasing Gesellschaft m.b.H. (FN 55858 w)
RBI	Raiffeisen Bank International AG FN 122119 m
RBI Group	RBI and its consolidated subsidiaries pursuant to sec. 244 of the Austrian Commercial Code (*Unternehmensgesetzbuch - UGB*) and/or in connection with the calculation of regulatory capital, the credit institution group consolidated with RBI within the meaning of partial consolidation pursuant to Art. 11 (5) of the CRR
RE	Raiffeisen evolution project development GmbH (FN 226332 t)
RFB	Raiffeisen Factor Bank AG (FN 303457 k)
RI Bet	Raiffeisen International Beteiligungs GmbH FN 294941 m
RWA	Risk-weighted assets
RZB	Raiffeisen Zentralbank Österreich Aktiengesellschaft FN 58882 tt
RZB Group	RZB and its consolidated subsidiaries pursuant to sec. 244 of the Austrian Commercial Code and/or in connection with the calculation of regulatory capital, the credit institution group consolidated with RZB pursuant to sec. 30 of the Austrian Banking Act
sec.	Section
UGB	Austrian Commercial Code (*Bundesgesetz über besondere zivilrechtliche Vorschriften für Unternehmen (Unternehmensgesetzbuch - UGB)*), Austrian Reich Law Gazette (*DRGBl*) 1897 p. 219, amended, inter alia, by the Amendment to the Austrian Commercial Code (*Handelsrechts-Änderungsgesetz*), Federal Law Gazette I (*BGBl I*) 2005/120, as amended
UmgrStG	Federal act stipulating tax measures for the reorganization of companies (Austrian Reorganization Tax Act (*Umgründungssteuergesetz - UmgrStG*)), Austrian Federal Law Gazette (*BGBl*) 1991/699, as amended
UBS	UBS Europe SE, Frankfurt am Main
UNIQA	UNIQA Insurance Group AG (insurance) (FN 92933 t)

I. COMPANIES INVOLVED IN THE MERGER

For details of the companies involved in the Merger, please refer to the statements in the Joint Merger Report of the RZB and RBI Management Boards pursuant to sec. 220a of the Stock Corporation Act (*Aktiengesetz - AktG*).

II. THE RZB/RBI GROUP

For details of the RZB/RBI Group, please refer to the statements in the Joint Merger Report of the RZB and RBI Management Boards pursuant to sec. 220a of the Stock Corporation Act.

III. RATIONALE BEHIND THE MERGER

1 Change in underlying conditions

Since the financial crisis, the RZB Group, like all banks, has faced ever-increasing capital requirements and higher risk-weighted assets (RWA) calculations. If lead institutions of decentralized banking groups such as the RBG Austria raise capital via the stock market, the resulting dilutive effects disadvantage decentralized sectors and could cause them to lose majority ownership of their lead institution in a long term perspective. The extent to which this capital requirement can be externally financed is therefore limited. Moreover, the banking tax introduced in Austria and in some other countries combined with the contributions to the respective bank resolution funds have made it significantly more difficult to retain profits and use internal funds to finance this capital requirement.

Currently, both RBI and RZB are regulated banking groups. As the top-level credit institution for the credit institution group (following the merger of the financial holding company Raiffeisen-Landesbanken-Holding GmbH into RZB), RZB currently constitutes the top-level unit for the purposes of calculating regulatory capital. Shortages in capital at this level are therefore just as relevant for the RBI Group as for its own capital base. Since the CRR came into effect, RZB's consolidated equity calculation has been subject to a deduction, including for minority interests of RBI's free float shareholders (i.e. all RBI shareholders with the exception of RZB, corresponding to approximately 39.3%). The amount of this minority deduction at consolidated RZB level is based on the overcapitalization (i.e. the equity which exceeds the regulatory minimum) at the level of the sub-consolidated RBI Group.

The corporate structure combined with the minority deduction results in a paradox where the equity deduction at consolidated RZB level increases the more regulatory capital the sub-consolidated RBI Group holds above the regulatory minimum. In other words, an increase in regulatory capital (irrespective of its form) at the level of the RBI Group only benefits the RZB Group to the extent that it serves to cover the RBI Group's minimum capital requirements. Any exceeding of the requirement at RBI level leads to significant disadvantages at RZB level. A capital base which is close to the minimum capital requirements is neither desirable from a regulatory point of view nor appropriate from a financial perspective.

Raising capital at RBI level is therefore inefficient at RZB level. This has significant adverse effects for RZB and RBI: investors primarily wish to subscribe to capital which is issued by RBI (a listed company). This applies to both common equity tier 1 instruments (especially shares) and also to other equity instruments (additional tier 1 capital, known as AT1, and tier 2 capital pursuant to the CRR, which is referred to as Tier 2 capital). Since the issuance of capital by RBI does not create the same degree of equity at the level of the RZB Group, these different consequences for the RZB Group on the one hand and for the RBI Group on the other also place RBI at a significant disadvantage when raising capital, thereby significantly restricting growth.

2 Previous measures by RZB and the RBI Group

Alongside the ongoing reduction in RWA, several measures were introduced at RZB level in the first half of 2016. These included the merger of R-Landesbanken-Beteiligung GmbH and of Raiffeisen-Landesbanken-Holding GmbH with RZB, the sale of a 17.64% stake in UNIQA and the sale of the participation in RE. The mergers of R-Landesbanken-Beteiligung GmbH and of Raiffeisen-Landesbanken-Holding GmbH with

RZB were completed in September/October 2016. This eliminated the need for a further consolidated group, in accordance with regulatory requirements and with limiting effects for RZB/RBI, at the level of Raiffeisen-

Landesbanken-Holding GmbH as a financial holding company, with additional minority deductions (deduction of the shares of all RZB shareholders who are not attributable to the regional Raiffeisen banks).

RZB's sale of a 17.64% stake in UNIQA to UNIQA Versicherungsverein Privatstiftung is expected to be closed in December 2016; at the same time, RZB would acquire 2.24% of UNIQA's shares from RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN registrierte Genossenschaft mit beschränkter Haftung, Raiffeisen-Landesbank Steiermark AG and Raiffeisenlandesbank Kärnten - Rechenzentrum und Revisionsverband, registrierte Genossenschaft mit beschränkter Haftung, with the aim of bundling all of the RBG Austria's participations in UNIQA at RZB. After completion of the planned transactions, RZB's holding in UNIQA will total approximately 10.87%. These measures will increase RZB's CET1 ratio (in each case on a consolidated basis) by 40 basis points (transitional) and 60 basis points (fully loaded).

In February 2015, RBI adopted a transformation program to strengthen its capital base (target CET1 ratio of at least 12% and target equity ratio of at least 16% for the end of 2017, in each case fully loaded (i.e. excluding the transitional provisions as defined within the CRR)) and to reduce risk and so create capacities for growth in the most promising markets. Some of the measures have already been successfully implemented:

- sale of the Slovenian subsidiary: completed with effect as of 30 June 2016

- restructuring in Hungary: concentrating on the profitable corporate business market should ensure a more efficient use of RWA from a risk/return perspective. This has been accompanied by a focus on premium retail customers (private banking, affluent banking), primarily as a basis for refinancing and also to improve earnings. Supporting measures included a comprehensive reorganization of structures and procedures (e.g. establishment of a shared service center in Eastern Hungary, relocation of the head office to the outskirts of the city, increase in the management-to-staff ratio with a simultaneous reduction in the workforce of approximately 10%, based on full-time equivalents, streamlining of the branch network by approximately 50%).

RBI also started to integrate the direct bank ZUNO BANK AG into the Czech and Slovakian subsidiary banks.

Adjustments were also made at the leasing units; these included the sale of RBI's shares in Raiffeisen-Leasing Polska S.A. to PKO Leasing S.A. The transaction increases RBI's CET1 ratio (fully loaded) by around 33 basis points. For the merged entity comprising RZB and RBI, the positive effect would amount to approximately 28 basis points.

Implementation of the following measures should be completed by the end of 2017:

- sale of the Polish Raiffeisen Bank Polska S.A.: major capital-strengthening measures had become necessary to enable the bank to benefit from the intense market consolidation in Poland. To focus its capital resources on selected markets, RBI decided to withdraw from this market. If the sale has not been completed by the middle of 2017, at least 15% of Raiffeisen Bank Polska S.A.'s shares are to be listed on the Warsaw Stock Exchange, pursuant to an agreement with the Polish financial supervision authority.
- withdrawal from the USA and rescaling of operations in Asia: focus on European markets and reduction of complexity within the Group.
- reduction, of up to 20%, in risk-weighted assets of the Russian unit: in Russia, RBI has a profitable bank with an outstanding reputation, as well as customers with excellent credit standing. However, the macroeconomic environment in Russia, as well as Group-wide risk management aspects, render it necessary to reduce business volumes and risk in this market.

- additional short- to medium-term optimization measures: reduction in risk-weighted assets of the Ukrainian subsidiary by approximately 30%. In Ukraine, RBI has a subsidiary with a good market position and a good earnings position compared to other Ukrainian banks. However, the geopolitical environment and the country's associated difficult economic situation, and also taking into account Group-wide risk management aspects, made it necessary to reduce business.

Freed-up capital and risk-bearing capacity will be allocated to those markets that are to sustainably contribute to RBI's value enhancement (e.g. Slovakia, the Czech Republic, Romania). Capital efficiency enhancement measures are accompanied by Group-wide cost and risk management.

3 Strategic objectives and rationale behind the Merger in the interests of the undertakings involved

The principal rationale behind the Merger is to optimize the capital situation and increase transparency for all stakeholders by reducing complexity and ensuring simple, clear governance.

3.1 Elimination of the minority deduction

The merger of RZB with RBI will eliminate the existing minority deduction at RZB level and – compared to the current RZB Group – will result in an immediate improvement in the common equity tier I ratio. It will increase by 60 basis points (transitional) as of 30 June 2016. Assuming that the future minimum requirements are applied to RBI's capitalization as of 30 June 2016, the elimination of the minority deduction will not currently result in any benefit from a fully loaded perspective (if the current group structure is retained, however, this effect would also occur again accordingly from a fully-loaded perspective in the event of any future capital expansion).

Eliminating the minority deduction will also make it easier to raise regulatory capital in future, either by retaining profits or by issuing capital.

Compared to the RBI Group prior to the Merger, the CET1 ratio of the Group comprising the merged entity will be 90 basis points lower (transitional) and 100 basis points lower (fully loaded).

Overall, the Merger will also be beneficial for RBI because the RBI Group, as part of the RZB Group, is restricted by the latter's capitalization. Each associated improvement (see III.1 above) will support RBI's business activities.

3.2 Simpler, more transparent organizational structure

The Merger will simplify RZB's Group structure, thereby increasing efficiency when calculating regulatory capital. It will combine planning and approval processes (e.g. capital planning, approvals for individual transactions) at the level of the merged institution and eliminate the need for votes by the two entities.

The entity created by the Merger will have improved access to capital markets, allowing it to issue all forms of regulatory capital. This will enable it to respond more flexibly to future changes in capital requirements.

3.3 More efficient governance

The merged entity will have a simple, clear governance structure, increasing transparency and responsiveness. In many cases, decisions at RBI level require additional approval from RZB's Management Board and Supervisory Board. In future, it will be possible to take decisions solely at the level of RBI within its own decision-making bodies. The new structure of a merged institute will also facilitate supervision by the authorities (for regulated institutions and for supervisory authorities), because the supervisory authorities have until now mainly concerned themselves with RZB as the top-level institute, and less so with RBI. In future, the institution (RBI) and supervisory authorities will be able to pursue a similar approach.

4 Future strategic direction for the merged entity

4.1 Vision & mission

The merged institution should remain a leading universal bank in Austria and Central and Eastern Europe, well positioned in order to be able to exploit structural potential for growth in CEE and to benefit from stable revenues and a strong market position in Austria. This will be strengthened by a balanced capital and liquidity position as a basis for future growth. A streamlined organizational structure is to support this strategy.

The merged entity's presence in many countries will make it possible to generate cross-border synergies within the Group.

4.2 Customer strategy

4.2.1 Geographical presence

- The merged entity will regard Austria and CEE as its home markets
- In Austria, the merged entity will have a strong market position among major companies and institutional clients and will also enjoy high market shares within the asset management and home-loan products segments
- In the CEE region, where the merged entity will operate 14 local network banks and additional leasing companies and specialized financial service providers, it will be a

leading regional player among the top 5 institutions in nine countries (based on customer loans)

- The merged entity will also provide services to companies and institutional clients which have a connection with Austria or CEE

4.2.2 Business model

- The merged entity will focus on long-term relationships with retail and corporate customers, selected institutional customers and customers and members of the RBG Austria.
- Prioritizing will be based on overall commercial attractiveness within the individual segments.
- All business units will aim to create long-term value and should fit the risk appetite of the merged entity.

4.2.3 Target customers

- Retail (in CEE and selectively in Austria)
  - Bulk business
  - Premium & retail customers
  - Independent entrepreneurs, micro and small enterprises

- Corporate customers
  - Target group: Top 1,000 corporate customers in Austria
  - Multinational corporate customers with a focus on Austria and CEE
  - Local: large and medium-sized corporate customers

- Institutional customers
  - Focus on business that generates fee income rather than interest income
- Members of the RBG Austria.

4.2.4 Services offered

- Financial services for customers operating within Austria and CEE
- Comprehensive multi-channel portfolio for retail customers in CEE and for special products in Austria
- Tailored portfolio for specific business segments based on market structure and customer requirements
- High-quality, customer-focused solutions, facilitated by the merged entity's extensive network, for key Western European customers with a focus on Austria and CEE
- Services within the context of the central institution function, including the management and collection of the liquidity reserve and of the minimum reserve
- Specialized financial services and products (home savings loans, asset management, factoring) for customers of the RBG Austria via the centralized affiliated companies

- Center of excellence for digital banking and innovation management of the merged entity and of the RBG Austria (planning, development, implementation)

4.2.5 Direct projects

- Speedy realization of potential synergies, especially as regards governance and process optimization, from the Merger
- Closer cooperation and increased transfer of know-how for product and process innovations between the affiliated companies, all members of the RBG Austria and of the merged entity
- Development and implementation of a digital roadmap within the merged entity; development of new business models and support for the business lines in resolving current digital requirements for IT and processes and in leveraging synergies

4.2.6 Financial objectives

The merged entity will target the following ratios:

- a CET1 ratio (fully loaded) of at least 12% and a total capital ratio (fully loaded) of at least 16% by the end of 2017;
- in the medium term, a return on equity before taxes of around 14% and Group return on equity of around 11%;
- in the medium term, a cost/income ratio of 50% to 55%

IV. DETAILS OF THE REORGANIZATION STEPS

1 Reorganization Plan

RZB is the sole shareholder of RI Bet. RI Bet holds 177,847,115 ordinary shares (approximately 60.7%) in the listed company RBI.

It is intended, in a first step with the Effective Date as of 30 June 2016, at 24:00 hours, to merge RI Bet, as the Transferring Company, upstream with RZB, as the Acquiring Company, by way of universal succession, along with all rights and obligations, and waiving the liquidation of RI Bet, without increasing the share capital of RZB.

Furthermore, it is intended, in a second step also with the Effective Date of 30 June 2016, at 24:00 hours, to merge RZB (including the assets of RI Bet), as the Transferring Company, downstream with RBI, as the Acquiring Company, by way of universal succession, along with all rights and obligations, and waiving the liquidation of RZB, while granting shares in the Acquiring Company pursuant to secs. 219 et seq. of the Stock Corporation Act.

The merger of RI Bet with RZB and the subsequent merger of RZB with RBI concern the same assets, to some extent, namely shares in RBI. The two reorganization steps are to take effect with the same Effective Date, namely 30 June 2016, at 24:00 hours. RI Bet, RZB and RBI have therefore drawn up a Reorganization Plan for tax purposes pursuant to sec. 39 of the Reorganization Tax Act (*Umgründungssteuergesetz - UmgrStG*), which is referred to in all reorganization agreements (i.e. in the Merger Agreement on the Merger of RI Bet with RZB and in the Merger Agreement on the Merger of RZB with RBI) and which is also referred to in this Merger Report.

The RI Bet executive management and the RZB Management Board have drawn up a Draft Merger Agreement on the merger of RI Bet with RZB. This Draft Merger Agreement will be concluded prior to the General Meeting of RZB, subject to the approval of this General Meeting.

The RZB Management Board and the Management Board of RBI have drawn up a Draft Merger Agreement on the merger of RZB with RBI. This Draft Merger Agreement will be concluded prior to the General Meetings of RZB and RBI, subject to the approval of these General Meetings.

2 Key steps for the upstream merger of RI Bet with RZB

2.1 General

As a preparatory step for the planned merger of RZB with RBI, it is intended to merge RI Bet with RZB on the basis of the provisions of the Merger Agreement between RI Bet and RZB by way of a merger through absorption. The aim of this merger is for RZB to acquire a direct participation in RBI before RZB and RBI are merged, and to enable RZB's shareholders to directly become shareholders of RBI (including the transfer of RZB's shares in RBI (amounting to approximately 60.7%) to RZB's shareholders pursuant to sec. 224 para. 3 of the Stock Corporation Act.

2.2 Legal basis of the merger

The merger of RI Bet with RZB will be effected pursuant to sec. 234 of the Stock Corporation Act in conjunction with secs. 96 to 101 of the Limited Liability Companies Act (*Gesetz über Gesellschaften mit beschränkter Haftung - GmbHG*) in conjunction with secs. 219 to 233 of the Stock Corporation Act and pursuant to Art. I of the Reorganization Tax Act, taking advantage of the tax benefits provided by the Reorganization Tax Act.

The merger of RI Bet with RZB is to be registered with the commercial register immediately before the merger of RZB with RBI is registered with the commercial register.

The merger will be effected with continuation of RI Bet's fiscal book values at RZB pursuant to sec. 3 para. 1 sub-para. 1 in conjunction with sec. 2 of the Reorganization Tax Act and continuation of its commercial book values at RZB pursuant to sec. 202 para. 2 of the Austrian Commercial Code (*Unternehmensgesetzbuch - UGB*).

The Effective Date of the Merger pursuant to sec. 220 para. 2 sub-para. 5 of the Stock Corporation Act and pursuant to sec. 2 para. 5 of the Reorganization Tax Act will be 30 June 2016, at 24:00 hours. With effect from the expiry of the Effective Date of the Merger, all benefits and encumbrances of the transferred assets of RI Bet will apply to RZB, which will also enter into all pending transactions and contracts of RI Bet. With effect from the expiry of the Effective Date of the Merger, all acts of RI Bet will be deemed to have been carried out for the account of RZB.

2.3 Transfer of assets

The merger of RI Bet with RZB will be based on RI Bet's interim financial statements as of 30 June 2016 as the closing balance sheet within the meaning of sec. 220 para. 3 of the Stock Corporation Act. Upon expiry of the Effective Date of the Merger, RI Bet will be regarded as dissolved and its entire assets will be deemed to have been transferred to RBI by way of universal succession with all rights and obligations, waiving the liquidation of RI Bet.

2.4 Capital measures

As RZB is the sole shareholder of RI Bet, pursuant to sec. 224 para. 1 sub-para. 1 of the Stock Corporation Act, no shares in RZB may be granted as a result of the merger. RZB's share capital will therefore not be increased as a result of the merger.

2.5 Audit

The merger report of RI Bet's executive management pursuant to sec. 100 of the Limited Liability Companies Act in conjunction with sec. 220a of the Stock Corporation Act, and the merger report of RZB's Management Board pursuant to sec. 220a of the Stock Corporation Act, are, pursuant to sec. 234 in conjunction with sec. 232 para. 1 of the Stock Corporation Act, not required as RZB is the sole shareholder of RI Bet.

A merger audit by merger auditors of RI Bet and of RZB pursuant to sec. 220b of the Stock Corporation Act is, pursuant to sec. 234 in conjunction with sec. 232 para. 1 of the Stock Corporation Act and sec. 100 of the Limited Liability Companies Act, not required as RZB is the sole shareholder of RI Bet.

RZB's Supervisory Board has been informed of the proposed merger in writing by the company's Management Board, pursuant to sec. 232 para. 3 of the Stock Corporation Act. An examination and report by RZB's Supervisory Board pursuant to sec. 220c of the Stock Corporation Act is, pursuant to sec. 232 para. 1 of the Stock Corporation Act, not required as RZB is the sole shareholder of RI Bet. RI Bet does not have a supervisory board.

2.6 Passing of a resolution and registration with the commercial register

It is planned that RZB's General Meeting will pass a resolution on this merger on 23 January 2017. The RI Bet executive management and the RZB Management Board will submit the draft of the Merger Agreement to the Commercial Court of Vienna no later than one month before the date of the resolution by RZB's General Meeting. The merger documents which are to be disclosed by the RI Bet executive management and by the RZB Management Board no later than one month before RZB's General Meeting as well as the documents concerning the merger of RZB with RBI will be made available for shareholders to inspect at RZB's registered office.

The resolution by RZB's General Meeting requires a majority of three-quarters of the share capital represented in the votes. Pursuant to sec. 234 in conjunction with sec. 232 para. 1a of the Stock Corporation Act, the consent of RI Bet's General Meeting is not required because RZB is the sole shareholder of RI Bet.

The registration of the merger of RI Bet with RZB will have the following legal consequences: RI Bet's entire assets (including in particular its participation in RBI) will transfer to RZB by way of universal succession. RI Bet will cease to exist without liquidation.

The merger of RI Bet with RZB is a preparatory step for the subsequent planned merger of RZB with RBI.

2.7 Authorization requirements

The merger of RI Bet with RZB requires the approval of the Austrian Financial Market Authority (FMA).

The approval of the FMA, the granting of prudential permission pursuant to Art. 113 (7) of the CRR to RBI for the B-IPS and the approval of RZB's General Meeting are conditions precedent for the merger of RI Bet with RZB.

3 Key steps for the downstream merger of RZB with RBI

3.1 General

It is intended to merge RZB with RBI on the basis of the provisions of the Merger Agreement between RZB and RBI by way of a merger through absorption.

3.2 Legal basis of the Merger

The merger of RZB with RBI will be effected as a merger through absorption pursuant to secs. 219 to 233 of the Stock Corporation Act and pursuant to Art. I of the Reorganization Tax Act, taking advantage of the tax benefits provided by the Reorganization Tax Act.

The merger of RZB with RBI is to be registered with the commercial register immediately after the merger of RI Bet with RZB is registered with the commercial register.

The Merger will be effected with continuation of RZB's fiscal book values at RBI pursuant to sec. 3 para. 1 sub-para. 1 in conjunction with sec. 2 of the Reorganization Tax Act and continuation of its commercial book values at RBI pursuant to sec. 202 para. 2 of the Austrian Commercial Code.

The Effective Date of the Merger pursuant to sec. 220 para. 2 sub-para. 5 of the Stock Corporation Act and pursuant to sec. 2 para. 5 of the Reorganization Tax Act will be 30 June 2016, at 24:00 hours. With effect from the expiry of the Effective Date of the Merger, all benefits and encumbrances of the transferred assets of RZB will apply to RBI, which will also enter into all pending transactions and contracts of RZB. With effect from the expiry of the Effective Date of the Merger, all acts of RZB will be deemed to have been carried out for the account of RBI.

3.3 Transfer of assets

The merger of RZB with RBI will be based on RZB's audited interim financial statements as of 30 June 2016 as the closing balance sheet within the meaning of sec. 220 para. 3 of the Stock Corporation Act. Upon expiry of the Effective Date of the Merger, RZB will be regarded as dissolved and its entire assets (including the assets transferred to it from RI Bet by virtue of the Preceding Merger) will be deemed to have been transferred to RBI by way of universal succession with all rights and obligations, waiving the liquidation of RZB.

3.4 Capital measures

To implement the Merger and grant the consideration, RBI will increase its share capital by EUR 109,679,778.15 from EUR 893,586,065.90 to EUR 1,003,265,844.05 by issuing 35,960,583 no-par-value bearer shares with voting rights. The capital increase will be implemented as consideration to compensate RZB's shareholders for the corporate assets of RZB transferred to RBI as a result of the Merger (excluding the 117,847,115 RBI shares held directly by RZB following the Preceding Merger with RI Bet, which will be distributed directly to RZB's shareholders pursuant to sec. 224 para. 3 of the Stock Corporation Act for the purpose of offering partial compensation to them). The new shares created as a result of the capital increase will be issued at their pro-rata amount of the share capital (sec. 8 para. 3 sentence 3 of the Stock Corporation Act), amounting to EUR 3.05, without any premium. Pursuant to sec. 223 of the Stock Corporation Act, the remaining shareholders of RBI will have no subscription rights with regard to the new shares issued in the course of RBI's capital increase which is required to implement the Merger.

3.5 Audit

The RZB Management Board and the Management Board of RBI have prepared a Joint Merger Report pursuant to sec. 220a of the Stock Corporation Act on the merger of RZB with RBI.

The following audit measures are also being carried out:

By resolution of 7 October 2016, the Commercial Court of Vienna appointed Interfides as joint merger auditor for the Transferring Company and the Acquiring Company pursuant to sec. 220b of the Stock Corporation Act. In particular, the merger auditor will audit the legality of the Merger (including the Draft Merger Agreement) as well as, from an economic perspective, the fairness of the exchange ratio including the fairness of the methods used to determine the exchange ratio and whether specific difficulties have arisen during the valuation. Pursuant to sec. 221a para. 2 of the Stock Corporation Act, the merger auditor's report will be submitted to the Transferring Company and to the Acquiring Company together with the other merger documents (including this Merger Report) one month before the date of the General Meetings which are to decide on the approval of the Merger.

RZB's Supervisory Board and RBI's Supervisory Board will each examine the process for the Merger (including the Draft Merger Agreement), based on the Merger Report of the Management Boards of RZB and RBI and on the merger auditor's audit report (see sec. 220c of the Stock Corporation Act). The examination by RZB's Supervisory Board and by RBI's Supervisory Board will primarily involve examining the legality of the Merger, the fairness of the exchange ratio and whether the Merger is appropriate. Pursuant to sec. 221a para. 2 of the Stock Corporation Act, the report of the Supervisory Boards of RZB and RBI on the examination of the Merger will be submitted to the Transferring Company and to the Acquiring Company together with the other merger documents (including this Merger Report) one month before the date of the General Meetings which are to decide on the approval of the Merger.

Furthermore, by resolution of 10 October 2016, the Commercial Court of Vienna appointed Interfides as auditor of the capital increase to implement the Merger, pursuant to sec. 223 para. 2 in conjunction with secs. 25 et seq. of the Stock Corporation Act. This audit is concerned with examining whether the resolution on the capital increase contains the required determinations and in particular whether the value of the assets to be transferred as a result of the Merger covers the issuing price of the new shares created by the capital increase (in terms of content, an audit of a contribution in kind). It is not planned to circulate the Audit Report pursuant to sec. 223 para. 2 in conjunction with secs. 25 et seq. of the Stock Corporation Act on the audit of the capital increase to implement the Merger to either the Transferring Company or the Acquiring Company, partly because the audit of the capital increase can only be completed after the General Meeting of the Acquiring Company which is to pass a resolution on the capital increase to implement the Merger, and because such circulation is not necessary pursuant to sec. 221a para. 2 of the Stock Corporation Act.

3.6 Passing of a resolution and registration with the commercial register

It is planned that respective resolutions on the Merger will be passed by RZB's General Meeting on 23 January 2017 and by RBI's General Meeting on 24 January 2017. The RZB Management Board and the Management Board of RBI will submit the Draft Merger Agreement to the Commercial Court of Vienna no later than one month before the date of the resolutions by the General Meetings of RZB and RBI. The merger documents which are to be disclosed by the RZB Management Board and by the Management Board of RBI no later than one month before the General Meetings of RZB and RBI as well as the documents concerning the merger of RI Bet with RZB will be made available for shareholders to inspect at the companies' registered offices and on RBI's website.

The Merger Agreement between RZB and RBI requires the approval of the General Meetings of RZB and RBI. The respective resolutions of the General Meetings require a majority of three-quarters of the share capital represented in the votes.

The registration of the merger of RZB with RBI will have the following legal consequences: The entire assets of RZB (including the assets transferred from RI Bet to RZB by virtue of the Preceding Merger, but excluding the shares to be distributed to RZB's shareholders pursuant to sec. 224 para. 3 of the Stock Corporation Act, which RZB will directly hold in RBI following the implementation of the Preceding Merger) will transfer to RBI by way of universal succession. RZB will cease to exist without liquidation.

The preceding merger of RI Bet with RZB is a preparatory step for the merger of RZB with RBI. The entry into force of the merger of RI Bet with RZB as a result of its registration with the commercial register is a prerequisite for the entry into force of the merger of RZB with RBI. The target date for registration with the commercial register is the end of March 2017.

3.7 Authorization requirements

The merger of RZB with RBI is also subject to the approval of the FMA pursuant to sec. 21 para. 1 sub-para. 1 of the Austrian Banking Act.

The merger of RZB with RBI is not subject to European merger control or to merger control in Austria or in other countries because it includes a merger of group companies.

V. CONSEQUENCES OF THE MERGER

1 Accounting effects

For details of the accounting effects of the merger of RI Bet with RZB and of the merger of RZB with RBI, please refer to the statements in the Joint Merger Report of the RZB and RBI Management Boards pursuant to sec. 220a of the Stock Corporation Act.

2 Assumption of central institution role

In this connection, please refer to the statements in the Joint Merger Report of the RZB and RBI Management Boards pursuant to sec. 220a of the Stock Corporation Act.

3 Joint risk monitoring; accession to the federal institutional protection scheme (B-IPS)

It is planned that the merged entity will be a member of the B-IPS. Under civil law, it will assume all rights and obligations under the B-IPS agreement by way of universal succession.

The planned Merger will not impede current operation of the B-IPS, in particular because, as a sub-group of the RZB Group, the RBI Group is already included in the own funds calculation of the B-IPS.

From the perspective of the ECB, approval of RBI's accession to the B-IPS as a result of the Merger will be required. No material changes are expected. The approval will be granted as part of the Merger's overall approval.

Please also refer to the statements in the Joint Merger Report of the RZB and RBI Management Boards pursuant to sec. 220a of the Stock Corporation Act.

VI. THE MERGER AGREEMENT EXPLAINED

1 General

On 14 December 2016, the RZB Management Board and the RBI Management Board drew up a Draft Merger Agreement on the merger of RZB with RBI.

2 Company names and registered offices of the companies involved in the Merger (sec. 220 para. 2 sub-para. 1 of the Stock Corporation Act)

The mandatory information required pursuant to sec. 220 para. 2 sub-para. 1 of the Stock Corporation Act on the company names and registered offices of the companies involved is contained in section 1 of the Merger Agreement.

3 Transfer of assets, universal succession (sec. 220 para. 2 sub-para. 2 of the Stock Corporation Act)

Pursuant to section 2 clause 2.1 of the Merger Agreement, RZB, as the Transferring Company, will be merged with RBI, as the Acquiring Company, by transferring its entire assets (including the assets transferred to it from RI Bet by virtue of the Preceding Merger), by way of universal succession, with all rights and obligations and expressly waiving liquidation of the Transferring Company, pursuant to secs. 219 to 233 of the Stock Corporation Act and pursuant to Art. I of the Reorganization Tax Act, taking advantage of the tax benefits provided by the Reorganization Tax Act.

The Merger will be based on RZB's interim financial statements as of 30 June 2016 as the closing balance sheet within the meaning of sec. 220 para. 3 of the Stock Corporation Act; this (audited) closing balance sheet (comprising balance sheet and notes to the balance sheet) was not attached to the Merger Agreement but will be attached to the commercial register application and is part of the documents made available for one month before the respective resolutions of the General Meetings of RZB and RBI.

Pursuant to section 6 clause 6.1 of the Merger Agreement, all reportable assets and liabilities of the Transferring Company appear in the Transferring Company's closing balance sheet as of 30 June 2016. All benefits and encumbrances arising from the assets transferred which have become due by the Effective Date of the Merger have been taken into account in full, as far as they are reportable. In addition, pursuant to section 6 clause 6.1 of the Merger Agreement, all assets which cannot be shown separately in a balance sheet (such as internally-generated intangible assets) are deemed to have been transferred. In addition, section 6 of the Merger Agreement includes a non-exhaustive list of assets, liabilities, rights, obligations, legal relationships and acquired entitlements which will pass, as a result of the Merger, from the Transferring Company to the Acquiring Company, irrespective of whether they are subject to Austrian or foreign law.

4 Effective Date of the Merger (sec. 220 para. 2 sub-para. 5 of the Stock Corporation Act)

Pursuant to section 2 clause 2.3 of the Merger Agreement, the Effective Date of the Merger pursuant to sec. 220 para. 2 sub-para. 5 of the Stock Corporation Act and to sec. 2 para. 5 of the Reorganization Tax Act will be 30 June 2016. Upon expiry of the Effective Date of the Merger, RZB will be regarded as dissolved and its entire assets (including the assets transferred to it from RI Bet by virtue of the Preceding Merger, but excluding the shares to be distributed to RZB's shareholders pursuant to sec. 224 para. 3 of the Stock Corporation Act, which RZB will directly hold in RBI following the implementation of the Preceding Merger) will be deemed to have been transferred to RBI by way of universal succession with all rights and obligations, waiving the liquidation of RZB. Due to the universal succession associated with the Merger, all assets, rights, receivables, liabilities and all legal positions of the Transferring Company (including the assets transferred to RZB by virtue of the Preceding Merger, but excluding the shares to be distributed to RZB's shareholders pursuant to sec. 224 para. 3 of the Stock Corporation Act, which RZB will directly hold in RBI following the implementation of the Preceding Merger) will be transferred to the Acquiring Company, without any additional legal acts being required for this transfer.

With effect from the expiry of the Effective Date of the Merger, all benefits and encumbrances of the transferred assets will apply to the Acquiring Company, which will also enter into all pending transactions and contracts of the Transferring Company. With effect from the expiry of the Effective Date of the Merger, all acts of the Transferring Company will be deemed to have been carried out for the account of the Acquiring Company.

5 Continuation of book values, positive fair market value

Pursuant to section 2 clause 2.5 of the Merger Agreement, the Merger will be effected with continuation of RZB's fiscal book values at RBI pursuant to sec. 3 para. 1 sub-para. 1 in conjunction with sec. 2 of the Reorganization Tax Act and continuation of its commercial book values at RBI pursuant to sec. 202 para. 2 of the Austrian Commercial Code.

RZB (including the assets transferred by virtue of the Preceding Merger) and RBI each have a positive fair market value (in the case of RZB, also without the shares it holds in RBI which are to be distributed directly to the shareholders of RZB in order to execute the Merger; see 6.1a) below). RZB's closing balance sheet as of 30 June 2016 shows a positive equity value. The legal requirements with respect to capital maintenance and protection of creditors as set out by the applicable court ruling have been complied with due to the fact that RBI has a higher restricted capital compared to RZB. The Merger will not have a capital-reducing effect. The Merger will at any event result in a positive fair market value for RBI.

6 Exchange ratio, granting of shares, amount of cash adjustment (sec. 220 para. 2 sub-para. 3 of the Stock Corporation Act)

According to section 3 of the Merger Agreement, the RZB Management Board and the RBI Management Board have valued the respective assets of the Transferring Company and of the Acquiring Company, with the assistance of BDO and EY (see section VIII. for details), in order to determine the exchange ratio, and have agreed a rounded exchange ratio of 1 RZB : 31.55 RBI, based on the relative corporate values of the Transferring Company and of the Acquiring Company to each other. For 6,776,750 RZB shares, this exchange ratio therefore equates to 213,807,698 RBI shares. Please see section VIII. below for details on determination of the relative corporate values and of the exchange ratio (including the measurement method).

The 177,847,115 shares in RBI which are directly held by RZB following the Preceding Merger with RI Bet will be distributed pursuant to sec. 224 para. 3 of the Stock Corporation Act by way of passing-through of shares (*Anteilsdurchschleusung*) for the purpose of offering partial compensation to RZB shareholders and transferred directly to RZB shareholders *ex lege* in proportion to their participations in RZB; to this extent, RZB shareholders will not be granted any Merger Shares (see below). The number of shares to be distributed to each RZB shareholder pursuant to sec. 224 para. 3 of the Stock Corporation Act is shown in Annex ./3 to the Merger Agreement.

Taking into account the specified exchange ratio and the shares to be distributed to RZB shareholders pursuant to sec. 224 para. 3 of the Stock Corporation Act, RBI will, by way of an increase in share capital to implement the Merger, grant RZB shareholders 35,960,583 new no-par-value bearer shares with voting rights which are to be issued (hereinafter referred to as "**Merger Shares**"), in exchange for the transfer of assets pursuant to the Merger Agreement; from an economic point of view, therefore, the Merger Shares will constitute the compensation for RZB assets transferred to RBI through the Merger (excluding the RBI shares transferred to RZB shareholders pursuant to sec. 224 para.3 of the Stock Corporation Act but including the assets transferred as a result of the Preceding Merger). After registration of the Merger with the commercial register, the Merger Shares will, on the instruction of the appointed trustee, be transferred to the securities accounts of RZB shareholders proportionate to their respective holdings in RZB. The number of Merger Shares to be distributed to each RZB shareholder is also stated in Annex ./3 to the Merger Agreement.

To implement the Merger and grant the consideration, RBI will accordingly increase its share capital by EUR 109,679,778.15 from EUR 893,586,065.90 to EUR 1,003,265,844.05 by issuing Merger Shares, i.e. 35,960,583 no-par-value bearer shares with voting rights. The capital increase will be implemented as consideration to compensate for the corporate assets of RZB transferred to RBI as a result of the Merger (excluding the RBI shares distributed to RZB shareholders pursuant to sec. 224 para. 3 of the Stock Corporation Act but including the assets transferred as a result of the Preceding Merger). The Merger Shares created as a result of the capital increase will be issued at their pro-rata amount of the share capital (sec. 8 para. 3 sentence 3 of the Stock Corporation Act), amounting to EUR 3.05, without any premium. Pursuant to sec. 223 of the Stock Corporation Act, the remaining RBI shareholders will have no subscription rights with regard to the Merger Shares issued in the course of RBI's capital increase.

No cash adjustments will be paid under the Merger Agreement in connection with this Merger.

The trustee pursuant to sec. 225a para. 2 of the Stock Corporation Act will be charged with receiving the Merger Shares to be granted as a result of the Merger and with issuing these Merger Shares to the shareholders of the Transferring Company. Pursuant to section 5 of the Merger Agreement, the Transferring Company has appointed Dr. Christian Mayer, notary public, Seilerstätte 28, 1010 Vienna, as trustee pursuant to sec. 225a para. 2 of the Stock Corporation Act and has instructed him to fulfill the duties pursuant to sec. 225a para. 2 of the Stock Corporation Act and pursuant to the Merger Agreement, in particular to take receipt of the shares of the Acquiring Company to be granted to the shareholders of the Transferring Company and to hand them over to them. The Acquiring Company has approved the appointment of the trustee.

If a judicial review of the exchange ratio is requested, the Acquiring Company intends to request that it is empowered, pursuant to sec. 225e para. 3 of the Stock Corporation Act, to grant only additional shares (through the granting of own shares) instead of cash adjustments.

According to section 4 of the Merger Agreement, RBI will request that the Merger Shares be admitted for trading on the Vienna Stock Exchange, in the Prime Market segment of the Official Market, immediately after the Merger becomes effective.

7 Entitlement to profits (sec. 220 para. 2 sub-para. 4 of the Stock Corporation Act)

Pursuant to section 3 clause 3.3 of the Merger Agreement, the Merger Shares to be granted to RZB shareholders will entitle the holder to participate in profits from the start of the business year during which the said shares were issued and handed over to the appointed trustee. The RBI shares which have already been issued and which are used pursuant to sec. 224 para. 3 of the Stock Corporation Act within the context of the passing-through of shares (*Anteilsdurchschleusung*) for the purpose of offering partial compensation to RZB shareholders will remain entitled to profit-sharing and dividend rights, as in the past.

8 Special rights (sec. 220 para. 2 sub-para. 6 of the Stock Corporation Act)

Pursuant to section 3 clause 3.4 of the Merger Agreement, neither the Transferring Company nor the Acquiring Company will grant any of its individual shareholders special rights.

Neither the Transferring Company nor the Acquiring Company have issued shares with preferential rights, bonds or participation rights within the meaning of sec. 226 para. 3 of the Stock Corporation Act or similar rights. Supplementary capital issued by RZB or RBI pursuant to the Austrian Banking Act or pursuant to the CRR is, as a purely profit-related instrument which does not give any entitlement to purchase (or exchange into) shares or any entitlement to a participation in capital but instead solely conveys an entitlement to repayment of no more than the nominal value of the respective bond and payment of the agreed interest, pursuant to case law (ECJ 7.4.2016 C483/14, *KA Finanz*; Austrian Supreme Court of Justice (*OGH*) 21.06.2016, 1 Ob 93/16), not a participation right pursuant to sec. 226 para. 3 of the Stock Corporation Act. Measures under sec. 220 para. 2 sub-para. 6 in conjunction with sec. 226 para. 3 of the Stock Corporation Act are therefore not necessary.

9 Special benefits (sec. 220 para. 2 sub-para. 7 of the Stock Corporation Act)

Pursuant to section 3 clause 3.5 of the Merger Agreement, as a result of the Merger, neither the members of the respective Management Board nor the members of the respective Supervisory Board of the companies involved in the Merger, nor an auditor of the financial statements, bank auditor, foundation auditor, (auditor of the non-cash contribution), merger auditor or other auditor will be granted any special benefits pursuant to sec. 220 para. 2 sub-para. 7 of the Stock Corporation Act.

The reasonable fee to be paid to the merger auditor for auditing the Merger is not a special benefit within the meaning of sec. 220 para. 2 sub-para. 7 of the Stock Corporation Act. The same applies with regard to the auditor of the annual financial statements and the foundation auditor (auditor of the non-cash contribution) and any other auditors.

10 Approval requirements, condition precedent

Pursuant to section 8 of the Merger Agreement, its entry into effect is subject to the following conditions precedent:

i. the approval of the FMA pursuant to sec. 21 para. 1 sub-para. 1 of the Austrian Banking Act;

ii. (a) the granting of the prudential permission pursuant to Art. 113 (7) of the CRR to RBI for the B-IPS and (b) the confirmation of the CEO of RZB in his function as Chairman of the Risk Council of the B-IPS that the regional Raiffeisen banks have each been granted the prudential permission for exemption from deductions pursuant to Art. 49 (3) lit. b of the CRR with regard to their participation in RBI (prudential permissions as a result of the Merger entering into effect will also be sufficient for fulfilment of these conditions precedent);

iii. the registration of the Preceding Merger of RI Bet with RZB with the commercial register; and

iv. its approval by the General Meeting of RZB and by the RBI General Meeting.

11 Other provisions

Pursuant to section 6 clause 6.3 of the Merger Agreement, the Acquiring Company declares that it has reviewed the closing balance sheet of the Transferring Company as of 30 June 2016 which forms the basis for the Merger, has reviewed the business of the Transferring Company and gained a clear understanding of the status of the individual assets, and has also inspected the Transferring Company's books and obtained information on the transactions conducted by the Transferring Company after the Effective Date of the Merger. Pursuant to section 6 clause 6.3 of the Merger Agreement, the Transferring Company declares that it has disclosed the transactions conducted after the Effective Date of the Merger correctly and in full to the Acquiring Company.

This Merger is governed by the provisions of Article I of the Reorganization Tax Act; the benefits provided by the Reorganization Tax Act will be utilized for the Merger and for all legal transactions and certifications required in order to execute the Merger Agreement. The Reorganization Tax Act will be used as rules of interpretation, so that in the event of any ambiguities or circumstances not considered, the Merger Agreement will be supplemented by the provisions creating the standard prerequisites for and legal consequences of a merger pursuant to Art. I of the Reorganization Tax Act.

Pursuant to section 9 clause 9.3 of the Merger Agreement, all other costs associated with the Merger and with its preparation and implementation (including notary costs, court fees, costs of legal and tax advice) will be borne by the Acquiring Company alone. If the Merger does not take place, the two companies will each bear half of the costs of preparing the Merger.

VII. STOCK EXCHANGE TRADING AND DOCUMENTS IN LIEU OF A PROSPECTUS; SYNDICATE AGREEMENT

1 Stock exchange listing; effects of the mergers on stock exchange trading of securities

The shares of RBI are admitted to trading on the Official Market of the Vienna Stock Exchange in the Prime Market segment. All outstanding shares issued by RBI (including the shares currently held by RI Bet in RBI that are to be distributed to the RZB shareholders) are admitted to trading. RBI will submit an application to Wiener Börse AG requesting that the Merger Shares be admitted to trading on the Prime Market segment of the Official Market of the Vienna Stock Exchange after the merger of RZB with RBI has been registered with the commercial register. The Merger will have no effect on the admission of free floating RBI shares to trading.

2 Document in lieu of a prospectus

In Austria, this Joint Audit Report together with the other documents to be made available for shareholders to inspect pursuant to sec. 221a para. 2 of the Stock Corporation Act replaces the publication of an approved prospectus for the admission of the Merger Shares to trading on the Official Market of the Vienna Stock Exchange (sec. 75 para. 1 sub-para. 4 of the Stock Market Act (*Börsegesetz - BörseG*) in conjunction with sec. 3 of the Regulation on Minimum Contents, Publication and Language (*Mindestinhalts-, Veröffentlichungs- und Sprachenverordnung - MVSV*)) and, if a public offer is available, also replaces the publication of an approved prospectus for the offer regarding shares in RBI to be granted to the shareholders of RZB (sec. 3 para. 1 sub-para. 8 of the Capital Market Act (*Kapitalmarktgesetz - KMG*) in conjunction with sec. 3 of the Regulation on Minimum Contents, Publication and Language).

3 Agreements of the core RZB shareholders regarding RBI after the Merger

As RZB shareholders, the regional Raiffeisen banks are parties to syndicate agreements regarding RZB (see the notification on voting rights regarding RBI from 18 July 2016). The previous syndicate agreement will be replaced by a new syndicate agreement made by the regional Raiffeisen banks for RBI (in which RBI accedes to certain provisions of the agreement). The new syndicate agreement will take effect on the Effective Date of the Merger between RZB and RBI.

The terms that the regional Raiffeisen banks intend to incorporate in the new syndicate agreement include a block voting agreement, preemption rights and a prohibition on sales of the RBI shares held by the regional Raiffeisen banks (with a few exceptions) for a period of three years from the Effective Date of the Merger between RZB and RBI ("Lock-Up Period") if the sale would directly and/or indirectly reduce the regional Raiffeisen banks' aggregate shareholding in RBI to less than 50% of the share capital plus one share. After expiry of the Lock-Up Period, a shareholding threshold of 40% of RBI's share capital will apply in this respect.

Once the merger between RZB and RBI becomes effective, the regional Raiffeisen banks will be able to nominate nine members of the RBI Supervisory Board. In addition to the members nominated by the regional Raiffeisen Banks, the RBI Supervisory Board will in the future also include three (previously: two) independent representatives of free-float shareholders who are not attributable to the RBG Austria. This will be implemented at the RBI Annual General Meeting in 2017.

VIII. EXCHANGE RATIO

1 Executive summary

The fair exchange ratio was determined based on business valuations that were performed for both entities using identical methodological principles and procedures, except where different methods were chosen as described below. The determination of the value was based on the Professional Guidelines of the Expert Committee on Business Administration and Organization of the Institute for Business Economics, Tax Law and Organization of the Austrian Chamber of the Tax Advising, Auditing and Accounting Professions for the Valuation of Businesses (KFS/BW1).

The Management Boards of RZB and RBI, working jointly with senior management, have prepared updated budgets and extensive business plans for their respective companies for five years on a consolidated/aggregated basis.

Furthermore, each of the entities involved has subsequently engaged, as a valuer, a reputable audit firm to value the entities as a neutral expert in accordance with the applicable professional recommendations of the Austrian Chamber of the Tax Advising, Auditing and Accounting Professions, and to issue a report on their findings.

The RZB Management Board engaged BDO to value RZB and RBI with respect to the planned transaction. BDO therefore valued both RZB and RBI on a consolidated basis and determined the value of the contributed business as the difference between RZB's value and the pro-rata value of RBI attributable to RZB.

The RBI Management Board engaged EY to value the contributed businesses of RZB and RBI with respect to the planned transaction. EY therefore valued RBI on a consolidated basis and then, to determine the value of RZB's contributed business, projected the future net cash flows of RZB's contributed business from the business plans prepared by RZB.

The Management Boards of RZB and RBI and their senior management were at the disposal of both BDO and EY to provide details and information.

It is important for the fair exchange ratio to be determined from the relative values of the entities being valued, i.e. the value ratio, and not from their absolute values.

The Management Boards of both companies have evaluated the valuation findings and assessed their plausibility. The Management Boards of both companies believe that the findings constitute an appropriate basis for establishing a fair exchange ratio.

The Management Boards of RZB and RBI entered into negotiations based on the findings of the two external experts and ultimately agreed to the following exchange ratio:

Each RZB shareholder will receive 31.55 RBI shares (rounded) for one share, of which 5.31 shares (rounded) from the capital increase (in total 35,960,583 new shares) and 26.24 shares (rounded) from the allocation of RZB's existing equity participation in RBI (in total 177,847,115 shares).

2 Entities being valued

The entities being valued are:

A. RZB contributed business (i.e. RZB exclusive of the 60.82% equity participation in RBI (after deducting treasury shares, i.e. shares not currently held by shareholders);

B. RZB with all its equity participations (as in A., plus the 60.82% equity participation in RBI); and

C. RBI with all its equity participations.

The difference between A. and B. stems from the different perspectives of the shareholder groups involved in the transaction. RZB shareholders are primarily interested in the value that they are transferring to RBI (including the equity participation in RBI), while RBI shareholders are primarily interested in the net value (after the distribution of the RBI shares) that they are receiving from RZB. Both methods ultimately produce similar results.

3 Valuation principles and methods

Modern business valuation generally uses various procedures to determine the value of a business in a methodologically correct fashion. In line with prevailing views and practices, on the premise of purely financial objectives, the business value is derived from the present value of the net cash flows to the company owners associated with ownership of the business generated by continuing to run the business as before and disposing of any existing assets which are not necessary for the operation of the business. The present value of these projected net cash flows is also called the "future earnings value".

3.1 Business value pursuant to the dividend discount method

The valuation literature and Professional Guideline KFS/BW1 overwhelmingly recommend calculating the future earnings value using a discounted cash flow ("DCF") method. One DCF method uses the entity approach and the weighted average cost of capital (WACC). It calculates the overall business value of the operating business (value of unleveraged business) and then deducts the market value of the interest-bearing loan capital in order to determine the market value of the equity. However, this particular DCF method is not suitable for valuing banks, whose operating business consists of lending out borrowed capital. A more suitable DCF method is the dividend discount model (DDM). This approach determines the market value of equity directly on the basis of net cash flow by discounting the dividends distributable to shareholders at the cost of equity for the leveraged company.

Both BDO and EY therefore used a discounted cash flow method based on the industry-standard dividend discount model to determine the value of the entities.

Pursuant to this method, the business value is calculated by capitalizing the future net cash flows to the company owners using a corresponding capitalization rate. The business value is thus equal to the present value of all future income or earnings surpluses, after making allowances for dividend distributability and dividend financing. Forecasts of future income are a key issue in business valuations. Equal consideration must be given to risks and opportunities, paying particular attention to the entity's recent performance. The further the planning period extends into the future, the less exact the underlying data generally is. This growing uncertainty as the planning period extends into the future is, however, offset by the fact that each year's distributable net income is discounted back to the valuation date. As a result, future cash flows account for a diminishing share of the total valuation as they move further away from the valuation date, and the impact of the uncertainty of forecasts associated with longer planning periods is diminished.

The valuation calculations of both BDO and EY are based on the consolidated business plans of RZB and RBI which were prepared by the Management Boards of the respective companies and approved by the respective Supervisory Boards. For the purpose of plausibility assessments, the valuers were provided with detailed planning of key participating interests, but these had not been individually approved by the respective Supervisory Board of either RZB or RBI and were thus used merely to analyze the consolidated business plans and assess their plausibility.

In line with prevailing views and practices in business valuation, the share exchange ratio is to be based on the objectified business values of the two entities. The objectified business value is a future earnings value that emanates from continuing the business on the basis of the existing corporate concept, with all realistic future expectations regarding market opportunities and risks, financial options open to the business, and other contributing factors. Comparative determination of objectified business values generally assumes that all future net income will be distributed in full, taking into account consistent assumptions with regard to profit retention requirements. However, if statutory, and, in particular, regulatory or business economic, provisions reveal growth-related equity capital requirements, valuation calculations may factor in a capital injection or earnings retention. In keeping with prevailing opinions in business administration research and business practices, moreover the two entities were valued on a stand-alone basis, i.e. ignoring all positive or negative synergies/economies of scale that might be created by the intended Merger.

3.2 Liquidation value

The liquidation value is the present value of the financial cash flows from selling the assets of the business, settling its debts, taking account of the liquidation costs and the tax effects of liquidation. The liquidation value may vary depending on the intensity and speed of break-up. Wherever the present value of the financial cash flows from liquidation exceed the going concern value, the liquidation value will represent the lowest possible business value unless there are compelling reasons to continue operating the business as a going concern.

Since both entities being valued are expected to continue operating as going concerns and there is no reason to believe that the liquidation values would exceed the capitalized earnings values, no liquidation values were determined for the activities attributed to the core business.

3.3 Plausibility assessment based on comparison values

In line with the relevant literature and prevailing practices, a market price approach is a reasonable method for verifying the plausibility of a valuation. The market prices used in this approach are obtained from the market capitalizations of comparable listed companies or from prices for comparable company transactions. Companies are considered comparable if, among other things, they have comparable business models and business risks. Since RBI's shares are listed on the stock exchange, but RZB's shares are not, it is not possible to use market capitalization to calculate the exchange ratio or verify its plausibility.

For listed companies such as RBI, it is helpful to use the market prices of shares to assess the plausibility of a business value calculated using the capitalized earnings or discounted cash flow method. Having said that, market prices may still deviate from the business value calculated using the DCF or capitalized earnings method because they do not necessarily reflect the entity’s intrinsic value, but rather reflect the market’s return expectations, which can be affected by external conditions (business cycle, industry discounts on capital markets, general market sentiment and situation, etc.) and by factors specific to the company and its stock listing (percentage of shares traded on the market, marketability, any special arrangements affecting the stock price, etc.).

When conducting plausibility assessments for financial institutions, it has become customary practice to base assessments on price/book multiples. The use of a single price/book multiple to assess the consolidated contributed business is not meaningful since the contributed business consists of many companies which cannot be classified as financial institutions (e.g. LLI, Comparex, etc.) and for which different reference parameters (EBIT, EBITDA) are used within the context of valuation practice to assess plausibility using multiples.

4 Valuation date

The reference date for valuing the companies to be merged is the date on which the Transferring Company’s General Meeting passes a resolution regarding the Merger Agreement. The resolution on the approval of the Merger Agreement is scheduled to be passed on 23 January 2017 for RZB and on 24 January 2017 for RBI. Therefore, 24 January 2017, the date of RBI’s General Meeting, was chosen as the valuation date since RBI’s General Meeting will be passing its resolution after RZB’s General Meeting, which makes it the deciding resolution for the approval of the Merger. The income attributed to 2017 in the business valuation calculations were discounted for an abbreviated year ending on 24 January 2017 instead of being discounted for a full year. The determination of business value described below takes account of all the circumstances of relevance to business value that were known at the time of signature of this Report.

5 Central planning assumptions

5.1 Phase model

The business valuations are based in principle on business plans prepared by the Management Boards at each of the two companies. These describe the companies’ projected operating and financial performance based on expected market conditions and other general economic conditions. Since forecasts become less certain as they move further away from the valuation date, the financial surpluses are generally projected broken down into different phases that reflect the differing degrees of forecasting certainty (phase model). Phases may be longer or shorter depending on the size, structure and industry sector of the entity being valued. In most cases, the forecast is divided into a detailed forecasting phase and a subsequent phase after the planning period for which only global or uniform assumptions can be made.

In this case, the forecasting period was divided into three phases of different lengths. Phase I extends over three years (2017 to 2019) and covers the budget for the 2017 calendar year and two additional years that are planned out in detail and reflect the companies' regular planning periods. Phase II covers two years (2020 to 2021) and reflects medium-term earnings expectations. Phases I and II together cover five years and are based on the detailed business plans prepared by management at the entities being valued.

These two phases are followed by Phase III (permanent dividend phase), which BDO and EY have estimated in consultation with both Management Boards using a perpetuity and the going concern assumption. As required by Professional Guideline KFS/BW1, the perpetuity is taken into account based on long-term return expectations and earnings retention.

5.2 Macroeconomic data

The economic success of any given business activity depends heavily on the general conditions in the individual markets. For that reason, the current general conditions have to be established and then used to forecast the performance of the individual entities/profit centers of RBI and RZB. Raiffeisen Research supplied the macroeconomic data shown below for the individual markets. Both BDO and EY used this source, but checked it against other, independent sources and supplemented and adapted the data as needed.

The following sources, among others, were used for the plausibility assessment:

- International Monetary Fund (IMF)
- Organisation for Economic Co-operation and Development (OECD)
- National banks of individual countries including OeNB (Oesterreichische Nationalbank), NBS (Národná Banka Slovenska), CBR (Central Bank of the Russian Federation), etc
- Statistik Austria
- World Bank
- Bloomberg L.P.

With regard to RBI's valuation, the (forecast) data for bank asset growth, GDP growth and inflation are provided below:

Total assets annual growth	2014	2015	2016	2017	2018	2019	2020	2021
Slovakia	5.4%	7.7%	5.8%	12.1%	8.6%	8.2%	8.1%	6.7 %
Hungary	3.3%	2.7%	1.4%	3.1%	3.1%	7.9%	7.1%	7.1%
Czech Republic	3.6%	2.9%	11.2%	10.1%	6.7%	4.1%	6.1%	6.0%
Poland	9.6%	4.2%	5.8%	7.4%	9.1%	8.4%	8.5%	8.1%
Russia	42.7%	(4.4)%	14.8%	0.9%	8.5%	6.7%	6.9%	6.9%
Ukraine	3.0%	(4.7)%	15.2%	20.0%	12.6%	10.2%	10.8%	10.2%
Romania	(0.3)%	2.7%	3.9%	3.4%	11.4%	11.0%	10.3%	10.3%
Slovenia	(5.6)%	(5.1)%	(4.7)%	(1.1)%	5.2%	6.6%	4.8%	4.9%
Belarus	12.2%	41.2%	5.3%	4.3%	15.7%	15.1%	22.7%	15.0%
Bulgaria	(1.2)%	3.3%	(0.4)%	1.0%	5.2%	5.8%	2.8%	4.2%
Croatia	(0.5)%	(0.3)%	1.7%	4.0%	1.8%	1.7%	0.8%	0.7%
Bosnia and Herzegovina	4.4%	3.7%	4.0%	4.5%	6.1%	5.6%	4.1%	4.1%
Serbia	5.0%	3.4%	9.1%	8.3%	7.9%	7.4%	6.4%	6.4%
Kosovo (1)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Albania	0.3%	1.8 %	2.7%	5.7%	8.2%	10.3%	7.0%	7.0%

1) Due to insufficient data for Kosovo, data for Albania was used instead
Source: Raiffeisen Research

Real GDP annual growth	2014	2015	2016	2017	2018	2019	2020	2021
Slovakia	2.52%	3.60%	3.50%	3.30%	3.99%	3.50%	2.50%	2.50%
Hungary	3.70%	2.90%	2.30%	270%	2.90%	2.30%	2.00%	2.00%
Czech Republic	2.70%	4.60%	2.50%	2,70%	2.50%	2.40%	2.20%	2.20%
Poland	3.30%	3.60%	3.30%	3.70%	3.10%	3.20%	2.70%	2.70%
Russia	0.70%	(3.70)%	(0.50)%	1.00%	1.50%	1.50%	1.50%	1.50%
Ukraine	(6.60)%	(9.90)%	1.00%	2.00%	3.00%	3.00%	3.00%	3.00%
Romania	2.96%	3.75%	5.20%	3.60%	3.00%	3.00%	3.00%	3.00%
Slovenia	3.11%	2.32%	2.00%	2.10%	2.20%	1.60%	1.60%	1.60%
Belarus	1.70%	(3.90)%	(3.00)%	0.00%	1.50%	2.00%	2.00%	2.00%
Bulgaria	1.55%	3.00%	3.00%	3.00%	3.30%	3.50%	2.50%	2.50%
Croatia	(0.36)%	1.60%	2.30%	2.50%	2.00%	2.00%	1.80%	1.80%
Bosnia and Herzegovina	0.80%	2.80%	3.00%	3.50%	4.00%	3.00%	2.50%	2.50%
Serbia	(1.80)%	0.74%	2.50%	3.00%	3.00%	3.00%	2.50%	2.50%
Kosovo	3.00%	3.00%	4.00%	4.00%	4.00%	4.00%	3.50%	3.50%
Albania	2.00%	2.60%	3.50%	4.00%	4.00%	4.00%	3.30%	3.30%

Source: Raiffeisen Research

Annual inflation rates	2014	2015	2016	2017	2018	2019	2020	2021
Slovakia	(0.10)%	(0.30)%	(0.50)%	1.10%	2.00%	2.20%	2.00%	2.00%
Hungary	(0.15)%	0.00%	0.30%	1.80%	2.30%	3.00%	2.50%	2.50%
Czech Republic	0.40%	0.30%	0.60%	1.70%	2.00%	2.00%	2.00%	2.00%
Poland	0.00%	(0,90)%	(0.60)%	1.30%	2.00%	2.50%	2.30%	2.30%
Russia	7.80%	15.60%	7.40%	6.10%	5.30%	5.00%	4.50%	4.50%
Ukraine	12.10%	48.70%	13.30%	10.70%	7.50%	6.50%	5.00%	5.00%
Romania	1.10%	(0.59)%	(1.60)%	1.20%	2.40%	2.80%	2.30%	2.30%
Slovenia	0.40%	(0.80)%	(0.20)%	1.30%	1.50%	2.00%	2.00%	2.00%
Belarus	18.10%	13.50%	14.00%	12.00%	11.00%	10.00%	10.00%	10.00%
Bulgaria	(1.40)%	(0.10)%	0.00%	1.60%	2.00%	3.00%	2.50%	2.50%
Croatia	(0.20)%	(0.50)%	(1.20)%	1.30%	2.20%	2.50%	2.00%	2.00%
Bosnia and Herzegovina	(0.90)%	(1.00)%	0.00%	1.50%	2.50%	3.00%	2.00%	2.00%
Serbia	2.90%	1.40%	1.20%	2.50%	2.90%	4.00%	3.50%	3.50%
Kosovo	0.50%	1.20%	2.50%	2.00%	2.50%	2.50%	3.00%	3.00%
Albania	1.60%	1.80%	1.30%	2.20%	2.70%	3.50%	3.00%	3.00%

Source: Raiffeisen Research

Phase I covers a period of three years, and Phase II a period of two years. These two phases thus cover five years in total and represent the planning period. The planning period is based on the business plans developed by the Management Boards. Phase I is based on multiple top-down/bottom-up planning cycles (in some cases counterflow methods), while Phase II is less detailed and generally follows a top-down approach.

The most important planning and valuation assumptions are:

- The plan values are generally based on IFRS figures.
- The plan values for RBI's network banks were prepared in local currency and are nominal figures, i.e. they were estimated based on certain inflation expectations.
- Valuation-related income, if planned in currencies other than EUR, was converted using the exchange rates forecast by Raiffeisen Research.
- Any future growth-related capital requirements will be met by retaining earnings and by issuing sufficient AT1 and Tier 2 instruments.
- The planning was carried out at the level of the network banks (RBI) and of individual companies, sub-groups and profit centers (RZB's contributed business); BDO and EY each calculated the business values of both entities on a consolidated basis.

5.3 Income taxes and other taxes

The value of a corporation is always calculated using net income, i.e. income after deducting income taxes owed at corporate level. Personal income taxes were not applied, however, as permitted by the Professional Guideline KFS/BW1 on the Valuation of Businesses.

Income taxes were calculated based on national tax rates using any applicable loss carryforwards. Withholding taxes were only recognized for subsidiaries that were headquartered outside the European Union.

Possible future special taxes on financial transactions were not included in the valuations due to insufficient substantiation and/or legal basis.

The valuation of the entities did, however, reflect the reformed bank levy that Austrian policymakers have decided on.

5.4 Plan results

Both Management Boards adopted the business plans that were used in determining the values. The results are summarized in the following tables.

5.4.1 RBI

RBI Group	Actual 12/2015	Actual 09/2016	Phase I 2017-2019	Phase II 2020-2021
Total Assets (EUR million)	114,427	113,838	3.4 %[1]	3.1%[1]
Average values				
Operating income/total assets at year-end	4.3 %[2]	4.1%[2]	4.0 %[2]	3.9%[2]
Credit risk provisioning/total assets at year-end	(1.1)%[2]	(0,6)%[2]	(0.6)%[2]	(0.5)%[2]
Cost income ratio[2]	59.1%[2]	60.5%[2]	57.3%[2]	53.6%[2]
Consolidated profit/total assets at year-end[3]	0.3%[2]	0.5%[2]	0.7 %[2]	0.9 %[2]

1) CAGR = Compounded annual growth rate, based on the initial values for 09/ 2016 and 2015.

2) Ratios for reference dates during the course of a year are annualized and for Phase I and Phase II are in each case shown as the arithmetic mean of the individual annual values

3) Operating expenses/operating income excluding credit risk provisioning

The following valuation explanations refer to RBI:

Total assets

Essentially, the planning assumptions for RBI are on the one hand based on the expected growth rates of the on-balance banking assets in the CEE countries in which RBI operates and on the other hand on strategic priorities. This results in a CAGR of 3.4% in Phase I (2017-2019) and 3.1% in Phase II (2020-2021).

This calculation is based on the macroeconomic data stated in section 5.2 above.

Operating income

Given the total assets and their composition, the banks mainly generate interest, fee and commission income, net trading income and other income. During Phase I and Phase II operating income in relation to total assets will initially reduce slightly to 4.0% and then to 3.9%.

Credit risk provisioning (risk costs)

At 0.6% in 2016, the ratio of credit risk provisioning to total assets shows a significant improvement on the previous year. Risk costs/total assets will continue to reduce slightly in the further course of Phase I and also in Phase II and reach approximately 0.5% by 2021.

Cost income ratio

The cost income ratio will improve steadily in Phase I and Phase II and starting from 60.5% in 2016, will reduce to 53.5% in 2021. This improvement is attributable to annual decreases in operating expenses and also to slight increases in operating income.

Consolidated profit

The consolidated profit to total assets ratio will improve steadily from 2016 to 2021 for the reasons described above and based on a consolidated profit for the first nine months of 2016 of EUR 394 million (corresponding to an annualized value of 0.5% of total assets).

Based on macroeconomic expectations, interest rates are anticipated to increase in subsequent years.

5.4.2 RZB (inkl RBI)

RZB Group	**Actual 12/2015**	**Actual 09/2016**	**Phase I 2017-2019**	**Phase II 2020-2021**
Total Assets (EUR million)	138,426	137,396	2.6%[1]	2.8%[1]
Average values				
Operating income/total assets at year-end	3.9%[2]	3.6 %[2]	3.6%[2]	3.6%[2]
Credit risk provisioning/total assets at year-end	(0.9)%[2]	(0.5)%[2]	(0.5)%[2]	(0.4)%[2]
Cost income ratio[2])	59.4%[2]	61.1%[2]	58.6%[2]	54.3%[2]
Consolidated profit/total assets at year-end[3]	0.2%[2]	0.1%[2]	0.4%[2]	0.5%[2]

1) CAGR = Compounded annual growth rate, based on the initial values for 09/ 2016 and 2015.

2) Ratios for reference dates during the course of a year are annualized and for Phase I and Phase II are in each case shown as the arithmetic mean of the individual annual values

3) Operating expenses/operating income excluding credit risk provisioning

The following valuation explanations refer to RZB:

Basis for planning

RBI is included in RZB's consolidated financial statements because of RZB's substantial shareholding in RBI. In addition, RZB has a number of other equity participations that are consolidated, accounted for using the equity method or carried at cost. The income from these equity participations was taken into account at the RZB Group level.

Total assets

The planning assumptions for RZB are essentially based on the expected growth rates for "on-balance banking assets" in the CEE countries (taking into account strategic priorities) and in the other fully consolidated equity participations (affiliated undertakings). This gives a CAGR of 2.6% in Phase I (2017-2019) and of 2.8% in Phase II (2020-2021).

The starting point is the macroeconomic data as shown in section 5.2 above.

Operating income

The banks and the other fully consolidated equity participations mainly generate interest income and commission fees derived from the respective banking assets and their composition, as well as net trading income and other income. During Phase I and Phase II total income in relation to total assets remains constant at 3.6%.

Credit risk provisioning (risk costs)

At 0.5% in 2016, the ratio credit risk provisioning to total assets shows a significant improvement on the previous year. Over the subsequent course of Phase 1 and also Phase II risk costs/total assets will reduce slightly and reach 0.4% by 2021.

Cost income ratio

The cost income ratio will improve continuously in both Phase I and Phase II and starting at 61.1% in 2016, will decrease to 54.3% in 2021. This is due to annual reductions in operating expenses and also to the slight increase in operating income.

Consolidated profit

The earnings ratio consolidated profit/total assets shows a continuous improvement from 2016 to 2021 due to the aforementioned trends.

Based on macroeconomic forecasts, an increase in interest rates is expected for the subsequent years.

5.4.3 Contributed business

Basis for planning

The value of the contributed business can be determined by a calculation of differences between RZB and RBI (indirect approach chosen by BDO) or by valuing the contributed business directly (EY's approach: calculation of the difference between RZB consolidated planning data and the RBI components contained therein).

To value RZB's contributed business, EY derived the future net cash flows of RZB's contributed business from the business plans prepared by RZB (subtraction method based on the planned net cash flows). Consequently, the direct valuation of the contributed business is directly based on the base data contained in 5.5.1 and 5.5.2.

Contributed Business	**Actual 09/2016**	**Phase I 2017-2019[1]**	**Phase II 2020-2021[1]**
Risk weighted assets in EUR million	8.619	(2,7)%	(4,9)%

1) (1) CAGR Compounded annual growth rate (average annual growth rate), each related to the starting value of 09/2016

5.5 Calculation of capitalizable income

In the method used (*dividend discount method*), potential dividends constitute the relevant income for valuation purposes. Due to bank-specific regulatory capital adequacy requirements at consolidated level, BDO and EY have determined the dividends for the individual entities solely at a consolidated level, not at the level of network banks or individual equity participations. Their calculations are based on the detailed plans for 2017 to 2019 (Phase I) and the business plans for 2020 to 2021 (Phase II).

Capitalizable income is generally calculated on the basis of the full distribution assumption, in which case the capital ratios CET1, Tier 1 (CET1 and AT1) and total capital are used for verifying compliance with regulatory capital adequacy requirements at consolidated level.

BDO based its valuation of RZB and RBI on the unmodified capital plans adopted by the Management Boards of RZB and RBI. The capital plans are based on the detailed capital plans prepared by each bank.

EY adapted RBI's capital plan using the currently notified SREP ratios. EY assumed that RZB's contributed business had the same capital requirements as RBI because, after the Merger, the risk-weighted assets of the contributed business will have to be backed by capital resources in the same manner as RBI's other risk-weighted assets.

Due to a non-trivial increase in regulatory capital requirements in the detailed planning period (Phase I) and beyond, the valuation assumed that earnings would be retained in order to comply with capital adequacy requirements, affecting the amount of potential dividends distributed to equity providers.

The income for shareholders for the purposes of valuation of the entities is defined as follows:

	Profit before tax
Less	Corporate tax
gives	**Profit after tax**
Less	Minority interests
gives	**Profit after tax and minority interests**
plus/less	Change in minimum capital requirements
	Distributable profit/dividend

Please see section 5.4 with respect to withholding taxes.

In the permanent dividend phase (Phase III), income is determined for valuation purposes on the assumption that nominal growth will be sustainable and that some earnings will have to be retained in order to comply with capital adequacy requirements.

Capitalizable income is understood to mean profits after deducting corporate taxes and any earnings that have to be retained in order to comply with regulatory capital requirements. The proceeds and expenses that go into capitalizable income are determined on a consolidated basis, taking into account minority interests. The detailed plans for individual subsidiaries are initially prepared in their local currency, and the calculated dividends are converted to EUR using the expected exchange rates.

6 Capitalization rates

In the *dividend discount method,* the value of a business is determined by discounting expected dividends using the risk-equivalent cost of equity for the leveraged business. The cost of capital is derived using the capital asset pricing model ("**CAPM**").

6.1 CAPM

CAPM, which is used to derive the cost of equity, is highly regarded in business literature and among international valuation practitioners. According to this model, capital market returns on shareholdings (in the form of stock portfolios) need to be considered as the output value. These returns can generally be broken down into a risk-free reference interest rate and a risk premium demanded by investors in exchange for assuming entrepreneurial risk.

6.2 Base interest rate

Opportunity costs play an important role in determining the cost of equity. The investment being valued is compared to the cost of the best alternative investment. This cost is determined using the risk-free interest rate, which – for objectification purposes – is generally equal to a long-term capital market interest rate that is considered risk-free. Professional Guideline KFS/BW1 recommends deriving the base interest rate from the 30-year yield curve in effect on the valuation date using a maturity equivalent to the maturity used to value the business.

The yield curve shows the connection between interest rates and maturities of zero-coupon bonds without credit default risk. In compliance with Professional Guideline KFS/BW1, both BDO and EY used the yield curve data published by Deutsche Bundesbank for an objectified assessment of the yield curves.

The base interest rate as of the future valuation date of 24 January 2017 was estimated based on the interest rate structure of German bunds using the Svensson method as of 18 November 2016.

6.3 Premiums

When determining an objectified business value, the risk premium must be derived from the market's general behavior and not from the subjective risk appetite of individual company owners or groups of company owners (standardized perspective). The assumption is that investors see a risk in investing in companies (investor risk), which must be compensated by a premium on the base interest rate. One way to derive the risk premium is to apply the capital asset pricing model (CAPM) to empirically calculated returns on shares in the capital market.

In the CAPM, the capitalization rate consists of the base interest rate and the risk premium determined using the CAPM.

6.3.1 Market risk premium and beta coefficient

Based on the recommendation given on 4 October 2012 by the Working Group on Business Valuations of the Expert Committee on Business Administration and Organization of the Austrian Chamber of the Tax Advising, Auditing and Accounting Professions, a reasonable range for the market risk premium is 5.5% to 7.0%. As part of the valuation, both BDO and EY set the market risk premium at 7.0%.

The market risk premium – set for valuation purposes on the basis of the recommendation given by the Working Group on Business Valuations of the Expert Committee on Business Administration and Organization of the Austrian Chamber of the Tax Advising, Auditing and Accounting Professions – can be confirmed by implicitly deriving the market risk premium from the capital market as recommended in the business literature and by recognized business valuation experts.

This average risk premium must be modified in view of the special risk structures of the entities being valued. In the CAPM, the systematic risk for a specific business and industry is expressed as the "beta coefficient". The beta coefficient mathematically expresses the systematic risk of a security in the form of a standardized covariance. The risk premium for the company being valued is then calculated by multiplying the market risk premium by the beta coefficient for the individual business.

In practice, the beta coefficient for listed companies is determined using a linear regression in which the returns earned on stock in the company are regressed against the return of the market portfolio. Consequently, risk premiums in the CAPM reflect both business risk and financial risk.

The individual company beta was used to value RBI. RZB's beta coefficient was derived from the individual beta coefficients for the equity participations, which were weighted by fair market value and added together to obtain the beta coefficient for RZB. Comparable listed companies were used for any non-listed equity participations as stipulated by Professional Guideline KFS/BW1. Considerable emphasis was placed on ensuring that the risk was comparable.

BDO calculated a beta coefficient of 1.36 for RBI by regressing historic returns on RBI shares against the STOXX Europe 600 Index over a period of five years based on monthly returns.

In RZB's case, beta coefficients were obtained for a peer group for RZB's contributed business, weighted by fair value and then averaged. These coefficients and the RBI beta coefficient were then used to obtain an implicit beta coefficient for RZB that ranges from 1.27 to 1.30.

EY obtained a beta coefficient of 1.78 for RBI by regressing historic returns on RBI shares against the ATX Prime Index.

For RZB's contributed business, EY obtained an average beta coefficient of 1.00 (based on a separate peer group for principal participations against a broad national country index).

It must be noted that the business risk posed by RZB's contributed business is considered lower than that of RBI. This is attributable to the regional focus on the Austrian market and the broad diversification effect provided by the distribution of RZB's equity participations across many different industries.

6.3.2 Growth assumption in terminal value

For the specific valuation in question, transition to perpetuity is planned due to the planned indefinite continuation of the enterprise following the detailed planning period.

With regard to the long-term income situation, modelling of the perpetuity was based on estimates of the respective Management Boards, on extensive analyses of expected market and operational developments and on the underlying regulatory conditions. The distributable profit was determined based on the long-term income situation taking into account the profit retention requirements for long-term growth.

Based on this distributable profit, the value contribution of the perpetuity was calculated by deducting a corresponding growth factor from the nominal capitalization rate. All other discounting to the valuation date used the nominal capitalization rate.

BDO set the growth rate for both entities being valued at 2.5% in the terminal value calculation, assuming long-term nominal GDP growth.

EY set the growth rate for both entities at 1.0% in the terminal value calculation.

6.4 Summary overview

The discount rates are the investor's required return, and were initially determined for RBI and for RZB's individual components. To obtain aggregated/consolidated valuations, it was necessary to weight the interest rate components based on value contributions and to combine them into one interest rate for RZB.

The following table provides a straightforward overview of the most important components of BDO's cost of equity rates and discount rates for the 2016 to 2021 calendar years that were used to discount RZB and RBI cash flows (dividends) for valuation purposes.

RBI		
Base interest rate*		1.00 %
Market risk premium**	7.00%	
multiplied by beta coefficient	1.36	
gives risk premium		9.52%
Capitalization interest rate		**10.52%**

RZB		
Base interest rate*		1.00%
Market risk premium **	7.00%	
multiplied by beta coefficient	1.27	
gives risk premium		8.89%
Capitalization interest rate		**9.89%**

EY's discount rates are as follows:

RBI		
Base interest rate*		1.00%
Market risk premium**	7.00%	
Multiplied by beta coefficient	1.78	
Gives risk premium		12.48%
Capitalization interest rate		**13.48%**

Contributed Business		
Base interest rate*		1.00%
Market risk premium**	7.00%	
Multiplied by beta coefficient	1.00	
Gives risk premium		7.00%
Capitalization interest rate		**8.00%**

*) Parameter published by Deutsche Bundesbank on 18.11.2016, calculation based on the Svensson method

**) Recommendation of the Working Group on Business Valuations of the Austrian Chamber of Professional Accountants and Tax Advisors (Arbeitsgruppe Unternehmensbewertung der Kammer der Wirtschaftstreuhänder)

7 Specific difficulties during the valuation

Pursuant to sec. 220a of the Stock Corporation Act, the Management Board must also address any specific difficulties that may have arisen during the business valuation. In this regard, the RZB Management Board and the RBI Management Board state unanimously that no specific (additional) difficulties arose other than issues that regularly arise during any business valuation, including correctly forecasting income for valuation purposes.

8 Results of the valuation and determination of the exchange ratio

The business valuations resulted in the following business values:

8.1 RZB: business value and value per share

BDO determined that RZB's business value ranges from EUR 4.6 billion to EUR 5.3 billion taking into account a 60.7% (excluding treasury shares: 60.82%) shareholding in RBI. This is equal to EUR 620.0 to EUR 784.0 per RZB share. The valuation corresponds to an implicit price/book (P/B) multiple of 0.83 to 0.95 for RZB.

8.2 RBI: business value and value per share

BDO determined that RBI's business value ranges from EUR 6.2 billion to EUR 7.1 billion. This is equal to EUR 21.32 to EUR 24.37 per RBI share, based on the number of outstanding shares (i.e. excluding treasury shares). The valuation corresponds to an implicit P/B multiple of 0.74 to 0.85 for RBI.

EY determined that RBI's business value ranges from EUR 6.4 billion to EUR 7.0 billion. This is equal to EUR 21.9 to EUR 24.0 per RBI share, based on the number of outstanding shares. The valuation corresponds to an implicit P/B multiple of 0.80 to 0.88.

8.3 Contributed business: value

EY determined that the value of the contributed business ranges from EUR 742 million to EUR 826 million.

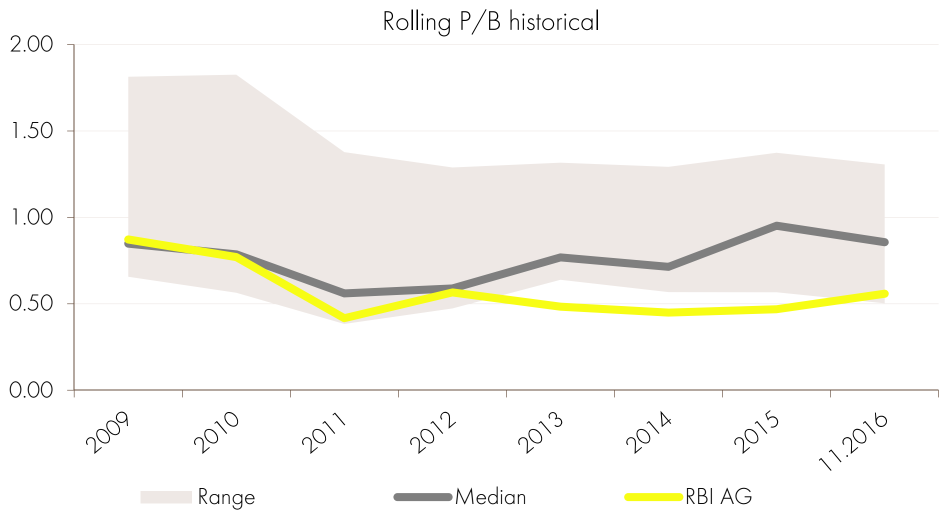
8.4 Plausibility assessment

BDO and EY assessed the plausibility of their findings based on RBI's market price and the implicit P/B multiples.

The business value derived for RBI is above the market price, given long-term income expectations and RBI's risk. The range of values is roughly 20% to 30% higher than RBI's market capitalization as of 30 November 2016. The findings of BDO and EY were both determined to be plausible, based on the P/B multiple for the RBI value range defined by BDO of 0.74 to 0.85 and EY of 0.80 to 0.88 and based on a comparison with other banks that have comparable business strategies.

For RBI's plausibility assessment, a rolling price/book multiple of the international peer group companies was determined using data provider Bloomberg over a historical period from 31 December 2009 to 30 November 2016. From 31 December 2009 to 31 December 2012, RBI's price/book multiple was within the peer group's range. Thereafter, the average price/book multiple of 0.49 was below the range of the peer group. The average median of the peer group from 31 December 2012 to 30 November 2016 was 0.80.

As of 30 November 2016, RBI had a P/B ratio of 0.56 and was thus at the lower end of the range. The median of the peer group at this time was 0.86.



A plausibility assessment was not performed based on RZB's market price since RZB is not a listed company. The implicitly determined P/B ratio of BDO of 0.74 to 0.85 and EY of 0.80 to 0.88 is also reasonable given RZB's financial and non-financial equity participations.

For the plausibility assessment of the contributed business, the planning calculations of principal participations were analyzed on the basis of their earnings situation and compared with peer group companies in the same sector. Due to the heterogeneous structure of RZB's participations, a plausibility assessment of the valuation results based on a uniform price/book multiple is not meaningful and was therefore not carried out.

8.5 Determination of the exchange ratio

On 5 October 2016, the Management Boards of RZB and RBI specified a preliminary exchange ratio which results in an ownership share ranging from 64.3% to 65.4% for RZB's shareholders on the basis of the established business values. RBI's previous shareholders (excluding RZB) will thus hold 34.6 % to 35.7 % of RBI's shares after the Merger.

On 14 December 2016 the respective auditors provided the RZB and RBI Management Boards with the updated results. A comparison of these expert reports resulted in an overlapping range from 64.9 to 65.3% for RZB shareholders.

Subsequently, the RZB and RBI Management Boards have discussed and debated the valuation results. Taking into consideration the expertise of the valuations provided, and also considering the other expert results contributed in previous meetings, the Management Boards agreed, as the outcome of the negotiations, on the exchange ratio stipulated in the Merger Agreement.

On this basis, each RZB shareholder will receive 31.55 RBI shares (rounded) for one share, of which 5.31 shares (rounded) from the capital increase (total 35,960,583 new shares) and 26.24 shares (rounded) from the allocation of RZB's existing equity participation in RBI (in total 177,847,115 shares).

8.6 Shareholdings before and after the Merger

	RZB		RBI			RBI (nach Verschmelzung)			
Shareholder	Number of no-par-value shares	Percentage share	RBI shares Look-through	Percentage share (issued)	Percentage share (outstanding)	Allocation of new shares for CB	Number of shares R2	Percentage shares (issued)	Percentage shares (outstanding
Raiffeisenlandesbank NÖ-Wien AG, Wien	35,708	0.53%	937,111	0.32%	0.32%	189,483	1,126,594	0.34%	0.34%
Raiffeisenlandesbank Oberösterreich AG, Linz	3,743	0.06%	98,230	0.03%	0.03%	19,862	118,092	0.04%	0.04%
Raiffeisenlandesbank Steiermark AG, Graz	33,911	0.50%	889,951	0.30%	0.30%	179,948	1,069,899	0.33%	0.33%
Raiffeisen-Landesbank Tirol AG, Innsbruck	1,106	0.02%	29,026	0.01%	0.01%	5,869	34,895	0.01%	0.01%
Unternehmensbeteiligungs Gesellschaft mit beschränkter Haftung, Wien (immigon)	314,482	4.64%	8,253,177	2.82%	2.82%	1,668,788	9,921,965	3.02%	3.02%
Raiffeisenlandesbank Burgenland, reg. Gen.m.b.H., Eisenstadt	14,150	0.21%	371,349	0.13%	0.13%	75,086	446,435	0.14%	0.14%
Raiffeisenlandesbank Vorarlberg, reg.Gen.m.b.H., Bregenz	303,922	4.48%	7,976,043	2.72%	2.73%	1,612,751	9,588,794	2.92%	2.92%
Raiffeisenlandesbank Kärnten, reg.Gen.m.b.H., Klagenfurt	14,375	0.21%	377,253	0.13%	0.13%	76,280	453,533	0.14%	0.14%
UNIQA Finanzbeteiligung GmbH, Wien	161,133	2.38%	4,228,729	1.44%	1.45%	855,047	5,083,776	1.55%	1.55%
RWA Raiffeisen Ware Austria Aktiengesellschaft, Wien	162,444	2.40%	4,263,135	1.46%	1.46%	862,003	5,125,137	1.56%	1.56%
Raiffeisenverband Salzburg, reg.Gen.m.b.H., Salzburg	10	0.00%	262	0.00%	0.00%	53	315	0.00%	0.00%
RLB Unternehmensbeteiligungs GmbH, Klagenfurt	354,100	5.23%	9,292,900	3.17%	3.18%	1,879,019	11,171,919	3.40%	3.40%
HSE Beteiligungs GmbH, Graz	38,643	0.57%	1,014,136	0.35%	0.35%	205,058	1,219,194	0.37%	0.37%
Posojilnica Bank eGen, Klagenfurt	2,404	0.04%	63,090	0.02%	0.02%	12,757	75,847	0.02%	0.02%
RLB NÖ - Wien Sektorbeteiligungs GmbH, Wien	2,318,822	34.22%	60,854,510	20.77%	20.81%	12,304,747	73,159,257	22.24%	22.28%
RLB OÖ Sektorholding GmbH, Linz	980,805	14.47%	25,739,970	8.79%	8.80%	5,204,607	30,944,577	9.41%	9.42%
UNIQA Österreich Versicherungen AG, Wien	10,392	0.15%	272,725	0.09%	0.09%	55,145	327,870	0.10%	0.10%
RLB OÖ Unternehmensbeteiligungs GmbH, Linz	7,353	0.11%	192,970	0.07%	0.07%	39,018	231,988	0.07%	0.07%
Agroconsult Austria Gesellschaft m.b.H., Salzburg	379,447	5.60%	9,958,100	3.40%	3.40%	2,013,522	11,971,622	3.64%	3.65%
KONKRETA Beteiligungsverwaltungs GmbH, Graz	965,311	14.24%	25,333,350	8.65%	8.66%	5,122,389	30,455,738	9.26%	9.27%
RLB Burgenland Sektorbeteiligungs GmbH, Eisenstadt	293,254	4.33%	7,696,075	2.63%	2.63%	1,556,142	9,252,217	2.81%	2.82%
RLB Tirol Holding Verwaltungs GmbH, Innsbruck	381,235	5.63%	10,005,024	3.41%	3.42%	2,023,010	12,028,034	3.66%	3.66%
RBI shares RZB shareholders	**6,776,750**	**100.00%**	**177,847,115**	**60.70%**	**60.81%**	**35,960,583**	**213,807,698**	**65.00%**	**65.10%**
Treasury Shares RBI			509,977	0.17%			509,977	0.16%	
Free float			114,621,946	39.12%	39.19%		114,621,946	34.85%	34,90%
Total RBI shares incl. free float	**6,776,750**		**292,979,038**	**100.00%**	**100.00%**	**35,960,583**	**328,939,621**	**100.00%**	**100,00%**

9 Fairness opinion

The RZB and RBI Management Boards engaged two investment banks, Deutsche Bank AG, Frankfurt/Main ("**Deutsche Bank**"), and UBS Europe SE, also Frankfurt/Main ("**UBS**"), to each issue a fairness opinion regarding the fairness of the exchange ratio. Deutsche Bank acted on behalf of the RZB Management Board; UBS acted on behalf of the RBI Management Board.

Deutsche Bank issued a fairness opinion to the RZB Management Board on 14 December 2016. UBS issued a fairness opinion to the RBI Management Board on 14 December 2016.

RBI also engaged Citigroup Global Markets Limited to prepare a fairness opinion in respect of the exchange ratio, which is to be issued to the Supervisory Board for its sole benefit.

IX. FINAL ASSESSMENT

The RZB Supervisory Board and the RBI Supervisory Board have reviewed the intended Merger based on the Draft Merger Agreement between RZB and RBI, the Joint Merger Report prepared by the RZB and RBI Management Boards, and the Merger Audit Report prepared by the joint merger auditor.

The information provided in the Draft Merger Agreement is complete and accurate. The Joint Merger Report prepared by the RZB and RBI Management Boards describes the merger process in detail with respect to its economic and legal effects. The laws regarding the mandatory content of the Merger Agreement have been complied with. The Merger will be performed lawfully according to the provisions of the Draft Merger Agreement and the statements made in the Joint Merger Report prepared by the RZB and RBI Management Boards, including, without limitation, the statements regarding the determination of the exchange ratio, and in the Merger Audit Report prepared by the joint merger auditor.

The exchange ratio is fair; the Merger is suitable for achieving its stated purposes; and the RZB Supervisory Board and the RBI Supervisory Board believe, having conducted a review, that the Merger is in the interest of each of the companies that they serve as supervisory boards.

This Audit Report was accepted and approved at the meeting of the RZB Supervisory Board held on 16 December 2016 and at the meeting of the RBI Supervisory Board held on 16 December 2016.

Vienna, on 16 December 2016

Erwin Hameseder, born 28.05.1956
Chairman of the Supervisory Board of
Raiffeisen Zentralbank Österreich Aktiengesellschaft

Walter Rothensteiner, born 07.03.1953
Chairman of the Supervisory Board of
Raiffeisen Bank International AG