PROSPECTUS

RAIFFEISEN BANK INTERNATIONAL AG

(a joint stock corporation under the laws of Austria, registered number FN 122119m)

Offering of up to 97,473,914 Ordinary Bearer Shares (with no-par value)

Listing of up to 97,473,914 Ordinary Bearer Shares (with no-par value) on the Official Market of the Vienna Stock Exchange

This is an offering of up to 97,473,914 ordinary no-par value bearer shares with a calculated notional amount of EUR 3.05 per share of Raiffeisen Bank International AG, a joint stock corporation under Austrian law (the "Company" or the "Issuer", and together with its consolidated subsidiaries, "RBI" or the "Group"), which will be newly issued by the Company following a share capital increase (the "New Shares").

The New Shares are subject to subscription rights of the Company's shareholders as set forth below. Raiffeisen International Beteiligungs GmbH (the "Direct Shareholder"), a holding company through which Raiffeisen Zentralbank Österreich Aktiengesellschaft ("RZB") holds approximately 78.5% of the Issuer's share capital, has waived its subscription rights relating to up to 76,754,612 New Shares (the "Waived Subscription Rights"). Prior to the commencement of the Rights Offering (as defined below), the New Shares are being offered in a private placement to selected institutional investors in the Republic of Austria ("Austria") and in other countries (the "Pre-placement"). The Pre-placement is expected to take place from January 21, 2014 to January 22, 2014, subject to extension or early termination at any time.

The Pre-placement will take the form of a bookbuilding procedure. The offer price of the Pre-placement and the subscription price for the Rights Offering (as defined below), which will be identical (the "Offer and Subscription Price"), the final number of New Shares and the subscription ratio are expected to be determined on or about January 22, 2014 based on the outcome of the bookbuilding procedure for the Pre-Placement, by the Company in consultation with Deutsche Bank Aktiengesellschaft, Raiffeisen Centrobank AG and UBS Limited (the "Joint Global Coordinators") and will be announced and published, including by way of an ad-hoc announcement, via electronic media, on or about January 22, 2014. RZB, acting through the Direct Shareholder, has agreed that it will place purchase orders in an amount of up to EUR 750 million in the Pre-placement.

Following completion of the bookbuilding procedure and determination of the Offer and Subscription Price, the Company's shareholders are invited to exercise their subscription rights to subscribe for the New Shares (the "Rights Offering" and together with the Pre-placement, the "Offering"). Shareholders exercising their subscription rights will be entitled to subscribe for New Shares according to the subscription ratio set forth in the subscription invitation to be published on or about January 24, 2014 against payment of the Offer and Subscription Price. Shareholders may exercise their subscription rights during the subscription period which is expected to begin on January 24, 2014 and end on February 7, 2014 (the "Subscription Period"), and which may be extended or terminated at any time. The Company will not apply, nor has it authorized that any other person may provide for trading of the subscription rights on the Vienna Stock Exchange or any other stock exchange. Subscription rights not exercised by the end of the Subscription Period will expire without value. Assuming the maximum number of New Shares offered hereby is placed in the Pre-Placement, the subscription ratio will be 1 New Share for every 2 existing shares.

To the extent investors purchasing New Shares in the Pre-placement will be allocated New Shares not attributable to Waived Subscription Rights, such New Shares will be allocated subject to claw-back (the "Claw-back Shares"), with delivery against payment of the Offer and Subscription Price being made in a deferred settlement after the number of New Shares for which subscription rights have not been exercised has been determined.

The Company's existing ordinary bearer shares (the "Existing Shares" and together with the New Shares, the "Shares"), ISIN AT0000606306, are listed on the Official Market (*Amtlicher Handel*) of the Vienna Stock Exchange (*Wiener Börse*) under the symbol "RBI" and traded in the prime market segment. Application will be made to list the New Shares on the Official Market of the Vienna Stock Exchange. Subject to the approval of the Vienna Stock Exchange, trading in the New Shares to be delivered on the First Closing Date (as defined below) and the New Shares to be delivered on the Second Closing Date (as defined below) on the Vienna Stock Exchange is expected to commence in the prime market segment on or about January 27, 2014 and February 11, 2014, respectively.

An investment in the New Shares carries a high degree of risk. See "*Risk Factors*" beginning on page 28 to read about factors that should be considered before exercising the subscription rights and investing in the New Shares.

The subscription rights and the New Shares have not been and will not be registered under the securities laws of any jurisdiction other than the Republic of Austria, in particular the U.S. Securities Act of 1933, as amended (the "Securities Act"). Consequently, New Shares may be purchased and subscription rights may be exercised only by shareholders outside the United States of America (the "United States") in accordance with Regulation S under the Securities Act ("Regulation S") and in the United States by qualified institutional buyers ("QIBs") who comply with the procedures set forth under "*The Offering–Rights Offering–Special considerations for U.S. shareholders regarding the exercise of subscription rights*". Prospective purchasers that are QIBs are hereby notified that the sellers of the New Shares may be relying on an exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A under the Securities Act ("Rule 144A"). Outside the United States, the offering is being made in reliance on Regulation S. For a description of certain restrictions on offers, sales and transfers of the New Shares and the distribution of this prospectus, see "*Selling Restrictions*".

The New Shares will be represented by one or more modifiable global certificates, which will be deposited with Oesterreichische Kontrollbank Aktiengesellschaft ("OeKB"). The New Shares acquired in the Pre-placement which are attributable to the Waived Subscription Rights are expected to be delivered on or about January 28, 2014 (the "First Closing Date"). The Claw-back Shares are expected to be delivered on or about February 12, 2014 (the "Second Closing Date"). Interests in the New Shares will be credited on the respective closing date against payment therefor, to the accounts of investors through book-entry facilities of OeKB, Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream").

This prospectus has been approved by the Austrian Financial Market Authority (*Finanzmarktaufsicht*, the "FMA") in its capacity as competent authority under the Austrian Capital Markets Act 1991 as amended (*Kapitalmarktgesetz*) (the "Capital Markets Act"). The accuracy of the information contained in this prospectus does not fall within the scope of examination by the FMA under applicable Austrian law. The FMA examines the prospectus only in respect of its completeness, coherence and comprehensibility pursuant to § 8a of the Capital Markets Act.

Joint Global Coordinators and Joint Bookrunners

Deutsche Bank Raiffeisen Centrobank UBS

Co-Lead Managers

Banca IMI Barclays BNP PARIBAS COMMERZBANK ING

The date of this prospectus is January 21, 2014

This document comprises a prospectus for the purposes of the offer of the New Shares to the public in Austria and the listing of the New Shares on the Official Market of the Vienna Stock Exchange. This prospectus has been prepared in accordance with Commission Regulation (EC) No. 809/2004 of April 29, 2004, as amended (Annexes I, III, XXII and XXX), and conforms to the requirements of the Capital Markets Act and the Austrian Stock Exchange Act (*Börsegesetz*) (the "Stock Exchange Act"). This prospectus will be filed as a listing prospectus (*Börseprospekt*) with the Vienna Stock Exchange in accordance with the Stock Exchange Act in connection with the listing application for the New Shares on the Official Market of the Vienna Stock Exchange, and will be deposited with the notification office (*Meldestelle*) at OeKB in accordance with the Capital Markets Act.

No person is or has been authorized to give any information or to make any representation in connection with the offer or sale of the New Shares, other than as contained in this prospectus, and, if given or made, any other information or representation must not be relied upon as having been authorized by the Company, the Joint Global Coordinators, any of Banca IMI S.p.A. ("Banca IMI"), Barclays Bank PLC ("Barclays"), BNP Paribas ("BNP Paribas"), COMMERZBANK Aktiengesellschaft ("Commerzbank") or ING Bank N.V. ("ING") (together, the "Co-Lead Managers" and, together with the Joint Global Coordinators, the "Managers") or any other person. The delivery of this prospectus at any time after the date hereof shall not, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Group since the date hereof or that the information set out in this prospectus is correct as at any time since its date.

Any significant new factor, material mistake or inaccuracy relating to the information included in this prospectus which is capable of affecting the assessment of the New Shares and which arises or is noted between the approval of the prospectus by the FMA and the later of the completion of the Offering and start of trading in the New Shares on the Vienna Stock Exchange will be published in a supplement (*Nachtrag*) to this prospectus in accordance with § 6 of the Capital Markets Act. Such supplement must be published in the same manner as the prospectus and approved by the FMA.

This prospectus has been prepared for the purpose of considering the purchase of the New Shares and to comply with the listing requirements of the Vienna Stock Exchange. In making an investment decision investors must rely on their own examination of RBI including, without limitation, the merits and risks involved.

The Managers are acting exclusively for the Company and no one else in connection with the Offering and will not regard any other person (whether or not a recipient of this prospectus) as a client in relation to the Offering and will not be responsible to any other persons for providing the protections afforded to clients of the Managers or for providing advice in connection with the Offering or the contents of this prospectus or any other matter referred to in this prospectus.

Apart from the responsibilities and liabilities, if any, which may be imposed upon the Managers by applicable regulation, none of the Managers accepts any responsibility whatsoever or makes any representation or warranty, express or implied, for the contents of this prospectus, including its accuracy, completeness or verification, or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the New Shares or the Offering and nothing in this prospectus is or shall be relied upon as a promise or representation in this respect, whether as to the past or future.

The distribution of this prospectus and the offer and sale of the New Shares may be restricted by law in certain jurisdictions. The Company and the Managers require persons into whose possession this prospectus comes to inform themselves about, and to observe, any such restrictions. This prospectus may not be used for, or in connection with, and does not constitute, any offer to sell, or an invitation to purchase, any of the New Shares in any jurisdiction in which such offer or invitation would be unlawful.

In connection with the Offering, Deutsche Bank, as stabilization manager, may effect transactions to stabilize the market price of the Shares. Stabilization may result in an exchange or market price of the Shares that is higher than might otherwise prevail and the exchange or market price may reach a level that cannot be maintained on a permanent basis. There is no obligation on the part of the stabilization manager to effect any stabilizing transactions, and any stabilizing, if commenced, may be discontinued at any time, and must be brought to an end no later than thirty calendar days after the date of allotment of the New Shares. See "*The Offering—Stabilization*".

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN RECOMMENDED BY ANY UNITED STATES FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT PASSED UPON THE MERITS OF THE OFFERING OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

ENFORCEMENT OF CIVIL LIABILITIES

The Company is organized under the laws of the Republic of Austria. The members of the Company’s Management and Supervisory Boards are not residents of the United States and all or a substantial portion of the assets of such persons and of the Company are located outside of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Company or such other persons or to enforce against them in U.S. courts judgments obtained in such courts based on the civil liability provisions of the U.S. securities laws. In general, the enforceability in Austrian courts of final judgments of U.S. courts would require retrial of the case in the Republic of Austria.

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DEFINITIONS

In this prospectus, unless the context otherwise requires,

- the “Company” or the “Issuer” refers to Raiffeisen Bank International AG;
- “Raiffeisen International” refers to Raiffeisen International Bank-Holding AG, the Company before October 10, 2010, the date of the Merger (as described below);
- “RBI” or the “Group” refer to Raiffeisen Bank International AG together with its consolidated subsidiaries;
- “Network” refers to the Group’s network of banks, leasing, asset management and other financing subsidiaries;
- “Network Banks” refers to the Group’s majority-owned banking subsidiaries in CEE;
- “Network Units” refers to the Group’s majority-owned banking and leasing subsidiaries in CEE;
- “Group Units” refers to the Group’s subsidiaries;
- “RZB” refers to Raiffeisen Zentralbank Österreich Aktiengesellschaft;
- References to “RZB Group” are to RZB and its subsidiaries, including the Group;
- “Raiffeisen Landesbanken” refers to one or more of Raiffeisenverband Salzburg reg. Gen.m.b.H., Raiffeisen-Landesbank Steiermark AG, Raiffeisenlandesbank Niederösterreich-Wien AG, Raiffeisenlandesbank Kärnten - Rechenzentrum und Revisionsverband, reg.Gen.-m.b.H., Raiffeisen-Landesbank Tirol AG, Raiffeisenlandesbank Vorarlberg Waren- und Revisionsverband, registrierte Genossenschaft mit beschränkter Haftung, Raiffeisenlandesbank Burgenland und Revisionsverband, registrierte Genossenschaft mit beschränkter Haftung, Raiffeisenlandesbank Oberösterreich Aktiengesellschaft, each of which owns, directly or indirectly, shares in RZB;
- “RBG” means “Raiffeisen Banking Group” and refers to the three-tier Austrian Raiffeisen banking sector. It consists of the RZB Group, the regional Raiffeisen Landesbanken and local Raiffeisen banks in Austria;
- “IFRS” refers to International Financial Reporting Standards, including International Accounting Standards (“IASs”) and interpretations published by the International Accounting Standards Board, as adopted by the EU.

In this prospectus the following financial measures are presented:

- “average credit risk-weighted assets” (average of risk-weighted assets (credit risk), calculated on a monthly basis);
- “average IFRS equity” (average of IFRS equity, not including current period’s profit and calculated on a quarterly basis);
- “average interest-bearing assets” (average of interest-bearing assets, calculated on a monthly basis on a Group level, and on a quarterly basis on a segments level);
- “average loans and advances to customers” (average of loans and advances to customers, calculated on a monthly basis on a Group level, and on a quarterly basis on a segments level);

- “average total assets” (average of total assets, calculated on a quarterly basis);

- “common equity tier 1 ratio” (core tier 1 ratio, total risk, calculated in accordance with Basel III rules, with phase-in arrangements lasting until January 1, 2023 for illustrative purposes, as interpreted by the Group’s management and, if applicable, including interim profit less pro rata dividends on share and participation capital);

- “consolidated return on equity” (consolidated profit divided by average IFRS equity without non-controlling interests);

- “core capital” or “tier 1 capital” (regulatory core capital as defined by Basel II consisting of paid-in capital, earned capital, non-controlling interests and hybrid tier 1 capital after deduction of intangible fixed assets; calculated by RBI for illustrative purposes only by applying Austrian legal total own funds requirements to the Group; inclusion of hybrid capital in RBI’s own funds calculations is based on the assumption that the Company is the superordinated credit institution (*übergeordnetes Kreditinstitut*) of the Group and remains a subsidiary of RZB);

- “core tier 1 ratio, total risk” (core capital less hybrid capital instruments divided by risk-weighted assets (total risk));

- “cost/income ratio” (general administrative expenses divided by operating income (excluding impairment on goodwill, bank levies and special transaction tax in Hungary);

- “dividend payout ratio” (dividends paid divided by consolidated profit for the same period after deduction of dividends for participation capital and participation rights);

- “earnings per share” (in accordance with IAS 33: adjusted consolidated profit (after deduction of dividends for participation capital) divided by the weighted average number of ordinary shares outstanding);

- “equity to assets ratio” (total IFRS equity including current period’s profit divided by total assets);

- “excess cover ratio” (excess own funds divided by total own funds requirement);

- “excess own funds” (total own funds less total own funds requirement);

- “interest-bearing assets” (total assets less trading assets, derivatives, intangible fixed assets, fixed assets and other assets);

- “loan/deposit ratio” (loans and advances to customers divided by deposits from customers, disregarding claims and obligations from (reverse) repurchase agreements, securities lending and securities borrowing);

- “loan/deposit ratio (total)” (loans and advances to customers divided by deposits from customers);

- “net interest margin” or “net interest margin (interest-bearing assets)” (net interest income divided by average interest-bearing assets);

- “net interest margin (total assets)” (net interest income divided by average total assets);

- “net provisioning ratio” (provisioning for impairment losses divided by average credit risk-weighted assets);

- “NPL coverage ratio” (impairment losses on loans and advances divided by non-performing loans);

- “non-performing loan ratio” (non-performing loans divided by loans and advances to customers);

- “operating income” (the aggregate of net interest income, net fee and commission income, trading income and other net operating income);

- “own funds ratio” (total own funds divided by risk-weighted assets (total risk));

- “portfolio rate” (total provisions for impairment losses divided by total credit exposure);

- “provisioning ratio” (provisioning for impairment losses divided by average loans and advances to customers);

- “return on assets after tax” (profit after tax divided by average total assets);

- “return on assets before tax” (profit before tax divided by average total assets);

- “return on equity after tax” (profit after tax divided by average IFRS equity);

- “return on equity before tax” (profit before tax divided by average IFRS equity);

- “risk/earnings ratio” (provisioning for impairment losses divided by net interest income);

- “risk-weighted assets (credit risk)” (the sum of the risk-weighted accounts receivable, including assets, off-balance sheet assets and derivatives according to § 22 para. 2 Austrian Banking Act (*Bankwesengesetz*; the “Banking Act”) as applicable until December 31, 2013;

- “risk-weighted assets (total risk)” (total own funds requirement multiplied by 12.5);

- “shareholders’ equity per share” (the Group’s equity excluding non-controlling interest divided by the weighted average number of ordinary shares outstanding);

- “tier 1 ratio, credit risk” (tier 1 capital divided by risk-weighted assets (credit risk), calculated by RBI for illustrative purposes only by applying Austrian legal total own funds requirements to the Group; inclusion of hybrid capital in RBI’s own funds calculations is based on the assumption that the Company is the superordinated credit institution (*übergeordnetes Kreditinstitut*) of the Group and remains a subsidiary of RZB);

- “tier 1 ratio, total risk” (tier 1 capital divided by risk-weighted assets (total risk), calculated by RBI for illustrative purposes only by applying Austrian legal total own funds requirements to the Group; inclusion of hybrid capital in RBI’s own funds calculations is based on the assumption that the Company is the superordinated credit institution (*übergeordnetes Kreditinstitut*) of the Group and remains a subsidiary of RZB);

- “total credit exposure” (all on-balance sheet (loans, debt securities) and off-balance sheet (guarantees, commitments) exposures of the Group that expose the Group to credit risk); and

- “total own funds requirement” (minimum capital requirement according to § 22 para 1 Banking Act as applicable until December 31, 2013: the own funds required for the credit risk, the position risk in bonds, equities, commodities and foreign currency as well as for the operational risk).

Beginning with the Consolidated Financial Statements for the financial year 2012, RBI changed the presentation of net interest margin from net interest margin (total assets) to net interest margin (interest-bearing assets) and the provisioning ratio from net provisioning ratio to provisioning ratio, each as defined above, because RBI believes that the new definitions are more in line with the presentation commonly used in the banking industry and by RBI's competitors.

Beginning with January 1, 2013, RBI changed the presentation of the loan/deposit ratio from loan/deposit ratio (total) to loan/deposit ratio, each as defined above, because RBI believes that the measure pursuant to the new definition allows for a more meaningful comparison between balance sheet dates, as it is not affected by the significant volatility associated with (reverse) repurchase agreements, securities lending and securities borrowing.

Beginning with September 30, 2013, RBI changed the presentation of the cost/income ratio, which was previously calculated as general administrative expenses divided by (unadjusted) operating income, while according to the current presentation operating income is adjusted for impairment on goodwill, bank levies and special transaction tax in Hungary.

Throughout this prospectus, these measures are presented according to their new definition except that for purposes of the segment discussions net interest margin for financial years 2010 and, for comparative purposes, 2011 is presented according to the previous definition, and for periods beginning with financial year 2011 according to the new definition.

The financial information in this prospectus is not intended to comply with the reporting requirements of the U.S. Securities and Exchange Commission. Compliance with such requirements would require the modification or exclusion of certain financial measures presented in this prospectus.

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements relating to the Group's business, financial condition, results of operations and strategies, and the industry in which it operates. Forward-looking statements concern future circumstances and results and include other statements that are not historical facts, sometimes identified by the words "might", "will", "should", "believes", "expects", "predicts", "intends", "projects", "plans", "estimates", "aims", "foresees", "anticipates", "targets", "seeks", "pursues", "goal" and similar expressions. Such statements reflect the Group's current views with respect to future events and are subject to risks and uncertainties. In this prospectus, forward-looking statements include, inter alia, statements relating to:

- the Group's implementation of its strategic initiatives;
- the development of aspects of the Group's results of operations;
- the Group's competitive position;
- the Group's expectations of the impact of risks that affect its business, including those set forth below under "Risk Factors"; and
- general economic trends and developments.

The Group bases these forward-looking statements on its current plans, estimates, projections and expectations. These statements are based on certain assumptions that, although reasonable at this time, may prove to be erroneous. Investors should not place undue reliance on these forward-looking statements. Should the assumptions which are the basis for forward-looking statements materially change between the approval of the prospectus by the FMA and the completion of the Offering, a supplement to this prospectus in accordance with § 6 of the Capital Markets Act will be published.

Many factors could cause the Group’s actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. These factors include, inter alia,

- the impact of the global credit crisis and the reactions of clients, investors, national and transnational regulators and financial institutions to the crisis and attempts to address it;
- changes in the credit ratings of the Group;
- the Group’s ability to increase or retain market share for its products and services and to control expenses;
- macroeconomic factors, including interest rates, exchange rates and economic growth in the countries in which RBI operates;
- changes in the quality of the Group’s loan portfolio and level of provisioning;
- the Group’s ability to compete in the markets in which it operates;
- the Group’s ability to meet the needs of its customers;
- the Group’s ability to profit from synergies of recent/past acquisitions;
- governmental factors, including the costs of compliance with regulations and the impact of regulatory changes;
- the effectiveness of the risk management;
- other risks, uncertainties and factors inherent in the Group’s business, including those described in more detail under the heading “Risk Factors”; and
- factors which are presently unknown to the Group or not currently considered by the Group to be material.

Should one or more of these factors or uncertainties materialize, or should the assumptions underlying the forward-looking statements included in this prospectus prove incorrect, events described in this prospectus might not occur or actual results may deviate materially from those described in this prospectus as anticipated, believed, estimated or expected, and the Group may not be able to achieve its targets and strategic objectives. Other than as required by law, in particular under § 6 of the Capital Markets Act, neither the Company nor the Managers intend or assume any obligation, to update the forward-looking statements set forth in this prospectus.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial statements - documents incorporated by reference

The English translations of the audited consolidated financial statements of the Company as of, and for the years ended, December 31, 2012, 2011 and 2010, (including the notes thereto, the "Audited Consolidated Financial Statements") and of the unaudited consolidated financial statements of the Company as of, and for the nine months ended, September 30, 2013, including comparable figures for 2012, (including the notes thereto, the "Unaudited Consolidated Financial Statements" and together with the Audited Consolidated Financial Statements, the "Consolidated Financial Statements") are incorporated by reference into this prospectus and are defined herein as the "Documents Incorporated by Reference".

The Company has prepared the Consolidated Financial Statements in accordance with IFRS. The Audited Consolidated Financial Statements in the German language were audited by KPMG Austria AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (until April 4, 2012: KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft) who are members of the Austrian Chamber of Chartered Accountants and Tax Advisers (*Kammer der Wirtschaftstreuhänder*). KPMG Austria AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft have acknowledged the incorporation by reference of their unqualified auditors' opinions in relation to the Audited Consolidated Financial Statements. This acknowledgement is not a consent as defined in Section 7 of the Securities Act.

The Documents Incorporated by Reference are available at the Company's registered office during usual business hours for 12 months from the date of approval of this prospectus, see "*Documents Available for Inspection*". The Consolidated Financial Statements may be inspected on RBI's website (www.rbinternational.com) under "Investor Relations" and "Reports & Presentations" as follows:

(i) Raiffeisen Bank International Third Quarter Report 2013: Statement of comprehensive income, pages 48-49; quarterly results, page 50; statement of financial position, page 51; statement of changes in equity, page 52; statement of cash flows, pages 53; segment reporting, pages 53-57; notes, pages 58-88;

(ii) Raiffeisen Bank International Annual Report 2012 ("Annual Report 2012"): The audited consolidated financial statements as of, and for the year ended, December 31, 2012: Statement of comprehensive income, pages 102-103; quarterly results, page 104; statement of financial position, page 105; statement of changes in equity, page 106; statement of cash flows, pages 107-108; segment reporting, pages 109-115; notes, pages 116-210; auditor's report pages 211-212;

(iii) Raiffeisen Bank International Annual Report 2011 ("Annual Report 2011"): The audited consolidated financial statements as of, and for the year ended, December 31, 2011: Statement of comprehensive income, pages 134-136; quarterly results, page 137; statement of financial position, page 138; statement of changes in equity, page 139; statement of cash flows, pages 140-141; segment reporting, pages 142-149; notes, pages 150-261; auditor's report pages 262-263;

(iv) Raiffeisen Bank International Annual Report 2010 ("Annual Report 2010"): The audited consolidated financial statements as of, and for the year ended, December 31, 2010: Statement of comprehensive income, pages 126-127; profit development, page 128; statement of financial position, page 129; statement of changes in equity, page 130; statement of cash flows, pages 131-132; segment reporting, pages 133-138; notes, pages 139-254; auditor's report pages 255-256;

Non-incorporated parts of these documents are either not relevant for the investor or covered elsewhere in this prospectus. Information displayed on the Company's website does not form a part of this prospectus nor is such website incorporated by reference in this prospectus, unless explicitly otherwise stated in this prospectus. RBI presents its financial statements in euro. References in this prospectus to "U.S. dollar" or "USD" are to United States dollars, and references to "euro" or "EUR" are to the currency of the member states of the European Union participating in the Economic and Monetary Union.

The financial information in this prospectus is not intended to comply with the reporting requirements of the U.S. Securities and Exchange Commission. Compliance with such requirements would require the modification or exclusion of certain financial measures presented in this prospectus.

Rounding adjustments

As is customary in commercial accounting, some numerical figures (including percentages) in this prospectus have been rounded to the nearest whole number or tenth of a million (EUR). As a result, figures shown as totals in some tables may not be the exact arithmetic aggregation of the rounded figures that precede them. Percentages cited in the text, however, were calculated using the actual values rather than the rounded values. Accordingly, in certain cases it is possible that the percentages in the text differ from percentages based on the rounded values.

Basel III calculations

Any Basel III figures set out in this prospectus are based on applicable EU regulations and rules (i.e. CRR, CRD IV rules), which are effective since January 1, 2014 in consideration of available standards issued by EBA.

Market and industry data, ratings

This prospectus includes information regarding markets, market sizes, market share, market position, growth rates and industry data for the Group's lines of business, which consists of estimates based on data and reports compiled by third parties such as professional organizations and analysts, on data from other external sources, and on the Group's knowledge of its sales and markets. Such third party sources include publications, statistics and surveys of the following institutions: The Vienna Stock Exchange (www.wienerborse.at), the Vienna Institute for International Economic Studies ("WIIW"; www.wiiw.ac.at), Raiffeisen Research GmbH, majority-owned by the Company ("Raiffeisen Research"), the International Monetary Fund (www.imf.org), the European Central Bank (www.ecb.int), the Austrian National Bank (*Oesterreichische Nationalbank*; "OeNB"; www.oenb.at), the General Administration of Customs (China) and the respective national central banks or bank regulatory authorities of CEE. Information about market positions of the Group, competitors' ratings and the numbers of their branches is usually generated or estimated by the Network Banks on the basis of market information obtained by central banks and data provided by the Group's competitors in particular on their respective websites. In many cases there is no readily available external information (whether from trade associations, government bodies or other organizations) to validate market-related analyses and estimates, requiring the Company to rely on internally developed estimates. The Company believes that such data are useful in helping investors understand the industry in which the Group operates and the Group's position within the industry. In addition, this prospectus contains information about the Company's Share price, which is based on information from Reuters.

Behavior, preferences and trends in the market tend to change. As a result, investors should be aware that data in this prospectus and estimates based on that data might not be reliable indicators of future results.

This prospectus also presents the Group's credit ratings from Standard & Poor's Credit Markets Services Europe Ltd., a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's"), Moody's Deutschland GmbH ("Moody's") and Fitch Ratings Limited ("Fitch"). The European Securities and Markets Authority ("ESMA") on October 31, 2011, has registered the European establishments of Standard & Poor's, Moody's and Fitch in compliance with the requirements of the Regulation (EC) No 1060/2009 of September 16, 2009 on credit rating agencies, as amended by Regulation (EC) No 513/2011 of May 11, 2011 (the "Rating Agency Regulation"); for a list of credit rating agencies registered in accordance with the Rating Agency Regulation see "www.esma.europa.eu/page/List-registered-and-certified-CRAs". In addition, as part of its application for registration, Fitch Ratings Ltd. in the U.K. applied for permission to endorse ratings from Fitch's non-EU entities.

The Company confirms that the information provided by third parties has been accurately reproduced. So far as the Company is aware and has been able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, neither the Company nor the Managers have independently verified such data. Therefore, neither the Company nor the Managers assume any responsibility for the correctness of any market share, market position, growth rates, industry or other data included in this prospectus. In addition, while the Company believes its internal research to be reliable, such research has not been verified by any independent sources.

EXCHANGE RATE INFORMATION

The Company's Consolidated Financial Statements are presented in euro. The table below sets forth, for the periods and dates indicated, period average, high, low and end exchange rates as published by Bloomberg. This exchange rate information is provided solely for convenience. The Company makes no representation that any amount of currencies specified in the table below has been, or could be, converted into the applicable currency at the rates indicated or any other rate. The exchange rate of the euro on January 20, 2014 was U.S. dollar 1.3563 = EUR 1.00.

	U.S.dollar per EUR 1.00			
	Period average[1]	**High**	**Low**	**Period end**
Year				
2009	1.3950	1.5094	1.2544	1.4331
2010	1.3217	1.4509	1.1953	1.3384
2011	1.3993	1.4874	1.2907	1.2961
2012	1.2911	1.3453	1.2053	1.3197
2013	1.3302	1.3814	1.2781	1.3780
2014 (until January 20, 2014)	1.3630	1.3688	1.3558	1.3563
Month				
July 2013	1.3083	1.3279	1.2792	1.3276
August 2013	1.3316	1.3420	1.3214	1.3222
September 2013	1.3350	1.3542	1.3119	1.3537
October 2013	1.3643	1.3804	1.3492	1.3595
November 2013	1.3489	1.3616	1.3350	1.3616
December 2013	1.3704	1.3814	1.3556	1.3780

[1] Period Average means the average of the exchange rates on the last business day of each month for annual averages and the average of the exchange rates on each business day during the relevant period for monthly averages.

Source: Bloomberg.

The Company did not use the rates listed above in the preparation of its Consolidated Financial Statements. For further information on the exchange rates used in the presentation of the Consolidated Financial Statements, please see "*Operating and Financial Review—Key factors affecting the Group's results of operations—Currency exchange rate fluctuations*".

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available free of charge at the Company's registered office at Am Stadtpark 9, A-1030 Vienna, Austria (Tel: +43 (1) 717 07-0), during usual business hours for 12 months from the date of approval of this prospectus:

- the Articles of Association of the Company; and
- the Consolidated Financial Statements.

Copies of this prospectus will be available free of charge during usual business hours from the date of approval of this prospectus until the end of the Offer Period at the Company's registered office at Am Stadtpark 9, A-1030 Vienna, Austria.

In addition, the following documents may be inspected on the Company's website (www.rbinternational.com) under the icon "Investor Relations":

- the Articles of Association of the Company;
- this prospectus; and
- the Consolidated Financial Statements.

The information displayed on the Company's website or any third party website to which a reference is made in this prospectus does not form a part of this prospectus nor are such websites incorporated by reference in this prospectus, unless explicitly otherwise stated in this prospectus.

The Company publishes on its internet website www.rbinternational.com certain information in accordance with Rule 12g3-2(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The information published on this website is not incorporated by reference or otherwise made part of this prospectus. If, at any time, the Company is neither subject to Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, it will furnish, upon request, to any holder of the Shares or any prospective purchaser designated by a holder Shares, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable".

Section A – Introduction and warnings

A.1 Warnings .... The following summary must be read as an introduction to this prospectus.

Any decision to invest in the New Shares (as defined below) should be based on a consideration of this prospectus as a whole by the investor.

Where a claim relating to the information contained in this prospectus is brought before a court, a plaintiff investor might, under the national legislation of the relevant member state of the European Economic Area, have to bear the costs of translating this prospectus before legal proceedings are initiated.

Civil liability attaches to those persons who have tabled this summary, including any translation thereof, but only if this summary is misleading, inaccurate or inconsistent when read together with the other sections of this prospectus or it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in the New Shares (as defined below).

A.2 Consent by the issuer to the use of the prospectus by financial intermediaries .... Each credit institution pursuant to the Directive 2006/48/EC acting as financial intermediary (the "Financial Intermediary") finally placing New Shares is entitled to use the prospectus in Austria during the Offering, provided however, that the prospectus is still valid in accordance with section 6a of the KMG which implements the Prospectus Directive. The Issuer accepts responsibility for the information given in the prospectus also with respect to such final placement of the New Shares.

The consent by the Issuer to the use of the prospectus for the final placement of the New Shares by the Financial Intermediaries has been given under the condition that (i) potential investors will be provided with the prospectus and any supplement thereto and (ii) each of the Financial Intermediaries ensures that it will use the prospectus and any supplement thereto in accordance with all applicable selling restrictions specified in this prospectus and any applicable laws and regulations.

Any financial intermediary using the Prospectus has to state on its website that it uses the prospectus in accordance with the consent and the conditions attached thereto.

In the event of an offer being made by a Financial Intermediary, this Financial Intermediary will provide information to investors on the terms and conditions of the offer at the time the offer is made.

Section B – Raiffeisen Bank International AG

B.1 Legal and commercial name.. The legal name of the Company is Raiffeisen Bank International AG. The Company's as well as the Group's commercial name is "Raiffeisen Bank International" or "RBI".

B.2 Domicile, legal form, legislation, country of incorporation .... Vienna, joint stock corporation (*Aktiengesellschaft*), Austrian law, Austria.

B.3 Current operations and principal business activities and principal markets in which the issuer competes............... RBI is a universal banking group offering a comprehensive range of banking and financial products as well as services to retail and corporate customers, financial institutions and public sector entities. RBI focuses its business on its core markets in Central and Eastern Europe ("CEE") and Austria. In CEE, the Group operates a network of universal banks, leasing companies and other financial service providers in 16 countries (in 15 of which it operates network banks). RBI provides commercial and investment banking services to Austrian and international corporate clients and multinationals. The Group also has long-standing operations in Asia, including China and Singapore, to take advantage of selected business opportunities, primarily with existing clients which require specific financing solutions. As one of the largest pan-CEE banking groups, RBI's nearly 59,000 employees serve more than 14 million customers through more than 3,000 business outlets (data as of September 30, 2013).

The Group's products and services include loans, deposits, payment and account services, credit and debit cards, leasing, asset management, insurance products, export and project financing, cash management, foreign exchange and fixed income products as well as investment banking services and related products. While RBI's CEE business covers both retail and corporate customers, RBI's business in Austria and the rest of the world services corporate clients (medium and large-sized corporates and financial institutions), with a particular focus on clients that offer cross-selling opportunities in CEE. As of, and for the year ended, December 31, 2012, approximately 88% of operating income and 74% of risk-weighted assets (credit risk) were related to CEE.

As of September 30, 2013, RBI had total assets of approximately EUR 131 billion. Consolidated profit (after taxes and less profit attributable to non-controlling interests) totaled EUR 725 million for the year ended December 31, 2012 and EUR 411 million for

		the nine months ended September 30, 2013. Return on equity before tax amounted to 9.7% for the year ended December 31, 2012 and to 8.6% for the nine months ended September 30, 2013. RBI believes that its business is characterized by the following competitive strengths: (i) leading bank in the CEE Region with strong brand recognition; (ii) an established track record of a profitable and diversified business model; and (iii) being a universal bank with a comprehensive product platform. RBI has the following strategic priorities: (i) focusing on the six most attractive CEE markets (including Austria); (ii) reducing costs and increase profitability; and (iii) strengthening its capital position and redeeming its outstanding participation capital.
B.4a	Most significant recent trends affecting the issuer and the industries in which it operates	*Economic conditions.* RBI is affected by changing conditions in the global financial markets, economic conditions generally and perceptions of those conditions and future economic prospects. The outlook for the global economy over the near to medium term remains challenging and many forecasts predict only stagnant or modest levels of gross domestic product growth across many of the core markets in which RBI operates. Many European and other countries continue to struggle under large budget deficits, heightening a concern of the market that many European and other countries may now or in the future be unable to repay outstanding debt or obtain financing on the financial markets. The markets in which RBI operates have been and continue to be negatively affected by those changing conditions. The economic trends in CEE are generally linked to the trends in the euro zone as the euro zone remains the CEE region's primary export market. *Credit risk.* RBI is exposed to credit risk in connection with its lending activities with retail and corporate customers, other banks, local regional governments and sovereign borrowers, and other activities that expose it to the risk of counterparty default, such as its trading and settlement activities. This includes exposure to borrowers and other counterparties in countries that have been particularly affected by the recent financial and economic conditions, such as the Ukraine, Hungary and Slovenia. *Regulatory environment.* National and supranational legislators, supervisory authorities and other bodies that set standards have steadily increased the regulation of financial institutions including by tightening regulatory capital and liquidity requirements and imposing restrictions on leverage and lending. It is likely that this trend towards more stringent regulation will continue in the future and that new or tighter regulatory requirements may be imposed on short notice and with relatively short implementation periods. These regulatory changes have materially affected, and are expected to continue to affect, business volumes and business activity of the various business divisions of the Group and generally increase RBI's cost of doing business. In addition, there is an increasing trend of governments imposing additional taxes and levies on banks, including financial transaction taxes.

B.5 Description of the group and the issuer's position within the group .... The Issuer conducts most of the Group's Austrian operations and in addition, serves as the holding company of the Group's subsidiaries, which operate the Group's other businesses. The Issuer considers the following companies to be its material subsidiaries:

Name of company	Country of incorporation	Registered seat	Percentage of ownership and voting power
Raiffeisen Bank Zrt.	Hungary	Budapest	100.0%
Tatra banka, a.s.	Slovakia	Bratislava	78.8%[1]
Raiffeisenbank a.s.	Czech Republic	Prague	75.0%
Raiffeisen Bank S.A.	Romania	Bucharest	99.5%
Raiffeisen Bank Aval JSC	Ukraine	Kiev	96.2%
ZAO Raiffeisenbank	Russia	Moscow	100.0%
Raiffeisen Bank Polska S.A.	Poland	Warsaw	100.0%

(1) As Tatra banka, a.s. has issued non-voting preferred shares, the Company's share of voting rights differs from the percentage of ownership set forth above. The Company's share of voting rights in Tatra banka, a.s. is 89.1%.

Source: Annual Report 2012.

B.6 Persons who, directly and indirectly, have a notifiable interest in the issuer's capital or voting rights .... As of December 31, 2012, RZB through its wholly owned subsidiary Raiffeisen International Beteiligungs GmbH (the "Direct Shareholder") holds approximately 78.5% of the shares in the Company and the Company itself approximately 0.3% (treasury shares). Approximately 21.2% are free float.

Different voting rights.......... Not applicable. There are no different voting rights.

Direct and indirect ownership of or control over the issuer and nature of such control .... The Direct Shareholder and RZB as indirect principal shareholder of the Company are able to effectively control all matters requiring shareholder approval.

B.7 Selected historical key financial information regarding the issuer, presented for each financial year of the period covered by the historical financial information... The consolidated statement of income data for the years ended December 31, 2012, 2011 and 2010 and the consolidated balance sheet data as of December 31, 2012, 2011 and 2010 have been derived from the English translations of the audited annual consolidated financial statements of the Company as of and for the financial years ended December 31, 2012, 2011 and 2010 (including the notes thereto, the "Audited Consolidated Financial Statements"). The unaudited consolidated statement of income data for the nine months ended September 30, 2013 and 2012 and the unaudited consolidated balance sheet data as of September 30, 2013 have been derived from the English translations of the unaudited interim consolidated financial statements of the Company as of and for the nine months ended September 30, 2013 (including the notes thereto) which have been prepared on the same basis as the Audited Consolidated Financial Statements. Results for the nine months ended September 30, 2013 are not necessarily indicative of results that may be expected for the entire year.

	Nine months ended September 30,		**Year ended December 31,**		
	2013	**2012**	**2012**	**2011**	**2010**
	(in EUR million, except as otherwise noted)				
	(unaudited)		**(audited)**		
Consolidated Income statement					
Interest income	4,564	4,959	6,479	6,614	6,365
Interest expenses	(1,787)	(2,363)	(3,007)	(2,947)	(2,787)
Net interest income	**2,776**	**2,596**	**3,472**	**3,667**	**3,578**
Net provisioning for impairment losses	(800)	(623)	(1,009)	(1,064)	(1,194)
Net interest income after provisioning	**1,977**	**1,973**	**2,463**	**2,604**	**2,384**
Fee and commission income	1,484	1,377	1,869	1,795	1,753
Fee and commission expense	(281)	(257)	(353)	(305)	(262)
Net fee and commission income	**1,203**	**1,120**	**1,516**	**1,490**	**1,491**
Net trading income	240	220	215	363	328
Net income from derivatives and designated liabilities	(243)	(108)	(127)	413	(84)
Net income from financial investments	73	299	318	(141)	137
General administrative expenses	(2,430)	(2,336)	(3,264)	(3,120)	(2,980)
Other net operating income	(117)	(52)	(102)	(232)	6
Net income from disposal of group assets	(6)	(2)	12	(3)	5
Profit before tax	**696**	**1,115**	**1,032**	**1,373**	**1,287**
Income taxes	(236)	(226)	(284)	(399)	(110)
Profit after tax	**461**	**889**	**748**	**974**	**1,177**
Profit attributable to non-controlling interests	(50)	(47)	(22)	(6)	(90)
Consolidated profit	**411**	**842**	**725**	**968**	**1,087**
	(unaudited)		**(audited, unless otherwise stated)**		
Other financial and bank regulatory data and ratios					
Earnings per share (in EUR)	1.34	3.55	2.70	3.95	4.56
Return on equity before tax (in %)	8.6	14.1	9.7	13.7	13.7
Consolidated return on equity (in %, unaudited)	5.4	11.7	7.4	10.8	13.0
Return on assets before tax (in %, unaudited)	0.70	1.00	0.73	0.98	0.9
Cost/income ratio (in %, unaudited)	56.9	58.4	61.5	56.0	54.7
Risk/earnings ratio (in %, unaudited)	28.8	24.0	29.1	29.0	33.4
Provisioning ratio (in %)	1.29	1.00	1.21	1.34	1.89
Net interest margin (in %)	3.08	2.60	2.66	2.90	3.11
Non-performing loans ratio (in %, unaudited)	10.3	10.0	9.8	8.6	9.0
NPL coverage ratio (in %)	66.1	65.8	67.0	68.3	66.3
Loan/deposit ratio (in %, unaudited)	123	120	121.7	127.1	134.1
Risk-weighted assets (credit risk) (in EUR million)[2]	68,132	68,781	68,136	77,150	75,601
Total own funds requirement[1] [2]	6,617	6,723	6,626	7,624	7,585
Own funds ratio (in %)[1] [2]	14.8	14.8	15.6	13.5	13.3
Tier 1 ratio, total risk (in %)[1] [2][3]	10.6	10.7	11.2	9.9	9.7
Core tier 1 ratio, total risk (in %)[1] [2]	10.1	10.2	10.7	9.0	8.9
Shareholders' equity per share (in EUR, unaudited)	36.84	38.86	38.13	36.28	33.95

[1] Information with respect to RBI's regulatory capital as of September 30, 2012 and as of December 31, 2011 and 2010 is calculated on the basis of the Austrian Banking Act and Austrian GAAP, while information as of December 31, 2012 and September 30, 2013 is calculated on the basis of IFRS. As a result, amounts as of these dates are not fully comparable. Also, the scope of consolidation for accounting purposes under IFRS differs from the scope for regulatory purposes, in particular in relation to the treatment of de minimis entities and non-financial companies. As a result, the components of regulatory capital deviate from those of consolidated equity, which is prepared for all periods and presented in accordance with IFRS.

[2] Calculated by RBI for illustrative purposes only by applying Austrian legal total own funds requirements to the Group.

[3] Inclusion of hybrid capital in RBI's own funds calculations is based on the assumption that the Company is the superordinated credit institution (*übergeordnetes Kreditinstitut*) of the Group and remains a subsidiary of RZB.

	As of September 30,	As of December 31,		
	2013	2012	2011	2010
	(in EUR million)			
	(unaudited)	(audited)		
Statement of financial position				
Assets				
Cash reserve	5,273	6,557	11,402	4,807
Loans and advances to banks	21,589	22,323	25,748	21,532
Loans and advances to customers	82,431	83,343	81,576	75,657
Impairment losses on loans and advances	(5,734)	(5,642)	(5,053)	(4,756)
Trading assets	7,853	9,813	10,617	8,068
Derivatives	961	1,405	1,405	1,488
Financial investments	13,787	13,355	16,535	19,631
Investments in associates	5	5	5	5
Intangible fixed assets	1,259	1,321	1,066	1,220
Tangible fixed assets	1,631	1,597	1,511	1,454
Other assets	1,979	2,038	2,174	2,067
Total assets	**131,034**	**136,116**	**146,985**	**131,173**
Equity and liabilities				
Deposits from banks	29,617	30,186	37,992	33,659
Deposits from customers	67,496	66,297	66,747	57,633
Debt securities issued	11,113	13,290	14,367	16,555
Provisions for liabilities and charges	703	721	771	672
Trading liabilities	5,895	8,824	9,715	5,742
Derivatives	398	472	792	1,264
Other liabilities	1,596	1,515	1,515	1,243
Subordinated capital	3,861	3,937	4,151	4,001
Equity	10,354	10,873	10,936	10,404
Consolidated equity	9,442	9,424[1]	8,825	8,251
Consolidated profit	411	730[1]	968	1,087
Non-controlling interests	501	719	1,143	1,066
Total equity and liabilities	**131,034**	**136,116**	**146,985**	**131,173**

[1] Consolidated equity and consolidated profit were adapted due to the retrospective application of IAS 19. The audited amounts were EUR 9,428 million (consolidated equity) and EUR 724 million (consolidated profit).

Material adverse change .... Not applicable. There has been no material adverse change in the prospects of the Issuer and the Group since September 30, 2013. There were no significant changes in the financial or trading position of the Group since September 30, 2013.

B.8 Selected key pro forma financial information .... Not applicable. Pro forma financials are not required.

B.9 Profit forecast or estimate ..... Not applicable. No profit forecasts or estimates are made.

B.10 Nature of any qualifications in the audit opinions on the historical financial information .... Not applicable. There are no qualifications.

B.11 Insufficiency of the issuer's working capital for its present requirements .... Not applicable. The working capital of the Issuer is sufficient.

Section C – Securities

C.1 Type and class of the securities being offered and/or admitted to trading, security identification number .... No-par value ordinary bearer shares (*auf Inhaber lautende Stückaktien*).

		The ISIN for Existing Shares and the New Shares (each as defined below) to be delivered on the second closing date is AT0000606306, the New Shares to be delivered on the first closing date will be booked under ISIN AT0000A153T9 and will be transferred to the ISIN for the Existing Shares on or about January 29, 2014. The ISIN for the subscription rights granted to existing shareholders of the Issuer is AT0000A153U7. The Reuters symbol is RBIV.VI, the Bloomberg symbol RBI AV and the trading symbol RBI.
C.2	Currency of the securities issue	Euro
C.3	Number of shares issued and fully paid and issued but not fully paid, par value per share	Prior to the offering to which this prospectus refers (the “Offering”), the Company’s issued and fully paid-in share capital amounts to EUR 596,290,628.20, divided into 195,505,124 fully paid-in no-par value ordinary bearer shares (*auf Inhaber lautende Stückaktien*), each representing a calculated notional amount of EUR 3.05 of the share capital (the “Existing Shares”).
C.4	Rights attached to the securities	The Shares (as defined below) carry full dividend rights from, and including, the financial year ending December 31, 2013. Each Share entitles its holder to one vote at the Company’s general meeting and to other rights of shareholders according to the Austrian Stock Corporation Act (e.g. right to information in the general meeting, right to objection and challenge of resolutions of the general meeting etc.). Moreover, shareholders are entitled to statutory subscription rights. There are no restrictions on voting rights.
C.5	Restrictions on free transferability of the securities	Not applicable. There are no restrictions on the free transferability of the Shares (as defined below) and the subscription rights.
C.6	Application for admission to trading, regulated market, identity of regulated markets where securities are to be traded	Application will be made to list the up to 97,473,914 new shares of the Company, which are offered in the Offering (the “New Shares” and together with the Existing Shares, the “Shares”), on the Official Market of the Vienna Stock Exchange, where the Existing Shares are already admitted to trading under the symbol “RBI”, and traded in the prime market segment. It is expected that the New Shares to be delivered on the first closing date and the New Shares to be delivered on the second closing date will be traded in the Vienna Stock Exchange’s prime market segment starting on or about January 27, 2014 and February 11, 2014, respectively.

C.7 Dividend policy .... The Company's dividend policy is not based on a fixed dividend payout ratio. Dividends are proposed based on the Company's net profit for the relevant year, its capital requirements for the development of its business and the implementation of its strategy and other factors. In the future, the Company aims to continue to pay dividends based on the factors described above.

Section D – Risks

D.1 Key risks that are specific to the issuer or its industry ....

Risks relating to the global financial crisis and euro zone debt crisis

- The markets in which the Group operates were adversely affected by both the global financial crisis and the euro zone debt crises and continue to be subject to the risk of prolonged challenging economic and financing conditions.

- Regulatory and political actions by European governments in response to the sovereign debt crisis may not be sufficient to prevent the crisis from spreading or to prevent departure of one or more member countries from the common currency. The default or departure of any one or more countries from the euro could have unpredictable consequences on the financial system and the economy, potentially leading to declines in business levels, writedowns of assets and losses across the Group's businesses. The Group's ability to protect itself against these risks is limited.

Risks affecting the Group's business

- Adverse movements and volatility in foreign exchange rates could have an adverse effect on the valuation of the Group's assets and on the Group's financial condition, results of operations, cash flows and capital adequacy.

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

- In response to the challenging regulatory and market environment, RBI may continue to down-scale its business and dispose of assets outside its strategic focus. Any such disposals would involve risks and could have a material adverse effect on the Group.

- The Group faces intense competition in all areas of its business.

- The Group is exposed to credit and counterparty default risk, the risk of devaluation of collateral and credit concentration risks.

- Financial problems faced by the Group's customers could adversely affect the Group's business, financial condition and results of operations.

- The Group is exposed to market risk, which particularly affects unhedged positions.

- The results of the Group's trading and investment activities are subject to significant volatility.

- The Group's hedging may not be effective and may not prevent losses.

- Decreasing interest rate margins (the difference between the refinancing cost of the Group and the interest received on loans to borrowers) may have a material adverse effect on the Group.

- The Group faces significant operational risks inherent in the banking business.

- The liquidity required by the Group to refinance its business activities may not be available on acceptable terms or at all. A sudden shortage of funds from customer deposits could also increase the Group's costs of funding.

- Cross-default clauses in the Group's financing agreements could result in unexpected sudden liquidity requirements to satisfy accelerated claims.

- A downgrade of the credit rating of the Issuer, any network bank or a country where RBI is active could increase the Group's funding costs or decrease the availability of funding.

- The Group's risk management strategies and internal control procedures may not effectively identify and assess all risks, leaving the Group exposed to unidentified or unanticipated risks.

- The Group may not be able to achieve anticipated benefits from its recently announced cost savings plan and the ongoing implementation of other strategic initiatives and efficiency programs.

- The Group could be required to write down goodwill and may suffer from impairment losses.

- There is a risk that products developed by the Group cannot be launched on the market or that already launched products do not perform as expected or expose the Group to liabilities.

- The Group may have difficulties recruiting or retaining qualified employees.

- The services provided by the Issuer and its network units are increasingly dependent on complex information technology systems, the operation of which could be affected by a number of problems and might be subject to challenges.

- The Issuer and the network units hold a large number of different types of business relationships with their customers and investors and assume various different functions. Members of the Company's executive bodies serve on management or supervisory boards outside the Group, which may result in conflicts of interest.

- The Issuer and its network banks may be required to make contributions to deposit guarantee and investor compensation schemes in the event other participants in such schemes become insolvent.

- Changes to the deposit guarantee and investor compensation schemes in which the Issuer and network banks are participating may result in increased membership contributions.

- Mergers, acquisitions and investments undertaken by RBI could result in significant costs and liabilities, and the post-merger integration process may fail.

Risks affecting the markets in which the Group operates

- The Group is exposed to economic developments, and to the risk of political or economic instability, in the markets in which it operates.

- There is a heightened risk of government intervention and/or unfavorable legal rulings in certain of the markets in which the Group operates.

- The legal systems and procedural safeguards in some of the Group's markets are not yet fully developed.

- Changes in consumer protection laws and in the application and interpretation of such laws, as well as the more aggressive enforcement of such laws by consumers, regulatory authorities and consumer protection agencies can adversely affect the pricing terms of the Group's loans and other products and services and may allow consumers to reclaim fees and interest and principal payments previously paid.

- Tax laws in some of the Group's markets are not fully developed and are subject to frequent changes.

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

Legal and regulatory risks

- The Group's business is subject to increasingly onerous and complex regulation, including under Basel III and to changes in tax regimes, each of which can have an adverse effect on its results of operations.

- The Issuer and the network banks may be unable to raise additional capital required to maintain their minimum capital and other regulatory ratios.
- Certain of the Group's network banks are subject to mandatory reserve requirements.
- The Group is subject to stress testing and is expected to be subject to external asset quality reviews.
- Non-compliance with regulatory requirements may result in enforcement measures.
- Litigation or other proceedings or actions may adversely affect the Group's business, financial condition and results of operations.
- Compliance with anti-money laundering rules, rules against terrorist-financing and tax evasion and economic sanctions involve significant costs and efforts, and non-compliance may have severe legal and reputational consequences.

Risks relating to the Issuer's shareholding, capital structure and corporate structure

- Investors generally will not be able to affect the outcome of shareholder votes and the interests of the Issuer's controlling shareholder, RZB, may be inconsistent with the interests of other shareholders.
- RZB continues to remain an important funding source for the Group.
- Minority interests held by third parties may restrict the Issuer's control over certain subsidiaries.
- As a result of the Group's participation in the Austrian "bank package", including the issuance of participation capital to the Republic of Austria, the Group may be subject to limitations and obligations affecting its business and its ability to pay dividends.

D.3 Key risks that are specific to the securities......................

Risks relating to the Offering and the New Shares

- The market price of the Shares is volatile and could be adversely affected by future sales of the Shares in the public market.
- Shareholders are exposed to the risk of a failure of the Issuer to make dividend payments.

		• Shareholders' interests in the Issuer may be diluted if the Issuer issues additional shares in the future. • New Shares acquired in the pre-placement not attributable to waived subscription rights are subject to claw-back. • The price at which investors will be able to subscribe for New Shares in the rights offering may be higher than the price at which they could have purchased shares of the Company in the market. • Rights of shareholders in an Austrian corporation may differ from rights of shareholders in a corporation organized under the laws of another jurisdiction. • Fluctuation in exchange rates may influence the value of the Shares and dividends for investors outside the euro zone. • A suspension of trading in the Shares on the Vienna Stock Exchange could adversely affect the share price.
Section E – Offer		
E.1	Total net proceeds and estimate of total expenses of the offer, including estimated expenses charged to investors by the issuer or the offeror....................................	The Company will receive the net proceeds from the sale of the New Shares, consisting of the gross proceeds from the sale minus the offering-related expenses (including commissions of the Managers). The net proceeds from the Offering depend on the final number of New Shares to be issued, the Offer and Subscription Price and the actual offering-related expenses. Assuming that the maximum number of 97,473,914 New Shares is sold in the Offering at an assumed Offer and Subscription Price of EUR 30.50 per New Share (the closing price of the Existing Shares on the Vienna Stock Exchange on January 20, 2014) and after deducting estimated offering-related expenses, the Company expects to receive net proceeds in the amount of approximately EUR 2,908 million. Neither the Company nor the Managers will charge expenses to investors; customary bank fees might be charged by the investors' account-keeping financial institutions.
E.2a	Reasons for the offer, use of proceeds, estimated net amount of the proceeds	The Company conducts the Offering and intends to use the net proceeds from the Offering (which the Company expects to be approximately EUR 2,908 million based on the assumptions under element E.1) to increase and improve the Company's capitalization to a level that it considers adequate in light of the changed regulatory requirements applicable to it and in view of the Company's strategy. In particular and subject to supervisory board and regulatory authorities' approval, RBI intends to use the

net proceeds from the Offering for redemption of the outstanding Participation Capital 2008/2009 in full or in part. Any net proceeds exceeding the outstanding Participation Capital 2008/2009 will be used for general corporate purposes.

E.3 Description of the terms and conditions of the offer .... The Offering relates to the New Shares, i.e. up to 97,473,914 ordinary no-par value bearer shares with a calculated notional amount of EUR 3.05 per share, which will be newly issued by the Company following a share capital increase in two tranches. The Offering consists of a pre-placement (the "Pre-placement") followed by a rights offering to the Company's existing shareholders (the "Rights Offering").

Pre-placement........................ The Pre-placement comprises a private placement to selected institutional investors in Austria and in other countries, including a private placement in the United States to qualified institutional buyers as defined in Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act"). The Pre-placement will take the form of a bookbuilding procedure. Investors who wish to purchase New Shares in the Pre-placement are hereby informed that 21.3% of any allocation of New Shares they may receive will be subject to claw-back and deferred settlement. See *"—Claw-back in the Pre-placement*" and "*—Settlement*" below.

Rights Offering...................... Following completion of the bookbuilding procedure and determination of the Offer and Subscription Price (as defined below) in the Pre-placement, the Company's shareholders will be invited to exercise their subscription rights to subscribe for the New Shares. Shareholders exercising their subscription rights will be entitled to subscribe for New Shares according to the subscription ratio set forth in the subscription invitation to be published by the Company on or about January 24, 2014, against payment of the Offer and Subscription Price. Assuming the maximum number of New Shares offered hereby is placed in the Pre-Placement, the subscription ratio will be 1 New Share for every 2 existing shares.

Voting and dividend entitlement of New Shares .... Each New Share carries a right to one vote at the Company's general meeting and full dividend rights from, and including, the financial year starting January 1, 2013.

Waived Subscription Rights.. The Direct Shareholder through which RZB holds all of its shares in the Company, has undertaken not to exercise its subscription rights to New Shares (the "Waived Subscription Rights"). A total of up to 76,754,612 New Shares, or 78.7% of the total number of New Shares, are attributable to Waived Subscription Rights. The waiver is subject to the condition that the capital increase is registered with the commercial register.

Claw-back in the Pre-placement

While New Shares attributable to Waived Subscription Rights will be allocated in the Pre-placement without claw-back, New Shares not attributable to Waived Subscription Rights will be allocated subject to claw-back (the “Claw-back Shares”), with delivery against payment of the Offer and Subscription Price being made in a deferred settlement after the number of New Shares for which subscription rights have not been exercised has been determined (see “*—Settlement*”). Accordingly, 21.3% of each investor’s allocation of New Shares in the Pre-placement will be subject to claw-back and deferred settlement.

To the extent that subscription rights are exercised in the Rights Offering, the claw-back will be exercised on a pro rata basis in accordance with the ratio of the total number of Claw-back Shares subscribed in the Rights Offering to the total number of Claw-back Shares.

Joint Global Coordinators

Deutsche Bank Aktiengesellschaft (“Deutsche Bank”), Raiffeisen Centrobank AG (“RCB”) and UBS Limited.

Co-Lead Managers

Banca IMI S.p.A. (“Banca IMI”), Barclays Bank PLC (“Barclays”), BNP Paribas (“BNP Paribas”), COMMERZBANK Aktiengesellschaft (“Commerzbank”) and ING Bank N.V. (“ING”).

Offer and Subscription Price

The offer price of the Pre-placement and the subscription price for the Rights Offering will be identical (the “Offer and Subscription Price”). The Offer and Subscription Price, as well as the final number of New Shares and the subscription ratio are expected to be determined on or about January 22, 2014, based on the outcome of the bookbuilding procedure in the Pre-placement, by the Company in consultation with the Joint Global Coordinators.

Publication of Offer and Subscription Price, number of New Shares and subscription ratio

The Offer and Subscription Price, the final number of New Shares and the subscription ratio are expected to be announced and published, including by way of an ad-hoc announcement, via electronic media, on or about January 22, 2014 and by short notice in the Official Gazette (*Amtsblatt zur Wiener Zeitung*) shortly thereafter. Such information will also be deposited with the FMA in accordance with the Capital Markets Act on or about January 23, 2013.

Pre-placement period and subscription period

The Pre-placement is expected to take place from January 21, 2014 to January 22, 2014, subject to extension or early termination at any time. The subscription period during which shareholders of the Company may exercise their subscription rights is expected to begin on January 24, 2014 and to end on February 7, 2014. The subscription period may be extended or terminated at any time.

Exercise of subscription rights.....................................

Subscription rights may be exercised at the Offer and Subscription Price during the subscription period. Subscriptions for the New Shares will be accepted by Raiffeisen Centrobank AG, Austria (*Bezugsstelle*; the “Subscription Agent”), as well as by all other credit institutions in Austria, during ordinary business hours. Shareholders and holders of subscription rights who hold their subscription rights through a depositary bank that maintains a securities account with Oesterreichische Kontrollbank Aktiengesellschaft (“OeKB”) or a financial institution that is a participant in Euroclear or Clearstream are required to exercise their subscription rights by instructing such bank or financial institution to subscribe for New Shares on their behalf in accordance with procedures established by the Company and the Joint Global Coordinators, and any applicable additional procedures established by such bank or financial institution.

The exercise of a subscription right by holders of subscription rights is irrevocable and cannot be annulled, modified, cancelled or revoked. Subscription rights not duly exercised by February 7, 2014 will expire without value.

No application has been or will be made for trading of the subscription rights on any stock exchange.

Exercise of subscription rights by U.S. shareholders ..

The subscription rights and the New Shares have not been and will not be registered under the Securities Act or any U.S. state securities laws. Accordingly, subscription rights may be exercised only by or on behalf of those shareholders in the United States that are qualified institutional buyers within the meaning of Rule 144A under the Securities Act and that deliver an investment letter in the prescribed form and comply with the other requirements set forth by the Company.

Holders of American depositary receipts (“ADRs”) issued by third party depositaries in respect of their holdings in the Company’s shares in connection with certain unsponsored ADR programs will not be permitted to effect subscription for New Shares in respect of the shares that are represented by such ADRs.

Participation of RZB in the Pre-placement.......................

RZB, acting through the Direct Shareholder, has agreed that it will place purchase orders in an amount of up to EUR 750 million in the Pre-placement. The Company and the Joint Global Coordinators intend to allocate the purchase order placed by the Direct Shareholder in the Pre-placement in full. However, after such full allocation in the Pre-placement’s bookbuilding procedure, the Direct Shareholder’s purchase order, like the order of any other investor in the Pre-placement, will be subject to claw-back and deferred settlement.

Settlement.............................

All New Shares attributable to the Waived Subscription Rights that are acquired in the Pre-placement are expected to be delivered on or about January 28, 2014. The Claw-back Shares are expected to be delivered on or about February 12, 2014.

		Delivery of the New Shares against payment of the Offer and Subscription Price is expected to take place through the book-entry facilities of OeKB, Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme.
E.4	Interests that are material to the offer including conflicting interests	The Managers have entered into a contractual relationship with the Company in connection with the Offering. Upon completion of the Offering, the Managers will receive a commission. In connection with the Offering, the Managers and their respective affiliated companies will be able to acquire New Shares for their own accounts and hold, purchase or sell for their own accounts and can also offer or sell these Shares outside of the Offering. The Managers do not intend to disclose the scope of such investments or transactions if not required by law. The Managers and/or their respective affiliates have provided, currently provide or may provide in the future various investment banking, commercial banking, financial advisory and/or similar services to the Company on a regular basis, and maintain normal business relationships with the Company in their capacity as credit institutions or as lenders under credit facilities, for which they have received and may continue to receive customary fees and expenses. All investment, consulting and financial transactions with the Managers are conducted on an arm's length basis. RCB, one of the Joint Global Coordinators, paying agent for the Shares, is a subsidiary of the Company.
E.5	Name of the person or entity offering to sell the security	The New Shares will be offered by the Company and the Managers.
	Lock-up agreements: the parties involved; and indication of the period of the lock up	The Direct Shareholder has agreed with the Joint Global Coordinators, during a period beginning on the date of this prospectus and ending on the date 180 days from the closing date of the Offering, not to affect certain measures that could have an effect on the market of the Shares without the prior written consent of the Joint Global Coordinators.
E.6	Amount and percentage of immediate accretion resulting from the Offering	Assuming the issue of 97,473,914 New Shares in this Offering at an assumed Offer and Subscription Price of EUR 30.50 per New Share (the closing price of the Existing Shares on the Vienna Stock Exchange on January 20, 2014), the Group's net assets as of September 30, 2013 would have been approximately EUR 10,111 million, or EUR 34.58 per Share, after deducting the estimated commissions payable to the Managers and other offering-related expenses incurred by the Company. This represents a dilution of

		approximately EUR 2.37 or approximately 6.4% per Share for existing shareholders who do not exercise their subscription rights, and an immediate increase in net assets of approximately EUR 4.08 or 11.8% per Share to new investors purchasing New Shares in the Offering. Accretion per Share to new investors is determined by subtracting the Offer and Subscription Price paid by a new investor from the net assets per Share after the Offering.
E.7	Estimated expenses charged to investors by the issuer or the offeror.............................	Not applicable. Neither the Company nor the Managers will charge expenses to investors. Investors will have to bear customary transaction and handling fees charged by their account–keeping financial institution.

RISK FACTORS

Before deciding to invest in the New Shares, prospective investors should carefully consider the risk factors set out below and the other information contained in this prospectus. The Group considers the risks described below to be the most material risks relating to an investment in the New Shares. The risks described below might turn out not to be complete or prove not to be exhaustive and therefore may not be the only risks to which the Group is exposed. Other risks and uncertainties which the Group is currently not aware of or which it deems immaterial at present could also impair its business. The order in which the risk factors are presented below is not an indication of the likelihood of their materialization or their relative significance.

If any of the following risks actually materialize, alone or in combination with other circumstances, the Group's business, cash flows, financial condition, results of operations and prospects could be materially adversely affected, the trading price of the New Shares could decline and investors could lose all or part of their investment. The combination of multiple risks or categories of risk could amplify the effects of the individual risks described below.

Investors should purchase the New Shares for inclusion into a broadly diversified portfolio only. Before any investment in the New Shares, prospective investors should obtain professional individual advice, in particular financial, tax and legal advice, which cannot be substituted by the information contained in this prospectus.

Risks relating to the global financial crisis and euro zone debt crisis

The markets in which the Group operates were adversely affected by both the global financial crisis and the euro zone debt crisis and continue to be subject to the risk of prolonged challenging economic and financing conditions.

The performance of the Group is influenced by global macroeconomic and financial market developments in general and particularly impacted by economic conditions in Central and Eastern Europe ("CEE"), in Austria and in other euro zone countries. In recent years, the global financial crisis and the euro zone debt crisis have had a significant adverse impact on economic conditions in many of the markets in which the Group is active. During the global financial crisis, refinancing costs of banks increased significantly, and liquidity available in the interbank and capital markets declined substantially. During the euro zone debt crisis, as a number of European countries struggled with large budget deficits and high levels of overall sovereign debt, concerns about sovereign risks intensified and were reflected by a widening of government bond and sovereign credit default swap spreads for several euro zone members, including Cyprus, Greece, Ireland, Italy, Portugal, Slovenia and Spain. Refinancing costs of these countries are still elevated in comparison to countries like Germany, and worries about the sovereign finances of these countries persist. Austerity measures implemented by some of the affected countries coupled with reduced access to funding have resulted in lower or negative GDP growth and high levels of unemployment and could have further negative effects on the economies of these countries. Moreover, various central banks and governments have implemented measures and programs designed to stimulate economic growth. In December 2013, the U.S. Federal Reserve announced that it is scaling back its bond buying program known as "quantitative easing" or "QE" by reducing the purchase volume to USD 75 billion per month (from USD 85 billion per month) from beginning of January 2014 onwards. The termination or further tapering of QE or any other programs (or the anticipation that any such programs may be terminated or tapered) could again result in volatility of financial markets and adversely affect economic growth.

These developments have had, and may in the future have, a detrimental effect on economic conditions in many of the countries in which the Group operates. Challenging economic conditions have affected, and may continue to affect, the Group's business, financial condition and results of operations. If economic conditions in the Group's markets worsen or remain challenging for longer than anticipated, this may have a material adverse effect on the Group's business, financial position and results of operations.

Regulatory and political actions by European governments in response to the sovereign debt crisis may not be sufficient to prevent the crisis from spreading or to prevent departure of one or more member countries from the common currency. The default or departure of any one or more countries from the euro could have unpredictable consequences on the financial system and the economy, potentially leading to declines in business levels, writedowns of assets and losses across the Group's businesses. The Group's ability to protect itself against these risks is limited.

The deterioration of the sovereign debt market in the euro zone and CEE, particularly the increasing costs of borrowing affecting many euro zone states and downgrades in the credit ratings of most euro zone countries indicate that the sovereign debt crisis can affect even the financially more stable countries in the euro zone. Substantial doubt remains whether actions taken by European policymakers will be sufficient to resolve the crisis over the longer term. In particular, there are doubts about the effectiveness of the European Stability Mechanism, generally referred to as the ESM, the special purpose vehicle created by the European Union to combat the sovereign debt crisis. In addition, the austerity programs introduced by a number of countries across the euro zone in response to the sovereign debt crisis appear to be dampening economic growth, and may continue to do so over the medium and longer terms. As the euro zone has fallen back into recession, questions about the long-term growth prospects of the euro zone countries could exacerbate their difficulties in refinancing their sovereign debt as it comes due, further increasing pressure on other euro zone governments.

In addition, the possibility exists that one or more members of the euro zone may default on their debt obligations or leave the common currency, resulting in the reintroduction of one or more national currencies. Should a euro zone country conclude it must exit the common currency, the resulting need to reintroduce a national currency and restate existing contractual obligations could have unpredictable financial, legal, political and social consequences, leading not only to significant losses on sovereign debt but also on private debt in that country. Given the highly interconnected nature of the financial system and the high levels of exposure the Group has to public and private counterparties around Europe, it is likely that losses on sovereign or private debt in one country would also impact other countries and counterparties. The Group's ability to plan for such a contingency in a manner that would reduce its exposure to non-material levels is likely to be limited. As a result of one or more departures from the euro zone, the Group's business could be adversely affected and the Group may be forced to write down significant exposures among its various businesses. Consequently, the exit of one or more member states from the euro zone could have a material adverse effect on the Group's business, financial position and results of operations.

Risks affecting the Group's business

Adverse movements and volatility in foreign exchange rates could have an adverse effect on the valuation of the Group's assets and on the Group's financial condition, results of operations, cash flows and capital adequacy.

A large part of the Group's operations, assets and customers are located outside the euro zone and the Group conducts its operations in many different currencies other than the euro. Adverse movements in foreign exchange rates may affect the Group's cash flows as measured in euro. The Group also has liabilities in currencies other than the euro and trades currencies on behalf of its customers and for its own account, thus maintaining open currency positions.

Some of the currencies in which the Group Units operate have been highly volatile in the past, which has had a negative impact on the Group's results of operations in these countries. The Group hedges its foreign currency exposure related to capital investments in its foreign subsidiaries only to a very limited extent, and any hedges that the Group enters into may prove ineffective to prevent losses.

The global financial crisis caused a substantial depreciation of certain CEE currencies, such as the Russian rouble, the Belarus rouble, the Ukrainian hryvnia and the Hungarian forint, against the euro, which negatively affected the equity of Group Units denominated in local currency and the goodwill of local group companies. A continuation or worsening of the financial crisis and euro zone debt crisis and its effects on CEE economies, and in particular a sovereign default, could cause the currencies in countries in which the Group operates to depreciate further. A devaluation of local currencies could have an adverse effect on the Group's revenues and profitability.

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

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

Any of the foregoing or other effects of currency devaluation, either with respect to the valuation of assets held for the Group's own account or with respect to open currency positions of customers of the Group, could have a material adverse effect on the Group's business, financial position and results of operations.

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

The Group's Network Units have significant exposure under loans denominated in a currency different from the borrower's local currency, particularly under loans denominated in Swiss francs, euro and U.S. dollars. As of September 30, 2013, 33.1% of the Group's loans to retail customers and 38.7% of the Group's total loan portfolio were foreign currency loans. If the value of a borrower's local currency declines relative to the currency in which the loan is payable, the effective cost of foreign currency-denominated loans to the borrower may increase substantially. Since borrowers in many cases (and, in particular retail borrowers) are not hedged against fluctuations in exchange rates, any depreciation of the local currency may result in an increased risk of default. Since some local currencies have depreciated significantly against the Swiss francs, euro and the U.S. dollar, this has already resulted, and may continue to result, in a deterioration of the Group's loan quality, a decrease in the value of the Group's loan portfolio and an increase in non-performing loans and may have a material adverse effect on the Group's business, financial position and results of operations. Various governments and judicial authorities have implemented, announced or contemplated measures to address the exposure of their countries' citizens to foreign currency loans, including by allowing borrowers to convert their foreign currency loans into local currency at favorable exchange rates, and may implement similar measures in the future. See "*—Risks affecting the markets in which the Group operates—There is a heightened risk of government intervention and/or unfavorable legal rulings in certain of the markets in which the Group operates*" and "*—Changes to consumer protection laws might limit interest margins or fees that the Group may charge in certain banking transactions and may allow consumers to reclaim fees already paid*".

In addition, the Issuer and the Network Units have sold foreign exchange derivatives, such as foreign exchange swaps, forwards and options, to financial institutions and to non-banking customers. These derivatives typically require the customer to provide collateral when a certain loss level is reached. The significant depreciation of several CEE currencies against the euro as a consequence of the global financial crisis caused a number of customers to default on the requirement to provide collateral, or to perform at all, under such financial instruments. A continued weakness of CEE currencies against major currencies could lead to further defaults by the Group's customers and losses incurred by the Issuer and the Network Units on foreign exchange derivatives, which could have a material adverse effect on the Group's business, financial position and results of operations.

In response to the challenging regulatory and market environment, RBI may continue to down-scale its business and dispose of assets outside its strategic focus. Any such disposals would involve risks and could have a material adverse effect on the Group.

In the past, the Group has sought to expand into new regional markets and to enter promising new product areas and customer segments through both organic growth and acquisitions. In response to the financial crisis and the ensuing changes in the business and regulatory environment in 2012, the Group in 2013 began moving away from an expansion and general growth strategy towards a more distinct approach with a focus on six markets (Russia, Poland, the Czech Republic, Slovakia, Romania and Austria) and business areas, particularly capital-light products, such as cash management and treasury services, private wealth management and certain investment banking products. Driven by the challenging economic environment and the measures adopted by the Group to comply with regulatory capital requirements, the Group has down-scaled certain of its activities. As a result, the Group's total assets on an overall basis decreased from EUR 147 billion as of December 31, 2011 to EUR 136 billion as of December 31, 2012 and EUR 131 billion as of September 30, 2013.

RBI is currently evaluating the strategic contribution of each of its markets and will continue to evaluate underperforming and sub-scale operations on an ongoing basis. As part of this strategic review, RBI is currently evaluating a possible sale of all or part of its operations in Ukraine, Hungary and Slovenia. In addition, RBI expects to continue to evaluate and, where appropriate, pursue other opportunities for the disposal of asset portfolios or businesses on terms it considers favorable. There are risks in connection with any dispositions RBI may pursue in the future, including the following:

- A sale of any operations or assets below book value would have a negative impact on RBI's results of operations.

- A potential purchaser might acquire only certain of RBI's operations and assets in a jurisdiction, which would leave the Group exposed to the remaining assets, which could be potentially of lower quality, and the risks associated therewith.

- The Group could be liable under representations, warranties or covenants made by it to a purchaser of assets in connection with the disposal.

- In the event of a disposition, previously incurred losses, which were reported as other comprehensive income and consequently negatively impacted equity (for example foreign exchange losses), would be shown as a loss in the Group's income statement. For example, in the case of Ukraine, previously incurred foreign exchange losses, which have adversely affected Group equity, amounted to EUR 463 million as of September 30, 2013.

- The use of the net proceeds from any dispositions may not result in improved results of operations.

- A sale of any operations may be subject to regulatory clearance and approvals, the obtaining of which could be burdensome, cost intensive and time consuming. Additionally, significant dispositions can change the nature of the Group's operations and business or the perception of the Group's business by the investment community and financial analysts. As a result, dispositions may have a material adverse effect on the Group's business, financial position and results of operations and can have a negative impact on the Issuer's share price.

Also, there can be no assurance that suitable disposition opportunities will be identified in the future, or that the Group will be able to complete such dispositions on favorable terms or at all. Such dispositions may prove difficult in the current market environment as many of the Group's competitors are also seeking to dispose of assets. It may also be difficult for the Group to adapt its cost structure to the smaller size of certain of its businesses, which can adversely affect the Group's cost/income ratio and overall profitability. This may have a material adverse effect on the Group's business, financial position and results of operations.

The Group faces intense competition in all areas of its business.

The Group competes with large international financial institutions and local competitors, including retail and commercial banks, mortgage banks, investment banks, securities companies and other enterprises in the financial services sector.

The consolidation of the worldwide financial services sector creates competitors with extensive product and service portfolios, who may have better access to liquidity or may have greater efficiency and pricing power. In addition, large competitors already active in the EU may enter, or further expand their presence in, the new EU accession countries or generally in the CEE region. Due to their greater international presence and their ability to provide banking services beyond the CEE markets, these competitors might appear more attractive to certain customers than the Group.

The Group also faces competition from local banks, which may have a much stronger presence in local markets than the Group. Some of the Group Units have only a relatively small market share in their respective domestic markets. In many markets, there are well-established local banks with a larger number of branch offices that offer a broader range of products and services. Primarily in view of increased constraints on the Group's business and resources following the financial crisis, the Group may lose customers to competitors, for example if such competitors pursue a less risk-averse business strategy than the Group or are subject to a less stringent regulation than the Group. To the extent that local banks have competitive advantages in local markets, it may make it more difficult for the Group to compete in these markets. Increasing competition for customer deposits and loans may also result in narrowing net interest margins and lower profitability.

The Group seeks to maintain its current level of customer loyalty and retention, which can be influenced by a number of factors, including service levels, prices and attributes of products and services, financial strength and actions taken by competitors. The competitiveness of the Group will largely depend on its ability to adapt to new market developments and trends. If the Group is unable to compete with attractive and profitable products and service offerings, it may lose market share or may incur losses on some or all of its activities. Should the Group be unable to effectively manage these competition risks, this may have a material adverse effect on the Group's business, financial position and results of operations.

The Group is exposed to credit and counterparty default risk, the risk of devaluation of collateral and credit concentration risks.

The Group is exposed to credit risk in connection with its lending activities with retail and corporate customers, other banks, local regional governments and sovereign borrowers, and other activities that expose the Group to the risk of counterparty default, such as its trading and settlement activities. Credit risk, which the Group considers to be its most significant risk category, is the risk of financial loss relating to the failure of a borrower to honor its contractual obligations.

Credit risk is affected by factors such as the creditworthiness of the borrower, the borrower's ability to repay its loans on a timely basis, the value of collateral provided and the Group's ability to enforce its security interests. Beginning in 2008 and particularly in 2009, the global financial crisis, lack of liquidity, declining real estate values and other negative economic developments caused a substantial increase in counterparty risk among banks, an increase in defaults in the customer business and an overall increase of non-performing loans for both retail and corporate customers. As of September 30, 2013, the Group's NPL ratio was 10.3%. If the ratio of non-performing loans in CEE were to further increase, this could negatively affect the equity of RBI's Group Units and the goodwill of other local group companies. Furthermore, a continuation or an aggravation of the sovereign debt crisis could directly or indirectly give rise to defaults from the Group's business with financial institutions, with local regional governments and with sovereigns.

Counterparty risk between financial institutions has increased in recent years. Concerns about potential defaults by one financial institution can lead to significant liquidity problems, losses or defaults by other financial institutions as the commercial and financial soundness of many financial institutions is interrelated due to credit, trading and other relationships. Even a perceived lack of creditworthiness may lead to market-wide liquidity problems. This risk is often referred to as "systemic risk" and it affects banks and all different types of intermediaries in the financial services industry. In addition to its other adverse effects, systemic risk could lead to an imminent need for RBI and other banks in the markets in which RBI operates to raise additional capital while at the same time making it more difficult to do so. Systemic risk could therefore have a material adverse effect on RBI's business, financial condition, results of operations, liquidity and prospects.

The Group is also exposed to credit risk in relation to its financial institution and sovereign portfolios, which amounted to a total exposure of EUR 46.68 billion as of September 30, 2013. These credit portfolios include exposures to financial institutions and sovereigns in countries that have experienced deteriorating fiscal conditions and heightened risk of default, such as Greece, Portugal, Spain, Ireland and Italy. In particular, the Group is exposed to credit risk from financial institutions and sovereigns based in Spain (on- and off-balance sheet exposure as of September 30, 2013: EUR 1,232 million) and Italy (on- and off-balance sheet exposure as of September 30, 2013: EUR 793 million). The continued economic viability of many of these counterparties may become questionable, especially if economic conditions worsen. Credit rating agencies have downgraded the sovereign credit ratings of the governments in several countries, and further downgrades in such credit ratings could increase the credit risk of financial institutions based in these countries. Such adverse credit migration could result in increased losses and impairments with respect to the Group's exposures in these portfolios.

The value of collateral securing loans in the Group's loan portfolio, in particular real estate, has declined substantially since the onset of the global financial crisis. Factors which affect the real estate market include changes in the supply of and demand for rental properties and rents obtainable in the market, the credit standing of tenants and changes in the supply of and demand for real properties for sale and the external funding available in the market for property purchases, and legal terms and conditions relating to tenancy. The Group also extends margin loans, that is loans secured by shares and other securities, which exposes RBI to the volatility in the volume of such securities. Devaluations of collateral held for loans may necessitate an increase in loan loss provisions to cover default risk, and the collateral may be inadequate to cover the outstanding loan in the event of realization. In addition, as the Group's retail lending activities have grown, the Group has increased its exposure to unsecured consumer finance loans, which expose the Group to a comparatively high degree of risk with a lower probability of recovery if a borrower defaults.

The Group provides for potential losses arising from counterparty default or credit risk by net allocations to provisioning for impairment losses, the amount of which depends on applicable accounting principles, risk control mechanisms and the Group's estimates. Should actual credit risk exceed the estimates on which management has based net allocations to provisioning, the Group's loan loss provisions could be insufficient to cover losses. This could have a material adverse effect on the Group's business, financial position and results of operations.

Furthermore, the Group is exposed to the risks associated with loans to the same customer, to a group of related customers, to customers from the same region or industry sector, to customers offering the same products or services to customers depending on the same suppliers, off-takers or other counterparties which are material to such customers, or deposits from the same customers. The credit exposure of the Group's ten largest corporate customers (before taking into account risk mitigation effects) amounted to 57.8% of RBI's core capital as of September 30, 2013. Concentration risk may amplify other risks described in this prospectus and may consequently have a material adverse effect on the Group's business, financial position and results of operations.

Financial problems faced by the Group's customers could adversely affect the Group's business, financial condition and results of operations.

Economic deterioration, market volatility, higher unemployment and lower foreign investment could adversely affect the liquidity, business and financial condition of the Group's borrowers, which could, in turn, increase the Group's non-performing loan ratios, impair its loan and other financial assets, result in a withdrawal of deposits and result in decreased demand for the Group's products. In an environment of continued market volatility, the value of assets collateralizing the Group's secured loans, including real estate, could decline significantly. In addition, tightening credit standards and declining demand from customers could have a negative effect on loan development and could result in reduced net interest and net fee and commission income. Any of these developments could have a material adverse effect on the Group's business, financial position and results of operations.

The Group is exposed to market risk, which particularly affects unhedged positions.

Market risk includes, but is not limited to, interest rate, foreign exchange rate, bond price and equity price risks. Changes in interest rate levels, yield curves and spreads may affect the Group's net interest margin. Changes in foreign exchange rates affect the value of assets and liabilities denominated in foreign currencies and the profit and loss values as measured in euro and may affect income from foreign exchange dealing. The performance of financial markets or financial conditions generally may cause changes in the value of the Group's investment and trading portfolios. The risk management systems implemented by the Group to mitigate and control these and other market risks to which its portfolios are also exposed may prove inadequate as it is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on the Group's financial performance and business operations. Actual trading and market positioning is decentralized and takes place on a local level at each Network Unit, based on market risk limits approved and monitored for each Network Unit by the Issuer. Furthermore, in certain circumstances it might be difficult or impossible for the Group to implement hedging or stop-loss strategies and, therefore, to limit its loss in a market downturn. The Group operates in some markets where hedging is not feasible due to a lack of a liquid market for hedging. The Group may also decide not to hedge a position in expectation of favorable market movements. Because the Group does not consistently close profit and loss positions measured in euro, there is - even with constant margins and profits as measured in local currencies - a risk of material adverse effects on the accounts as measured in euro.

Any of these market risks could have a material adverse effect on the Group's business, financial position and results of operations.

The results of the Group's trading and investment activities are subject to significant volatility.

The Group maintains trading and investment positions in debt, currency, equity and other markets. These positions could be materially adversely affected by increased volatility and further dislocation in financial and other markets, creating a risk of substantial losses. Significant declines in the values of the Group's assets have resulted from previous market events. In 2013, the Company incurred losses in proprietary trading on 54 trading days. Increased volatility and further dislocation in certain financial markets and asset classes could affect the Group's financial condition, results of operations and prospects. Any dislocation of financial markets and asset classes can also lead to impairment losses.

The heightened uncertainty and risk of default of governments of Greece, Portugal, Spain, Ireland and Italy led to, and may again result in, an increase in spreads - i.e., the yield gap vis-à-vis investments viewed as risk-free - on fixed-income securities issued by these and other countries and by financial institutions and corporate issuers based in these countries, adversely affecting the market value of these securities. If the spreads widen again, this would lead to further declines in market values and thus, in the event of disposal, to a loss in the cash value of outstanding bonds and a corresponding added negative effect on the Group's earnings. Furthermore, negative effects may also be reflected in the income statement due to a market valuation of the securities in the trading book, and on the balance sheet due to a market valuation of securities held for sale. Volatility can also lead to losses relating to a broad range of other trading and hedging products the Group uses, including swaps, futures, options and structured products.

The Group's hedging may not be effective and may not prevent losses.

If any of the variety of instruments and strategies that the Group uses to hedge its exposure to various types of economic risk in its businesses is not effective, the Group may incur losses. Many of the Group's hedging strategies are based on historical trading patterns and correlations. Unexpected market developments therefore may adversely affect the effectiveness of the Group's hedging strategies. Moreover, the Group does not hedge all of its risk exposure in all market environments or against all types of risk. Finally, the methodology by which certain risks are economically hedged may not qualify for hedge accounting, which may result in additional volatility in the Group's consolidated income statement.

Decreasing interest rate margins (the difference between the refinancing cost of the Group and the interest received on loans to borrowers) may have a material adverse effect on the Group.

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

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

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

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

The Group faces significant operational risks inherent in the banking business.

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

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

In addition, the Group faces operational risks because it operates a substantial number of individual Network Banks and leasing, financial services and other companies on a largely decentralized basis.

The risk management procedures and internal controls put in place by the Group to address these risks may not prevent losses from occurring. Any resulting loss could have a material adverse effect on the Group's business, financial position and results of operations and could have negative reputational consequences.

The liquidity required by the Group to refinance its business activities may not be available on acceptable terms or at all. A sudden shortage of funds from customer deposits could also increase the Group's costs of funding.

The Group regularly requires liquidity in order to refinance its business activities and is therefore subject to liquidity risk, that is, the risk of being unable to meet its current and future payment commitments, or not being able to do so as and when they fall due, or else of only being able to refinance at unduly high costs. Liquidity risk can take various forms. For example, the Group may be unable to meet its payment obligations on a particular day and may have to obtain liquidity from the market at short notice and on expensive terms, or may even fail to obtain liquidity and, at the same time, might be unable to generate sufficient alternative liquidity through selling or otherwise disposing of its assets and might suffer losses by doing so.

Volatility in the capital and credit markets and adverse developments in the cost and availability of funding in the interbank funding markets, which occurred in the course of the financial crisis and which might occur again in the future, could make wholesale financing in the form of debt or equity issues or interbank loans more expensive or unavailable to the Group. A termination of economic support programs put in place by governments and supranational organizations, such as the provisions of loan-interest secured loans by the ECB to European financial institutions, may also adversely impact the availability and cost of wholesale financing to the group. Customer deposits are an important source of funding for the Group. The availability of deposits is subject to change based on factors outside the Group's control, such as increased competition from other banks for deposits, depositors' concerns regarding the economy in general, the financial services industry or RBI or a Group Unit, ratings downgrades, significant further deterioration in economic conditions and the availability and extent of deposit guarantees. These factors could lead to a reduction in the Group's ability to access customer deposit funding on appropriate terms and could result in sustained deposit outflows.

Depositors of the Issuer and depositors of any of the Issuer's Group Units may withdraw their deposits at a faster rate than the rate at which the Issuer's or the affected Group Unit's borrowers repay their loans. In that case, the Issuer or the Group Unit would have to obtain alternative liquidity or the Issuer would need to increase the intragroup financing to a Group Unit, which would increase the Issuer's exposure to the relevant Group Unit and the country where it is located. Reallocation of intragroup funding also constitutes a concentration risk, which may be severe in the event of a default by one or several of these subsidiaries (including events imposed by local authorities in the countries of such Group Unit preventing such Group Unit to perform under its refinancing obligations) and thus may have a material adverse effect on the Group's business, financial position and results of operations.

In addition, the general scarcity of wholesale funding could lead to a significant increase in competition for retail deposits, and competitive access to retail deposits may be subject not only to market conditions, but also to various other factors beyond RBI's control, such as competitors' support from governments. Furthermore, large losses or changes in the Issuer's or Network Units' ratings which then result in the requirement to furnish further collateral in connection with collateral agreements for derivative transactions can give rise to an elevated demand for liquidity.

More restrictive eligibility criteria for collateral used for refinancing lines of the ECB, the OeNB and local central banks, which were partially loosened in response to the financial crisis, could also increase the Group's funding costs and restrict the Group's ability to raise liquidity.

Furthermore, regulatory authorities may impose restrictions, or tighten existing restrictions, on the transfer of capital outside the relevant jurisdiction, which could adversely affect the Group's ability to efficiently maintain the liquidity requirements of its subsidiaries through intragroup capital transfers. In the case of such difficulties in refinancing, the Group could be forced to dispose of assets held by it below book value and thus at a loss, to increase the rates paid on funding or to limit its business activities.

A lack of liquidity or refinancing opportunities may, among other things, result in a limitation of business volume in the financing business, which, in turn, may lead to a reduction of the Issuer's interest income and could have a material adverse effect on the Issuer's business, financial position and results of operations.

Cross-default clauses in the Group's financing agreements could result in unexpected sudden liquidity requirements to satisfy accelerated claims.

With respect to certain types of refinancing, including certain note issuances by RZB, the economic obligations of which were transferred to the Issuer in the course of the merger of RBI with the principal business areas of RZB (which took place in October 2010, the "Merger"), the Group's financing agreements give the Group's creditors a right to accelerate repayment in the event of a "group cross default," which could occur if RZB or certain of the Issuer's material subsidiaries default on certain payments.

The Issuer may not always be able to force its subsidiaries to comply with their payment obligations, even if it holds a majority interest. Furthermore, subsidiaries generally are subject to the same risks as the Issuer. The likelihood of the occurrence of any particular risk, and its effects on the financial condition and results of operations of the Issuer's subsidiaries, may differ substantially from the likelihood and effects of the same risk with respect to the Issuer and a subsidiary may fail to fulfill its payment obligations even if the other members of the Group are financially healthy, thereby triggering a group cross-default. A group cross-default could give rise to sudden liquidity requirements in order to repay accelerated liabilities, and such liquidity may be available only on very unfavorable terms and conditions or not at all. This could have a material adverse impact on the Group's business, financial condition and results of operations.

A downgrade of the credit rating of the Issuer, any Network Bank or a country where RBI is active could increase the Group's funding costs or decrease the availability of funding.

Credit ratings represent the opinion of a rating agency on the credit standing of a country, bank or other commercial entity and take into account the likelihood of delay of and default on payments and potential insolvency. They are material to the Group, as the cost and other terms upon which the Issuer and the Network Banks are able to obtain funding are a function of the Issuer's or Network Bank's specific credit rating as well as the rating of the respective country in which the Issuer and the Network Banks operate. Downgrades in credit ratings can occur as a result of adverse economic developments in the regions in which rated entities operate or due to company-specific developments. Furthermore, downgrades in sovereign credit ratings could affect the Company's credit rating as well, in particular if rating agencies believe that RBI is affected by negative developments in Austria and Austria's major trading partners. Rating agencies also change or adjust their ratings methodologies from time to time. Any such changes to ratings criteria or methodologies can result in ratings downgrades even if the economic environment and company-specific factors remain unchanged.

A reduction in the Issuer's or the Network Banks' credit and financial strength ratings would result in higher costs for their interbank market and capital market funding, or may limit access to the interbank or capital markets generally and may result in withdrawals of customer deposits. In addition, a downgrading of the sovereign rating of those countries in which the Group operates could further increase the funding costs of the Group. Any such events could adversely affect the Group's liquidity, competitive position and profitability by increasing its borrowing costs, adversely affecting its interest margins, limiting its access to capital markets and have an adverse effect on confidence in the Issuer and its Group Units.

The Group's risk management strategies and internal control procedures may not effectively identify and assess all risks, leaving the Group exposed to unidentified or unanticipated risks.

The methods and models applied by the Group for risk assessment and management may not be adequate to effectively identify, assess and manage all risks in every market environment, particularly if the Group is confronted with risks it has not anticipated. Some of the Group's methods for managing risk are based upon observations of historical market behavior. Statistical methodologies are applied to these observations to arrive at quantifications of the Group's risk exposure. These statistical methods may not accurately quantify the Group's risk exposure if circumstances or market conditions arise which were not observed in historical data. Historical models might be inadequate if there are no or limited historical data, such as when entering into new markets or implementing new business models or at times of extreme financial distress. In particular, during the recent financial crisis, the financial markets experienced unprecedented levels of volatility and the breakdown of historically observed correlations (the extent to which prices move in tandem) across asset classes, compounded by extremely limited liquidity. Other models, such as models based on financial mathematics, largely depend on assumptions and estimates which may prove to be incorrect. Qualitative approaches to controlling unquantifiable risks may prove inadequate.

Therefore, there might be unknown or unidentified risks to the Group. The risk management system could be found inadequate or fail in the future, resulting in unanticipated losses which would have corresponding negative effects on the Group's business, financial condition and results of operations.

Furthermore, the competent regulatory authorities from time to time carry out checks on the use by the Issuer and by other Group Units of internal risk measurement systems for regulatory purposes. Following such checks and investigations, the internal models may be considered no longer sufficient, potentially having a significant negative impact on the calculation of the capital requirement.

The Group may not be able to achieve anticipated benefits from its recently announced cost savings plan and the ongoing implementation of other strategic initiatives and efficiency programs.

In September 2013, RBI announced a plan to implement a cost reduction program aimed at achieving cost savings of approximately EUR 450 million over a three year period to adapt RBI's cost structure to the current difficult economic and regulatory environment. The program focuses on optimization of back-office operations, achievement of Group-wide synergies, which will include e.g. headcount reductions or branch closures, and measures to reduce (product) complexity. This cost savings program follows increased efforts the Group has made over the past years, and in particular as a reaction to the financial crisis, to centralize or outsource certain IT-related and back-office processes and procurement functions and to implement other cost savings programs in order to optimize the Group's cost income ratio.

The implementation of these programs and initiatives involves significant additional expenditures and the Group may encounter difficulties in connection with their implementation. A number of internal and external factors could prevent the implementation of these programs and initiatives or the realization of their anticipated benefits, including the continuation of the euro zone crisis, the recurrence of severe turbulence in the markets in which RBI is active, weakness of global, regional and national economic conditions, regulatory changes that increase RBI's costs or restrict its activities and increased competition for business. If the Group fails to implement these programs on a timely basis in whole or in part or should the programs and initiatives that are implemented fail to produce the anticipated benefits, or should the costs incurred in implementing these programs and initiatives exceed the costs anticipated by RBI, RBI may fail to achieve its financial objectives, or incur losses or low profitability, and the Company's share price may be materially and adversely affected.

The implementation of contemplated cost savings measures could also have an adverse impact on the Group's reputation in the markets in which it operates and on the retention and hiring of qualified personnel, which in turn could adversely affect its business, financial condition and results of operations.

The Group could be required to write down goodwill and may suffer from impairment losses.

As of September 30, 2013, goodwill on the Group's balance sheet was EUR 551 million, mainly relating to RBI's network bank in Russia and as a result of the Polbank acquisition in Poland. Goodwill is reviewed for impairment at certain times and at least at the end of each financial year, as well as at any time when there is an indication based on market developments that goodwill has been impaired which may lead to extraordinary amortization charges. Other intangible assets of the Group, in particular software, may also be subject to impairment.

The carrying value of goodwill on the Group's balance sheet would be reduced in the event of an economic downturn, slower than anticipated economic growth, increased competition, currency fluctuations or any other adverse event that may cause the Group's estimate of its businesses' future cash flows to be revised downwards or if the rate used to discount the cash flows is increased. Similarly, if such circumstances prevail, other Group assets may have to be tested for impairment, which could result in significant impairment losses. Any impairment could have a material adverse effect on the Group's results of operations in that period.

There is a risk that products developed by the Group cannot be launched on the market or that already launched products do not perform as expected or expose the Group to liabilities.

The Group develops a variety of financial products, such as structured treasury products, funds and certificates. Developing these products involves costs. Considerable expenses are sometimes incurred in anticipation of the launch, for example, by purchasing assets that are to be combined in a fund or installing systems and hiring personnel for the administration of such products. If the product cannot be launched, for example due to changed market conditions, expenses incurred or to be incurred may prove fruitless, and the assets may have to be disposed at a lower price or written off. In other cases a product launched by the Group may perform differently than expected. Negative performance of newly launched products may lead to claims against the Group from investors in the product. It may also lead to claims under the terms of guarantees issued by the Group for the product, for example, capital guarantees in case of certain certificates. If any of these risks materializes, it may have a material adverse effect on the Group's business, financial position and results of operations.

The Group may have difficulties recruiting or retaining qualified employees.

The Group's business largely depends on a qualified and experienced management team and qualified employees, the majority of which has been working for the Group for many years. The loss of one or more of these executives or key employees may have a material adverse effect on the Group's business, financial position and results of operations.

In addition, the Group's business strategy, expansion into new markets and development of new products and services largely depend on its ability to retain existing staff members and recruit new employees who are not only familiar with the local language, local customs and market conditions but also have the necessary qualifications and experience in the banking sector. In the markets in which the Group operates or where it might wish to position itself in the future, the number of persons with the required skills is much smaller than in most countries of Western Europe. Furthermore, as a result of the financial crisis and regulatory restrictions on bonus payments, the Group must limit the bonuses it pays to its personnel, which may inhibit the retention and recruitment of qualified and experienced personnel. Due to competition from other international financial institutions with substantial capital resources, it may become more difficult to recruit and retain qualified employees in the CEE region. Payment of competitive salaries may result in increasing personnel expenses in the future.

If the Group were not in a position to attract and retain talent in strategic key markets or if the demand for qualified employees in the labor market were to boost the Group's personnel expenses, this may have a material adverse effect on the Group's business, financial position and results of operations.

The services provided by the Issuer and its Network Units are increasingly dependent on complex information technology systems, the operation of which could be affected by a number of problems and might be subject to challenges.

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

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

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

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

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

The Issuer and the Network Units hold a large number of different types of business relationships with their customers and investors and assume various different functions. Members of the Company's executive bodies serve on management or supervisory boards outside the Group, which may result in conflicts of interest.

The Issuer and the Network Units enter into a multitude of differing business relationships with their customers and investors, in particular to accept funds to be invested, to lend funds and generally to be active in all areas of the banking business. The Issuer and the Network Units thereby act in various different roles and perform various different functions, which may trigger conflicts of interest with customers and investors, including investors in the New Shares. A failure to observe "Chinese walls" principles or other appropriate guidelines as are established by the Group to address and mitigate such conflicts may expose the Group to litigation and reputational risks, which may have a material adverse effect on the Group's business, financial position and results of operations.

Furthermore, members of the Company's executive bodies serve on management or supervisory boards of various companies outside the Group, including customers of and investors in the Group. Such directorships may expose them to potential conflicts of interest, which could have a material adverse effect on the Group's business, financial position and results of operations.

The Issuer and its Network Banks may be required to make contributions to deposit guarantee and investor compensation schemes in the event other participants in such schemes become insolvent.

The Issuer is a member of the "Österreichische Raiffeisen Einlagensicherung eGen," the mandatory deposit guarantee and investor compensation scheme pursuant to the Banking Act. Under this scheme, deposits are in general protected up to an amount of EUR 100,000, and monetary claims from securities transactions are protected up to EUR 20,000, subject to a cap of 90% of the receivables from securities transactions. The Network Banks are members of similar schemes in their respective jurisdictions. In addition, the Issuer is a member of the Raiffeisen-Kundengarantiegemeinschaft Österreich ("RKÖ"), an association that, supplementary to the statutory Austrian deposit guarantee and investor compensation scheme, guarantees up to 100% of its member banks' customer deposits and claims related to non-subordinated bond issues in certain circumstances. All members of the association assume contractual liability to the effect that they, under certain circumstances, jointly guarantee the timely payment of all customer claims so guaranteed, i.e., in particular customer deposits and claims under non-subordinated direct issues of insolvent RKÖ members. In addition to regular membership contributions to cover ongoing administrative expenses, extraordinary membership contributions may become due in the case of a customer guarantee event. The insolvency of a participant in these schemes may result in the Issuer's or a Network Bank's obligation to settle guaranteed customer claims against such insolvent member and could have a material adverse effect on the Company's business, financial position and results of operations.

Changes to the deposit guarantee and investor compensation schemes in which the Issuer and Network Banks are participating may result in increased membership contributions.

The existing EU legislation on mandatory deposit guarantee and investor compensation schemes, including the rules relating to their financing, is currently being amended. As a result of such amendments, the level of the Issuer's and the Network Banks' annual contributions to national deposit guarantee and investor compensation schemes may increase in the future. It is currently also unclear what effect these amendments will have on voluntary deposit guarantee and investor compensation schemes in which Group members participate, such as the RKÖ. Such changes could increase the Group's membership costs or, if they are perceived as adverse by the Group's customers, could adversely affect the Group's business or reputation.

Mergers, acquisitions and investments undertaken by RBI could result in significant costs and liabilities, and the post-merger integration process may fail.

RBI has in the past carried out acquisitions and investments and may make further selective acquisitions of companies, assets or portfolios in the future in pursuance of its strategy. Acquisitions require funding, integration of the acquired company in the human resources, infrastructure, management information systems and other areas, integration of different corporate and management cultures, and harmonization of risk provisioning standards. A delayed or inefficient implementation of integration measures, unexpectedly high integration expenses or risks, client attrition or the loss of key management may result in integration synergies being less than anticipated. Also, liabilities and risks of the acquisition target may not have been identified or precisely determined in the acquisition process. As a result, the Group may be confronted with risks that only become apparent following completion of an acquisition. If any of these risks materializes, it may have a material adverse effect on the Group's business, financial position and results of operations.

Risks affecting the markets in which the Group operates

The Group is exposed to economic developments, and to the risk of political or economic instability in the markets in which it operates.

The Group's financial condition and results of operations are sensitive to the political and social developments in the countries in which the Group operates and to the performance of the relevant economies.

In addition to Austria, the Group conducts its operations principally in the following regions, which are collectively referred to as Central and Eastern Europe ("CEE"):

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

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

Most of the countries in which the Group operates are "emerging economies," which, compared to Western Europe, are characterized by an increased risk of political, economic, legal and social changes and related risks, such as exchange rate volatility, exchange control restrictions, regulatory changes, inflation, economic recession, local market disruptions, labor market tensions, ethnic conflicts and income disparity. Non-EU member states generally are characterized by a greater degree of unpredictability in areas such as the legal system, taxation, currency control, real estate, insurance, privatization, healthcare and public finance sectors.

The level of risk differs significantly from country to country, and generally depends on the economic and political development stage of each country. Political and economic stability vary throughout the region. In the Ukraine, significant anti-government demonstrations erupted following the decision of the Ukrainian government and the president not to enter into an association agreement with the European Union. The recent political turmoil has intermittently resulted in significantly increased risk premiums on Ukraine government bonds and on the debt of Ukrainian borrowers and any worsening or continuation of this situation may have an adverse affect on the Group's operations in the Ukraine.

Future political, economic and social developments in emerging economies may have a material adverse effect on the Group's business, financial position and results of operations and may impair its ability to implement its strategies.

There is a heightened risk of government intervention and/or unfavorable legal rulings in certain of the markets in which the Group operates.

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

- requiring that loans denominated in foreign currencies like euros, U.S. dollars or Swiss francs are converted into local currencies at rates unfavorable for lenders in order to assist local consumers as under the Hungarian "home protection law";
- imposing waivers of the repayment of loans resulting in higher levels of provisions of risks;
- setting limitations on the repatriation of profits and capital (either through restriction of dividend payments to parent companies or otherwise) and the export of foreign currency;
- imposing limitations on foreclosures and debt collections;
- limiting interest rates that can be charged on consumer or business loans;

- fixing the exchange rate of the local currency against freely convertible currencies or lifting any such fixed exchange rate; and

- prohibiting money transfers abroad;

- implementing or increasing special bank levies.

Furthermore, protective measures could include the nationalization of a local Group Unit, with or without compensation, in order to stabilize the banking sector and the economy.

The occurrence of any of these events or similar, not foreseeable measures may adversely affect the Group's ability to conduct business in the affected country or region or profitability. The occurrence of one or more of these events may also affect the ability of the Group's clients or counterparties located in the affected country or region to obtain foreign exchange or credit and, therefore, to satisfy their obligations to the Group.

Due to the current political and economic developments in Hungary, the Group considers the risk that additional legislative measures, which adversely affect the banking sector as a whole and foreign banks in particular, are taken by the Hungarian government to be significant. For example, the exchange rate protection scheme implemented by Hungary in 2011, allowing borrowers to convert foreign currency loans into local currency at favorable exchange rates and which resulted in substantial loan losses for the Group in Hungary, was recently amended to allow borrowers who are in payment default for more than 90 days but not exceeding 180 days to take advantage of the conversion option, provided that no enforcement procedure against the residential property is in place. Similarly, Croatia's legislature recently decided to amend the Croatian consumer loans act to, among others, implement an authorization for the Ministry of Finance to set limits on fees that banks may charge in connection with consumer loans, establish criteria for the setting of interest rates, and set maximum interest rates (for details see "*Banking Regulation and supervision, Regulatory– Recent regulatory changes in Croatia*").

Similarly, Western European economies face an increased level of government intervention. In connection with the emergency nationalization of the struggling Hypo Group Alpe-Adria banking group ("HGAA") in December 2009, several future scenarios are currently under discussion within the Austrian government. In particular the establishment of a bad bank for the winding-up of HGAA's toxic assets seems to be a serious option. The Austrian government may try to induce other Austrian banks including RZB and/or RBI to participate in any form in a bad bank. According to reports in the media, it was also discussed to force HGAA into insolvency proceedings. Both of these options may adversely impact the Austrian banking sector in general as well as RBI.

The Group is also exposed to the economic development and other factors that affect the development of the Austrian banking market and the creditworthiness of the Group's Austrian corporate customers. These factors could include, among others, the persistence of current economic conditions or further economic downturn or a slower economic recovery than expected by the Group's management, deflation or a further decline in real estate prices. If any of these events were to occur, it could have a material adverse effect on the Group's business, financial position and results of operations.

The legal systems and procedural safeguards in some of the Group's markets are not yet fully developed.

The legal systems of most emerging economies in which the Group operates have undergone dramatic changes in recent years. In many cases, the interpretation and procedural safeguards of the new legal and regulatory systems are continuing to be developed, which may result in existing laws and regulations being applied inconsistently. The Group's business in emerging economies could be affected by new laws or amendment of existing laws. Also, as laws and regulations are still evolving, frequently there is no legal precedent or binding guidance from regulatory authorities as to their interpretation. This exposes the Group to the risk that courts or regulatory authorities may interpret laws or regulations in a way that differs from the current practice or the Group's position and that the courts or regulatory authorities may find that the Group has violated laws or regulations.

Additionally, in some circumstances, it may not be possible to obtain the legal remedies provided for under these laws and regulations in a reasonably timely manner. Institutions and a legal and regulatory system characteristic of parliamentary democracies have been developed in most, but not all, countries in which the Group operates but suffer from a lack of institutional history and there may be no generally observed procedural guidelines. As a result, changes in government policies and regulations tend to be less predictable than in the countries of Western Europe or the United States. Moreover, existing laws may be subject to further substantial revision in countries that have joined or are expected to join the EU in order to bring them in line with EU standards.

A lack of legal certainty or the Group's inability to obtain effective legal remedies in a reasonably timely manner may have a material adverse effect on the Group's business, financial position and results of operations.

Changes in consumer protection laws and in the application and interpretation of such laws, as well as the more aggressive enforcement of such laws by consumers, regulatory authorities and consumer protection agencies can adversely affect the pricing terms of the Group's loans and other products and services and may allow consumers to reclaim fees and interest and principal payments previously paid.

Changes in consumer protection laws, or the interpretation of those laws by courts or governmental authorities, could limit the fees that RBI may charge for certain of its products and services, or could require other changes to RBI's pricing strategies for loans and other banking products. Such changes, or judicial decisions, could also be the basis for actions by consumers seeking to reclaim fees for interest or principal payments with respect to loans preciously paid. Several subsidiaries of the Company in CEE countries have been and are subject to legal and regulatory proceedings filed by customers, regulatory authorities or consumer protection agencies, alleging the violation by the respective subsidiaries of mandatory consumer protection laws and regulations. For example, in July 2013, the Zagreb Commercial Court issued a judgment (which is currently subject to appeal) against RBI's Croatian Network Bank Raiffeisenbank Austria d.d., finding that the bank violated Croatian consumer protection laws and the Croatian civil code in connection with Swiss franc linked consumer loans and invalidating foreign currency and variable interest rate clauses in affected loan agreements. The judgment requires Raiffeisenbank Austria to offer affected customers to amend their loan agreements to adjust the principal amount of the respective loan to the HRK amount originally disbursed (without linking it to Swiss francs) and to fix the interest rate at the rate in effect at the time the loan was extended. If the judgment were upheld on appeal in whole or in part, the financial impact on RBI could be significant. See "*Business—Legal and administrative proceedings—Civil Proceedings*."

These developments could adversely affect the Group's ability to offer certain services or products, require onerous adjustments to its business practices, reduce the Group's interest margins or fee and commission income and have a material adverse effect on its business, financial position and results of operations.

Tax laws in some of the Group's markets are not fully developed and are subject to frequent changes.

The Group and the Group Units are subject to a broad range of taxes imposed at the federal, regional and local levels, including, but not limited to, income tax, value added tax, property tax and social security taxes. A number of tax norms have only been in effect for a short time, are frequently amended and are enforced by various political subdivisions. Thus, there are few precedents with regard to the implementation of these tax laws, and the relevant authorities' implementation of them can be unpredictable. In some instances, tax authorities in some CIS countries and other emerging economies have applied new interpretations of tax laws retroactively. Taxpayers in these countries often have to resort to court proceedings to defend their position against the tax authorities.

In some CEE countries, the system of tax collection has been relatively ineffective, resulting in the continual imposition of new taxes in an attempt to increase tax revenues. There is a risk that the authorities in certain countries may impose arbitrary or onerous taxes and penalties in the future, which could adversely affect the business of the Group Units. Furthermore, tax refunds claimed by Group Units may not be paid by local tax authorities or result in a tax review.

In some emerging economies, tax declarations remain open and subject to inspection by tax and customs authorities for a number of years after the tax inspection is carried out, rendering the statute of limitations less effective. In addition, in certain countries, particularly in Russia and China, the laws allow for the extension of the statutes of limitations for tax liabilities in certain circumstances. Because of these factors, tax risks in certain emerging economies are more significant than those faced by banks in countries with more developed tax systems. The materialization of any of these risks may have a material adverse effect on the Group's business, financial position and results of operations.

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

The Group Units enter into security arrangements for loans made to corporate and retail customers. Under regulations in many countries, collateral and certain forms of guarantees are considered secondary obligations, which automatically terminate if the secured or guaranteed obligation becomes void. In particular, the enforcement of security under the laws of certain jurisdictions may require a court order and, in the case of pledges and mortgages, a public sale of the collateral, which may be delayed. As local laws in countries in which the Group operates often do not provide for pledge perfection systems for collateral, or provide for such systems only for certain types of collateral, the Group may face unexpected and conflicting claims of secured creditors for pledged property.

In addition, bankruptcy laws in many emerging economies are still subject to change and can differ significantly from country to country. They also do not always offer the same types of rights, remedies and protections that creditors enjoy under the bankruptcy regimes in Western Europe or the United States. In particular, the bankruptcy law systems in the various emerging economies have, at times, made it comparatively difficult to receive payouts on claims related to, or to foreclose on collateral that secures, extensions to entities that subsequently filed for bankruptcy protection. For these reasons, the Group may have difficulty obtaining payment on defaulted credits, foreclosing on collateral or enforcing other security when clients default on their loans, which may have a material adverse effect on the Group's business, financial position and results of operations.

Legal and regulatory risks

The Group's business is subject to increasingly onerous and complex regulation, including under Basel III and to changes in tax regimes, each of which can have an adverse effect on its results of operations.

The Issuer and the Group Units are subject to comprehensive banking and financial services laws, regulations, administrative actions and policies in each of the countries they operate in. In addition, the Group is part of the RZB Group, which is subject to such regulation on a consolidated basis.

In response to the global financial crisis and the European sovereign debt crisis, governments, regulatory authorities and others have made and continue to make proposals to reform the regulatory framework for the financial services industry to enhance its resilience against future crises. Legislation has already been enacted and regulations issued in response to some of these proposals. The regulatory framework for financial institutions is likely to undergo further significant change. This creates significant uncertainty for the Group and the financial industry in general. The wide range of recent actions or current proposals includes, among others, provisions for more stringent regulatory capital and liquidity standards, restrictions on compensation practices, charging special levies to fund governmental intervention in response to crises, restrictions on securities trading, registration obligations and operational and disclosure requirements in derivative transactions, expansion of the resolution powers of regulators, separation of certain businesses from deposit taking, breaking up financial institutions that are perceived to be too large for regulators to assume the risk of their failure, and reforming derivatives and other market infrastructures. In addition, regulatory scrutiny under existing laws and regulations has become more intense. The specific effects of a number of new laws and regulations remain uncertain because the drafting and implementation of these laws and regulations are still on-going.

In December 2010, the Basel Committee on Banking Supervision ("BCBS") published a set of comprehensive changes to the global capital adequacy framework, known as Basel III. Basel III, which is not legally binding in any jurisdiction but rather is intended to form the general basis for national (or regional) rulemaking, has been implemented in the EU through two legislative acts consisting of a new Capital Requirements Regulation ("CRR") and a revised Capital Requirements Directive ("CRD IV"), published in the Official Journal of the EU on June 27, 2013. The new framework applies to credit institutions and certain other types of financial institutions in the EU (e.g. EU investment firms). CRR is a legislative act that entered into force on January 1, 2014 and is directly applicable in the legal systems of all Member States in the EU without the need for transposition at Member State level, whereas CRD IV, subject to minor exceptions, required implementation at the Member State level by December 31, 2013. CRR and CRD IV contain detailed rules on quantity and quality of capital, liquidity (in particular a short term liquidity coverage ratio will be introduced on January 1, 2015), counterparty credit risk and leverage. The new regime also contains provisions (which are not related to Basel III but have nevertheless been implemented in the CRD IV package) relating to executive compensation which could put the Group and the Network Banks in the EU at a disadvantage to its respective competitors in attracting and retaining talented employees, especially compared to those outside the EU. Most of the new rules apply as of January 1, 2014, with capital requirements and buffers increasing from year to year and full implementation, in line with the original proposal by the European Commission, on January 1, 2019.

Furthermore, the BCBS is currently undertaking a review of various aspects relating to the leverage requirements laid out in the Basel III framework and has, for example, published a Consultative Document on June 26, 2013, which may, subject to agreement of final rules, have an impact on rules relating to how leverage ratios are to be calculated. The leverage ratio will have an impact on the Group and the Network Banks who may have to undertake measures to ensure compliance with regulatory requirements relating to leverage including, but not limited to, the sale of assets and the reduction of significant exposures, such as in derivatives. Further, the Group and Network Banks may face market pressure to move towards stricter leverage prior to a binding leverage ratio requirement in light of the requirement to disclose leverage ratios starting from January 1, 2015. In March 2012, Austrian regulatory authorities issued supervisory guidelines, known as "Austrian finish", which require parent banking institutions, such as RZB, to fully implement the quantitative and qualitative fully phased in Basel III rules in respect of common tier 1 equity on a consolidated level (with the exception that participation capital issued under Austria's bank support package, such as RBI's Participation Capital 2008/2009, may be fully included in the capital base). Additionally, the Austrian finish measures also set targets for Austrian internationally active banks, such as RBI, relating to the loan to local stable funding ratio, comparing the loans granted by a banking subsidiary to its local funding.

The Austrian regulator FMA has also indicated that it plans to issue a decree imposing on RBI's main shareholder RZB an own funds ratio (Basel II) requirement of 13.77% supposedly as of the second half of 2014 which may require RZB to raise additional tier 1 or tier 2 capital or to reduce its risk-weighted assets, which could negatively affect the Group's business.

The Group and/or the Network Banks may not have sufficient capital to meet increasing regulatory requirements. This could occur due to regulatory and other changes, such as the gradual phase out of hybrid capital instruments such as the Participation Capital 2008/2009, and due to any substantial losses the Group and/or the Network Banks were to incur, which would reduce retained earnings, a component of common equity tier 1 capital, or due to a combination of these factors. If the Group and/or the Network Banks are unable to increase the relevant capital ratios to the regulatory minimum in any such case, by raising new capital through the capital markets, through the reduction of risk-weighted assets or through other means, the Group and/or the Network Banks could be forced to accept capital injections from the respective national government or the European Union, resulting in a significant dilution of the shareholders and additional operational and other limitations or obligations as conditions to public funding. If the Group and/or the Network Banks are unable to build up capital buffers as required by applicable regulations, the relevant regulator may impose restrictions on the pay-out of dividends, share buybacks and discretionary compensation payments. In addition, any requirement to increase capital ratios could lead to a strategy focusing on capital preservation and creation over revenue generation and profit growth, in particular involving the reduction in higher margin risk-weighted assets.

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

Any increased capital requirements, including those described above, could have adverse effects on the Group's business, financial condition and results of operations, as well as on perceptions in the market of the Group's stability. In addition, given the relatively short time frame in which these regulatory requirements must be implemented, the Group may decide that the quickest and most reliable path to compliance is to reduce the level of assets on its balance sheet, dispose of divisions or separate out certain activities or reduce or close down certain business lines. The effects on the Group's capital raising efforts in such a case could be amplified due to the expectation that the Group's competitors, at least those subject to the same or similar capital requirements, would likely also be required to raise capital at the same time. Moreover, some of the Group's competitors, particularly those outside the European Union, may not face the same or similar regulations, which could put the Group at a competitive disadvantage. The Group also faces significant costs to implement the new regulatory requirements.

In addition to these regulatory initiatives, market sentiment may encourage financial institutions such as the Group to maintain even more capital beyond regulatory-mandated minima, which could exacerbate the effects on the Group described above or, if the Group does not increase its capital to the encouraged levels, could lead to the perception in the market that the Group is undercapitalized relative to its peers generally.

On December 22, 2013, the Council of the EU published the final compromise text of the proposed Recovery and Resolution Directive (the "RRD"). In addition to requiring financial institutions to produce and maintain detailed recovery plans, the RRD provides for the power of the relevant resolution authority to write down debt, or to convert debt into equity (so-called "bail-in"). In order to facilitate such bail-in powers, which will become effective as of January 1, 2016, banks may be required to include in their debt instruments conditions that recognize the powers to write down or convert debt. The bail-in powers and such conditions could result in increased refinancing costs for the Group as holders of such debt instruments may seek significantly higher interest payments to compensate for the possibility of being "bailed-in". Furthermore, the Group may not be able to issue debt instruments subject to bail-in in sufficient amounts to meet regulatory requirements, for example because there is no liquid market for such debt instruments. In addition, a conversion of bail-in instruments with a conversion mechanism into equity capital would have a dilutive effect for the Issuer's shareholders.

In anticipation of the implementation of the RRD into Austrian law, RZB submitted to the Austrian regulator a recovery plan which sets out the steps to be taken by RZB to recover from financial distress. RZB's recovery plan includes a number of measures that would have a direct impact on RBI's business, including dilutive capital measures, the reduction of risk-weighted assets and the sale of asset portfolios and business units. The implementation of any such measures in case of financial turmoil would likely have an adverse effect on the Group's business, assets and results of operations.

Regulatory authorities also have substantial discretion in how to regulate banks, and this discretion, and the means available to the regulators, have been steadily increasing during the recent years of crisis. Regulation may be imposed on an ad-hoc basis by governments and regulators in response to the ongoing or future crises, and these may especially affect financial institutions such as the Group that are deemed to be systemically important. For example, future stress tests or exceptional and temporary capital ratios, such as the one mandated by the European Council in October 2011, may be imposed very quickly. In addition, the regulators having jurisdiction over the Group have discretion to impose capital deductions on financial institutions for operational risks that are not otherwise recognized in risk-weighted assets or other surcharges depending on the individual situation of the bank. Furthermore, any prospective changes in accounting standards, such as those imposing stricter or more extensive requirements to carry assets at fair value, could also have uncertain impacts on the Group's capital needs.

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

In addition, bank levies have been introduced in some countries, including Austria, Hungary, Slovakia and Slovenia and are still under discussion in a number of other countries, including in the Czech Republic. The Group accrued EUR 93 million for the Austrian, Hungarian, Slovak and Slovenian bank levies in 2011, EUR 157 million in 2012 and EUR 163 million in the first nine months of 2013. The Austrian government recently announced plans to increase the bank levies. The implementation of bank levies in additional countries in which the Group operates or the increase of existing bank levies would have a further adverse impact on the Group's net income.

Separately, on January 22, 2013, the Council of the European Union adopted a decision authorizing eleven member states (including Austria, Slovakia and Slovenia) to proceed with the introduction of a financial transaction tax under the European Union's "enhanced cooperation procedure". The European Commission adopted a draft directive for the implementation of the financial transaction tax on February 14, 2013. Since the directive is only in draft form, the scope of the proposed tax is still uncertain. Depending on the final details, the proposed financial transaction tax could have a materially negative effect on the Group's profits and business.

Existing and future regulation and legislation may have a material adverse effect on the Group's business, financial condition and results of operations.

The Issuer and the Network Banks may be unable to raise additional capital required to maintain their minimum capital and other regulatory ratios.

The Issuer and the Network Banks may be required to raise additional capital in the future in order to maintain their capital adequacy ratios above the required minimum levels or to meet expectations by regulators, counterparties, clients and market participants. Their ability to raise additional capital may be limited by numerous factors, including:

- the Group's future financial condition, results of operations and cash flows;
- any necessary government regulatory approvals;
- the credit ratings of the Issuer, or its Network Banks;

- general market conditions for capital-raising activities by commercial banks and other financial institutions; and

- domestic and international economic, political and other conditions.

Effective management of the Group’s regulatory capital is critical to its ability to operate its businesses and to pursue its strategy. Any change that limits the Group’s ability to manage its balance sheet and regulatory capital resources effectively (including, for example, reductions in profits and retained earnings as a result of write-downs or otherwise, increases in risk-weighted assets, delays in the disposal of certain assets or the inability to syndicate loans as a result of market conditions or otherwise) or to access funding sources could have a material adverse impact on its financial condition and regulatory capital position.

The Issuer or a Network Bank might need to raise additional capital in the future, and there can be no assurance that the Issuer or such Network Bank will be able to obtain such capital on favorable terms, in a timely manner or at all. In the event that a Network Bank needs to raise additional capital, the Issuer may need to increase the intragroup financing to the affected Network Bank, which would increase the Issuer’s exposure to the relevant Network Bank and the country where it is located. If the Issuer or a Network Bank is unable to raise the required capital, it may be required to reduce the amount of its risk-weighted assets and engage in the disposition of non-core and other core businesses or assets, which may not occur on a timely basis or may not achieve prices which would otherwise be attractive to the Group.

Any breach of existing laws relating to the minimum capital adequacy and other regulatory ratios may result in the Issuer and Network Banks being subject to administrative sanctions which may result in an increase of the operating costs of the Group or loss of reputation, and, consequently, it may have a material adverse effect on the Group’s business, financial position and results of operations.

Certain of the Group’s Network Banks are subject to mandatory reserve requirements.

Some of the Group’s Network Banks are subject to high mandatory reserve requirements assessed on the basis of their assets or liabilities. Under the reserve requirements, these Network Banks must deposit significant amounts of monies with the local central bank or similar authorities. Such mandatory reserves usually provide for/carry interest rates which are below the cost of funding of the respective Network Bank. Furthermore, such mandatory reserves expose the Group to credit risk vis-à-vis the respective local sovereign.

The Group is subject to stress testing and is expected to be subject to external asset quality reviews.

In the wake of the financial crisis, supranational and national regulators including the European Banking Authority (“EBA”) and the OeNB have requested and conducted stress tests analyzing the banking sector and individual banks (including the Issuer and its majority shareholder RZB) and made certain of these results available to the public (see also “*—The Issuer and the Network Banks may be unable to raise additional capital required to maintain their minimum capital and other regulatory ratio*.”). The Group anticipates that regulatory authorities will continue to request and conduct similar stress tests and disclose the results or parts hereof to the public. If a member of the Group fails to pass a stress test or the result is not perceived as satisfactory by regulators, market participants or rating agencies, this could trigger intervention by regulators, could require the Group or any of its members to increase its regulatory capital and could have a negative effect on the Group’s cost of funding.

As part of a Euro area single supervisory mechanism (SSM), certain bank supervisory responsibilities will be transferred from national regulators to the European Central Bank. In a transitional period beginning as early as the first quarter of 2014, as part of a comprehensive balance sheet assessment of the Issuer’s majority shareholder RZB, the Group’s asset portfolio will be subject to review by external auditors on behalf of the European Central Bank in order to assess the quality of RZB’s assets. Based on the balance sheet as of December 31, 2013, the assessment will cover credit and market exposures, off-balance sheet arrangements and domestic and non-domestic exposures and will include an assessment of the adequacy of the Group's asset valuation, its classification of non-performing exposures, collateral valuation as well as a recalculation of the Group's provisions for risk-weighted assets. The asset quality review will be followed by a stress test, which builds on and complements the asset quality review, to be conducted by the European Central Bank and the EBA. The European Central Bank announced that it expects to release results of the asset quality review before assuming bank supervisory functions in November 2014.

The European Central Bank has not yet finalized the methodology of the asset quality review. However, in preparation for the asset quality review, on October 21, 2013, the EBA published draft technical standards on non-performing loans and forbearance reporting requirements, which are intended to provide consistent indicators of asset quality of banks across the EU and to harmonize the definitions of non-performing loans. While these standards do not currently allow an assessment of the Group's assets and loans, they may be an indicator that EBA may provide a broader definition of non-performing loans, which could have a significant impact on RZB's balance sheet, and, as a result, also on the Group's balance sheet, including the amount of loan loss provision, and regulatory capital requirements. Should the result of the asset quality assessment not be deemed satisfactory by the European Central Bank, this could result in the imposition of corrective measures (for example, recapitalization through profit retention, equity issuance, re-orientation of funding sources, asset separation and sales) by regulators and may also have a negative effect on RZB's and the Group's cost of funding.

The occurrence of any of these events could have a material adverse effect on the Group's business, financial position and results of operations.

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

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

Any failure to comply with regulatory requirements (actual, or as a result of a different approach in interpretation of laws, regulations or standards) may result in the imposition of fines, or more severe sanctions including the suspension or termination of licenses or permits, or in the issuance of an order pursuant to which the Group is required to cease certain of its business activities, or in criminal or administrative proceedings against the Group's officers. Were any of these risks to materialize, it could materially adversely affect the Group's business, financial condition and results of operations.

In case of severe or repeated breaches of regulatory requirements in any jurisdiction, there may be a risk of an administrator or supervisor being appointed for the bank or of the bank license being revoked or restricted. A variety of compulsory measures are available to bank supervisory authorities to address non-compliance. If, for example, a company of the Group has regulatory capital or reserves not in compliance with the statutory minimum requirements, the competent regulatory authority may prohibit such company from extending further loans, or from accepting deposits or, upon implementation of Basel III, from disbursement of dividends to its shareholders.

If there is a risk of any member of the Group failing to meet its obligations towards its contractual partners, the competent regulatory authority may prohibit any further asset disposals as well as payment transactions by the relevant bank to avoid such risk, instruct such bank to discontinue its transactions with customers and prohibit the acceptance of payments not intended for the redemption of liabilities. This may have a material adverse effect on the Group's business, financial position and results of operations. A more detailed description of the regulatory regimes applicable to the Group and its Network Units and of the enforcement powers of the relevant regulatory authorities can be found under "*Banking Regulation and Supervision*".

Litigation or other proceedings or actions may adversely affect the Group's business, financial condition and results of operations.

Due to the nature of their business, the Issuer and the Group's companies are subject to the risk of litigation by customers, employees, shareholders, competitors or others through private actions, and to investigations by antitrust and similar authorities, administrative proceedings, tax disputes and regulatory actions. The outcome of litigation or similar proceedings or of administrative or regulatory actions is difficult to assess or quantify. Plaintiffs in private action, regulators, supervisory authorities or prosecutors in these types of actions against the Issuer or the Group's companies may seek recovery or fines or penalties in large or indeterminate amounts or other remedies that may affect the ability of the Issuer or the Group companies to conduct their business, and the magnitude of the potential losses relating to such actions may remain unknown for substantial periods of time. The cost of defending future actions may be significant. There may also be adverse publicity associated with litigation, administrative proceedings or regulatory action against the Issuer or any of its subsidiaries that could damage the reputation of the Group or the particular Group companies, regardless of whether the allegations are valid or whether the Group is ultimately found liable. As a result, litigation or other investigations, proceedings, disputes or actions may adversely affect the Group's business, financial condition and results of operations.

Compliance with anti-money laundering rules, rules against terrorist-financing and tax evasion and economic sanctions involve significant costs and efforts, and non-compliance may have severe legal and reputational consequences.

The Issuer and its Group Units are subject, directly or indirectly, to increasingly more stringent anti-money laundering regulations and sanctions imposed in connection with the prevention of money laundering, corrupt payments, the financing of terrorism and other criminal acts as well as tax evasion. These include regulations and sanctions imposed by the EU and local regulatory or government authorities, as well as the United States Office of Foreign Assets Control. Economic sanctions, such as embargos, may impose restrictions on the operations of the Group in certain countries or with certain customers and may require the Issuer to terminate business relationships or to block assets such as bank accounts. Monitoring compliance with all these regulations constitutes a significant financial burden and technical challenge on the Issuer and the Group. For example, the Group faces substantial investment in implementing a compliance and reporting framework that meets the standards of the Foreign Account Tax Compliance Act provisions ("FATCA"). FATCA became effective in 2013 and will, from July 1, 2014, impose a 30-percent withholding tax on income from U.S. financial assets held by non-U.S. banks who have not agreed to disclose their American account holders' balances, receipts and withdrawals. Increasingly stricter EU sanctions as well as U.S. sanctions, in particular sanctions with extra-territorial impact, for example, under the National Defense Authorisation Act (NDAA) or the Comprehensive Iran Sanctions Accountability and Divestment Act (CISADA) addressing foreign financial institutions, against certain states, like Syria, Iran or Belarus, restrict or prevent the Issuer as well as Group entities not only from entering into new transactions with affected entities, but also affect the settlement of existing transactions, in particular the enforcement of existing claims against customers, which could result in risks relating to law suits due to non-payment in connection with guarantees issued by RBI or members of the RBI Group or letters of credit as well as significant losses. The Group may not at all times be in compliance with all applicable anti-money laundering and similar regulations, and groupwide standards may not be consistently applied by all employees at all Group entities. Any breach of such regulations and even the mere suspicion of any breach may have legal consequences or have a material adverse effect on the Group's reputation, its business, financial position and results of operations.

Risks relating to the Issuer's shareholding, capital structure and corporate structure

Investors generally will not be able to affect the outcome of shareholder votes and the interests of the Issuer's controlling shareholder, RZB, may be inconsistent with the interests of other shareholders.

Prior to the Offering, RZB holds approximately 78.5% of the Issuer's issued share capital. Following the completion of the Offering, RZB will continue to hold a majority of the Issuer's issued share capital.

This shareholding will enable RZB to effectively control all decisions by the Issuer, subject only to statutory minority rights. Decisions which RZB may control include amendments of the Issuer's articles of association (*Satzung*; the "Articles of Association"), appointments to the Issuer's Supervisory Board (which appoints the Issuer's Management Board), approval of the Issuer's annual financial statements, resolutions regarding the appropriation of the Issuer's net income and election of the Issuer's auditor. Austrian law requires the approval of at least 75% of the share capital represented at a shareholders' meeting at the time of voting to pass resolutions on certain matters, such as creating authorized or conditional capital, changing the corporate purpose, mergers, spin-offs and conversions to a different form of legal entity. If at least 75% of the share capital represented at the time of voting is controlled by RZB due to low participation by other shareholders at a meeting of the Issuer's shareholders (the "General Meeting"), RZB will also be able to pass resolutions requiring a qualified majority of votes cast or of the share capital represented. RZB will also be able to block resolutions in General Meetings, in particular resolutions requiring a qualified majority of votes cast or share capital represented. Despite an increase in the free float expected as a result of the Offering, RZB will have a majority at General Meetings. Several members of RZB's management board also serve on the Issuer's Supervisory Board or act as CRO on the Company's Management Board, which allows RZB to determine the Management Board's composition and thus to influence significantly business and financial decisions of the Group. If RZB, through its votes at the General Meetings or otherwise, were to exert influence on the Issuer in such a way as to conflict with the interests of other shareholders, this could have a significant adverse effect on the Issuer's share price. This may conflict with the interests of the Issuer or its other shareholders.

Furthermore, certain of the direct or indirect shareholders of the Issuer are commercial banks within the Raiffeisen Banking Group Austria ("RBG"), including RZB, and their managers serve on the Supervisory Board of the Issuer. Such activities in the same or similar areas may trigger differences of opinion between the Company and such shareholders and, consequently, either delay or prevent necessary business decisions or result in additional own or external funds being withheld by shareholders. Such development may have a material adverse effect on the Group's business, financial position and results of operations.

RZB continues to remain an important funding source for the Group.

The Issuer is and—following the Offering—will continue to be, majority-owned and thus controlled by RZB and indirectly majority-owned by RZB's shareholders, including in particular the members of the RBG. RZB is the central institution of RBG and its joint liquidity clearing system. RZB therefore serves as a substantial provider of short-term liquidity and other deposits and funding to the Group. As of September 30, 2013, the Group had liabilities in the amount of EUR 6.5 billion towards RZB. There is no formal commitment on the part of RZB to continue this policy. Should the financial situation of RZB or its shareholders deteriorate, RZB may no longer be available to provide further liquidity, which would make it more difficult for the Issuer to raise funding and may have a material adverse effect on the Group's business, financial position and results of operations.

Minority interests held by third parties may restrict the Issuer's control over certain subsidiaries.

Some of the Issuer's subsidiaries have minority shareholders who—depending on the provisions relating to minority interests under the corporate law of the relevant company's jurisdiction of incorporation—may, to varying degrees, restrict the Issuer's influence on the implementation of certain capital and restructuring measures such as capital increases, mergers, spin-off of assets or similar corporate actions. Furthermore, minority shareholders may, depending on their percentage shareholdings and the provisions of the articles of incorporation of the relevant company, among other things, be entitled to convene, add items to the agenda of general meetings or take actions against shareholders' resolutions. Notwithstanding these general rights of minority shareholders, with respect to some subsidiaries, the Issuer has entered into shareholders' agreements with the relevant minority shareholders providing for nomination rights to the supervisory board of the respective subsidiary, rights of first refusal or other restrictions regarding the shares held by RBI in the respective subsidiary. Such restrictions or actions with respect to RBI's subsidiary-related decisions due to minority interests of external shareholders may conflict with the Group's strategies and may have a material adverse effect on the Group's business, financial position and results of operations. As a rule, minority shareholders may—if at all—only be excluded in certain circumstances or subject to certain restrictions.

As a result of the Group's participation in the Austrian "bank package", including the issuance of participation capital to the Republic of Austria, the Group may be subject to limitations and obligations affecting its business and its ability to pay dividends.

As of September 30, 2013, the Company had outstanding (i) participation capital (*Raiffeisen-Partizipationskapital 2008/2009*) without maturity in the aggregate principal amount of EUR 2,500 million (the "Participation Capital 2008/2009"), of which EUR 1,750 million are held by the Republic of Austria and (ii) a state guaranteed bond with an aggregate principal amount of EUR 856 million and an interest rate of 3.625%.

In addition to performing its obligations under the terms and conditions of the Participation Capital 2008/2009 and the state guaranteed bond, the Company has to fulfill additional obligations imposed by the agreements concluded with the Republic of Austria in the context of the issuance of the Participation Capital 2008/2009 and the state guaranteed bond. Under these agreements, for as long as they are outstanding, the Company is obligated, among other things, to refrain from distorting competition by offering unusual conditions or engaging in aggressive competitive activities, to grant loans in a certain amount in Austria, to refrain from aggressive commercial expansion, to pursue a sustainable business policy and to provide certain reports and disclosures. These obligations and restrictions may affect the Group's business and competitive position. In addition, as long as the Participation Capital 2008/2009 is not repaid by the Company, dividends on shares may only be distributed to the Company's shareholders if dividends on the Participation Capital 2008/2009 are paid in full at the stated rate. If the Company fails to comply with the obligations and restrictions imposed by these instruments and the related agreements, it may be subject to fines imposed by the Republic of Austria and negative reputational consequences, all of which could have a material adverse effect on the Group's business, financial position and results of operations.

Risks relating to the Offering and the New Shares

The market price of the Shares is volatile and could be adversely affected by future sales of the Shares in the public market.

The market price of the Shares is volatile and subject to sudden and significant declines. Price declines can result from a variety of factors, including the difference between the results the Issuer announces and forecasts by equity analysts; important contracts, mergers, acquisitions and strategic partnerships involving the Group or its competitors; fluctuations in the Group's financial condition and operating results; changes in the economic environment or political or economic developments in which the Group operates; and general share price volatility in the markets where the Shares are listed or in the world markets overall. As a result, the investor may experience a material decline in the market price of the Shares.

In addition, the market price of the Shares could fall due to sales of a large number of the Shares in the market or the perception that such sales could occur. Before the Offering, RZB indirectly owned approximately 78.5% of the Issuer's share capital and will continue to hold a majority thereafter. RZB has agreed (subject to certain customary exceptions) not to sell or otherwise dispose of any Shares until 180 days after the Second Closing Date without the consent of the Joint Global Coordinators. Should RZB sell Shares in considerable quantities on the secondary market, whether before the expiration of this period or thereafter, or if the market becomes convinced that such sales will occur, it is possible that the Issuer's share price will decline.

Shareholders are exposed to the risk of a failure of the Issuer to make dividend payments.

The Issuer's ability to pay dividends in the future is uncertain. The Issuer's ability to pay dividends depends on, among other things, sufficient cash flows from operations. Furthermore, as long as the

Participation Capital is not repaid, dividends may only be distributed to the Company's shareholders if dividend on the participation capital is paid in full at the same time (see "—*As a result of the Group's participation in the Austrian "bank package", including the issuance of participation capital to the Republic of Austria, the Group may be subject to limitations and obligations affecting its business and its ability to pay dividends")*. The General Meeting could decide to withhold distributions in order to achieve the 9% core tier 1 capital ratio in accordance with the EBA capital package. There can be no assurance that the Issuer will be able to pay a dividend or make any other return of capital to shareholders. In a worst case scenario, shareholders would not receive any dividend.

Shareholders' interests in the Issuer may be diluted if the Issuer issues additional shares in the future.

In the future the Issuer may raise further capital to finance its business activities. The issuance of equity securities, the exercise of any convertible bonds or bonds with warrants the Issuer may issue in the future, as well as the purchase of other enterprises or participations in enterprises in exchange for shares, if so approved by General Meeting, may lead to a commercial dilution of shareholders' interests in the Issuer.

Under Austrian corporate law, shareholders have preferential statutory subscription rights (*Bezugsrechte*) in respect of any new shares issued by the Issuer in a capital increase in proportion to their shareholdings. Subscription rights may be excluded with a three quarters majority vote in the General Meeting of the Issuer. Also, due to restrictions in other jurisdictions, such as the United States, shareholders outside Austria may be prohibited under applicable law or excluded under the terms of the capital increase from participating in future capital increases. Should any of these events occur, shareholders would suffer dilution, i.e. the percentage of interest they hold in the Issuer and the percentage of voting rights they are entitled to exercise, would decrease.

New Shares acquired in the Pre-placement not attributable to the Waived Subscription Rights are subject to claw-back.

Investors purchasing New Shares in the Pre-placement are subject to claw-back with respect to New Shares that are not attributable to the Waived Subscription Rights, and will not receive New Shares allocated to them subject to claw-back to the extent that existing shareholders exercise their subscription rights. Whether or not subscription rights are exercised, depends, among other factors, on the development of the share price during the Subscription Period. Existing shareholders may be more likely to exercise their subscription rights if the share price during the Subscription Period exceeds the Offer and Subscription Price.

Investors purchasing New Shares in the Pre-placement could suffer dilution in case of a termination of the Offering after the delivery of their New Shares.

The Joint Global Coordinators, on behalf of the Managers, have the right to terminate the Underwriting Agreement under certain circumstances, including the occurrence of certain events of force majeure, up until the Second Closing Date. A termination of the Underwriting Agreement after the First Closing Date will not affect the delivery of New Shares purchased in the Pre-placement that occurred on the First Closing Date. However, subject to the terms of the Underwriting Agreement, the number of New Shares to be issued on the Second Closing Date could be reduced or such shares could be sold at a price below the Offer and Subscription Price, in which case the proceeds received by the Issuer would be lower than anticipated. In such an event, investors who purchased New Shares in the Pre-placement and whose New Shares were delivered on the First Closing Date could suffer economic dilution, and the Company may not receive sufficient proceeds to repay the outstanding Participation Capital 2008/2009 as contemplated in section "*Use of Proceeds*".

The price at which investors will be able to subscribe for New Shares in the Rights Offering may be higher than the price at which they could have purchased shares of the Company in the market.

The Offer and Subscription Price, which will be identical in the Rights Offering and the Pre-placement, will be determined prior to the commencement of the Rights Offering. In case the Offer and Subscription Price exceeds the market price for the Company's shares during the Subscription Period, investors subscribing for New Shares in the Rights Offering will do so at a price that is higher than what they would have paid by acquiring the shares in the secondary market.

Rights of shareholders in an Austrian corporation may differ from rights of shareholders in a corporation organized under the laws of another jurisdiction.

The Issuer is a joint stock corporation (*Aktiengesellschaft*) organized under the laws of Austria. The rights of the Issuer's shareholders are governed by the Issuer's articles of association and by Austrian law. These rights may differ in some respects from the rights of shareholders in corporations organized in jurisdiction other than Austria. In addition, it may be difficult for investors to enforce the securities laws of other jurisdictions, or to prevail with a claim against the Issuer based on those laws.

Fluctuation in exchange rates may influence the value of the Shares and dividends for investors outside the euro zone.

The Shares will be priced, quoted and traded in euro. Accordingly, investors outside the euro zone are subject to adverse movements in their local currency against the euro, which may reduce the value of the Shares, as well as potential dividends paid in euro in relation to the Shares.

A suspension of trading in the Shares on the Vienna Stock Exchange could adversely affect the share price.

With respect to securities publicly traded in Austria, the FMA is authorized to suspend or request the relevant regulated market on which securities are admitted to trading to suspend such securities from trading, if, in its opinion, the respective issuer's situation is such that continued trading would be detrimental to the investors' interest. The FMA is further authorized to instruct the Vienna Stock Exchange to suspend trading in an issuer's securities in connection with measures taken against market manipulation and insider trading. The Vienna Stock Exchange must suspend trading in securities which no longer comply with the rules of the regulated market, unless such step would cause significant damage to investors' interests or the orderly functioning of the market. If the Vienna Stock Exchange does not do so, the FMA could demand the suspension of trading in securities if it is in the interest of the orderly functioning of the market and does not impair investors' interests. Existing orders are deemed void if trading is suspended. Any suspension of trading (other than for protecting investors' interest) could adversely affect the price and the liquidity of the Shares and, consequently, could have a negative effect on investors' ability to sell the Shares at a satisfactory price.

THE OFFERING

General

The Offering relates to up to 97,473,914 ordinary no-par value bearer shares with a calculated notional amount of EUR 3.05 per share, which will be newly issued by the Company following a share capital increase. Each New Share carries a right to vote at the Company's General Meeting and full dividend rights from, and including, the financial year starting January 1, 2013.

The Offering consists of a Pre-placement, followed by a Rights Offering to the Company's existing shareholders. The Pre-placement comprises a private placement to selected institutional investors in Austria and in other countries.

The Offering is subject to the registrations of the two tranches of the capital increase with the commercial register.

Managers

In connection with the Offering Deutsche Bank, RCB and UBS Limited are acting as Joint Global Coordinators and Banca IMI, Barclays, BNP Paribas, Commerzbank and ING acting as Co-Lead Managers. The New Shares will be subscribed for by Deutsche Bank and UBS Limited, after the Pre-placement, in accordance with § 153 para. 6 of the Austrian Stock Corporation Act (*Aktiengesetz*, the "Stock Corporation Act"), with the obligation to provide the New Shares at the Offer and Subscription Price to holders of subscription rights, as the case may be, who duly exercise subscription rights during the Subscription Period. See "*Plan of Distribution*".

Pre-placement, claw-back and allocation in the Pre-placement

Raiffeisen International Beteiligungs GmbH (the "Direct Shareholder"), a holding company, through which RZB holds all its shares in the Company, has undertaken not to exercise its subscription rights to New Shares (the "Waived Subscription Rights"). A total of up to 76,754,612 New Shares, or 78.7% of the total number of New Shares, are attributable to Waived Subscription Rights. RZB, acting through the Direct Shareholder, has agreed that it will place purchase orders in an amount of up to EUR 750 million in the Pre-placement (see "*—Rights Offering—Participation of RZB in the Pre-placement*").

Pre-placement

The Pre-placement will take the form of a bookbuilding procedure. The offer price of the Pre-placement and the subscription price for the Rights Offering will be identical (the "Offer and Subscription Price"). The Offer and Subscription Price, the final number of New Shares and the subscription ratio are expected to be determined on or about January 22, 2014 based on the outcome of the bookbuilding procedure in the Pre-placement by the Company in consultation with the Joint Global Coordinators. The Offer and Subscription Price, the final number of New Shares and the subscription ratio are expected to be announced and published, including by way of an ad-hoc announcement, via electronic media, on or about January 22, 2014 and by short notice in the Official Gazette (*Amtsblatt zur Wiener Zeitung*) shortly thereafter. Such information will also be deposited with the FMA in accordance with the Capital Markets Act on or about January 23, 2014.

The Pre-placement is expected to take place from January 21, 2014 to January 22, 2014, subject to extension or early termination at any time. Investors who wish to purchase New Shares in the Pre-placement are hereby informed that 21.3% of each investor's allocation of New Shares in the Pre-placement will be subject to claw-back and deferred settlement.

Claw-back

While New Shares attributable to Waived Subscription Rights will be allocated in the Pre-placement without claw-back, New Shares not attributable to Waived Subscription Rights will be allocated subject to claw-back (the “Claw-back Shares”), with delivery against payment of the Offer and Subscription Price being made in a deferred settlement after the number of New Shares for which subscription rights have not been exercised has been determined. Accordingly, 21.3% of each investor’s allocation of New Shares in the Pre-placement will be subject to claw-back and deferred settlement.

To the extent that subscription rights are exercised in the Rights Offering, the claw-back will be exercised on a pro rata basis in accordance with the ratio of the total number of Claw-back Shares subscribed in the Rights Offering to the total number of Claw-back Shares.

Allocation in the Pre-placement

Prospective investors seeking to purchase New Shares in the Pre-placement are advised to contact their bank, broker or other financial adviser for further details regarding the manner in which purchase orders for New Shares are to be processed. There will be no minimum and no maximum number of New Shares for which purchase orders may be submitted by prospective investors in the Pre-placement, whether expressed as a number of New Shares or an amount in EUR. Multiple purchase orders will be accepted, subject to claw-back as described above and to allocation as described below.

Other than the Direct Shareholder, no investor or class of investors will receive preferential treatment in respect of allocations in the Pre-placement. Purchase orders will be evaluated on the basis of the offered prices and investor demand. Other factors that will be considered include the quality of the investor, the geographic distribution of the Group’s investor base, whether the investor has a long-term investment strategy, the goal of maximizing the proceeds from the Offering and the goal of supporting the development of an orderly and liquid secondary market for the Shares. The amount of New Shares, if any, allocated to an investor will be determined in the absolute discretion of the Company and the Joint Global Coordinators. Prospective investors in the Pre-placement are therefore advised to contact their bank, broker or other financial adviser for details regarding the actual allocation of New Shares made to them. Although the Company does not accept any responsibility therefor, the Company expects that information regarding allocations in the Pre-placement will be made available by these institutions on or about January 22, 2014.

The ISIN for Existing Shares and the New Shares to be delivered on the Second Closing Date (as defined below) is AT0000606306. The New Shares to be delivered on the First Closing Date (as defined below) will be booked under ISIN AT0000A153T9 and will be transferred to the ISIN for the Existing Shares on or about January 29, 2014.

Rights Offering

Exercise of subscription rights

Following completion of the bookbuilding procedure and determination of the Offer and Subscription Price in the Pre-placement, the Company’s shareholders will be invited to exercise their subscription rights to subscribe for the New Shares (the “Rights Offering” and together with Pre-placement the “Offering”). Shareholders exercising their subscription rights will be entitled to subscribe for New Shares according to the subscription ratio set forth in the subscription invitation to be published by the Company on or about January 24, 2014, against payment of the Offer and Subscription Price. Assuming the maximum number of New Shares offered hereby is placed in the Pre-Placement, the subscription ratio will be 1 New Share for every 2 Existing Shares.

Shareholders may exercise their subscription rights during the Subscription Period which is expected to begin on January 24, 2014 and to end on February 7, 2014. The Subscription Period may be extended or terminated at any time.

Subscriptions for the New Shares will be accepted by Raiffeisen Centrobank AG, Austria (*Bezugsstelle*; the “Subscription Agent”), as well as by all other credit institutions in Austria, during ordinary business hours. Holders of subscription rights who hold their subscription rights through a depositary bank that maintains a securities account with OeKB or through a financial institution that is a participant in

Euroclear or Clearstream are required to exercise their subscription rights by instructing such bank or financial institution to subscribe for New Shares on their behalf in accordance with procedures established by the Company and the Joint Global Coordinators, and any applicable additional procedures established by such bank or financial institution.

The exercise of a subscription right by holders of subscription rights is irrevocable and cannot be annulled, modified, cancelled or revoked. Subscription rights not duly exercised by February 7, 2014 will expire without value.

If a holder of subscription rights submits an invalid subscription or the Rights Offering is terminated, claims with respect to bank fees and other investor costs incurred in connection with the subscription will be governed by the contractual relationship between such investor and the financial institution that accepted the subscription.

Offer and Subscription Price

Subscription rights may be exercised at the Offer and Subscription Price. The Offer and Subscription Price, the final number of New Shares and the subscription ratio will be determined by the management of the Company in consultation with the Joint Global Coordinators based on the outcome of the bookbuilding procedure in the Pre-placement as described above and are expected to be announced and published, including by way of an ad-hoc announcement, via electronic media, on or about January 22, 2014 and by short notice in the Official Gazette (*Amtsblatt zur Wiener Zeitung*) shortly thereafter. Such information will also be deposited with the FMA in accordance with the Capital Markets Act on or about January 23, 2014.

The Offer and Subscription Price for New Shares subscribed in the Rights Offering will be due and payable on or about February 12, 2014. No expenses or taxes will be charged to the subscribers for or the purchasers of the New Shares, except for customary banking fees. Prospective subscribers and investors are advised to inform themselves about these costs.

Trading and sale of Subscription Rights

From the beginning of the Subscription Period, Existing Shares will be traded without subscription rights ("ex subscription rights"). Subscription rights will be transferable; their ISIN is AT0000A153U7. Shareholders who do not hold subscription rights corresponding to a number of Existing Shares divisible by 2 (subject to adjustment of the subscription ratio for the New Shares in the subscription invitation) will not be able to exercise their subscription rights in full.

Neither the Company nor the Managers have provided for, nor have they authorized that any other person may provide for, the subscription rights to be traded on the Vienna Stock Exchange or any other stock exchange.

Participation of RZB in the Pre-placement

RZB, acting through the Direct Shareholder, has agreed that it will place purchase orders in an amount of up to EUR 750 million in the Pre-placement. The Company and the Joint Global Coordinators intend to allocate the purchase order placed by the Direct Shareholder in the Pre-placement in full. However, after such full allocation in the Pre-placement's bookbuilding procedure, the Direct Shareholder's purchase order, like the order of any other investor in the Pre-placement, will be subject to claw-back and deferred settlement.

Special considerations for U.S. shareholders regarding the exercise of subscription rights

The subscription rights and the New Shares have not been and will not be registered under the securities laws of any jurisdiction other than Austria. In particular, the subscription rights and the New Shares have not been and will not be registered under the Securities Act or any U.S. state securities laws, and subscription rights may be exercised only by or on behalf of those shareholders in the United States who are qualified institutional buyers within the meaning of Rule 144A under the Securities Act ("QIBs") and who follow the instructions set forth below.

A QIB may exercise its subscription rights through the depository bank or clearing system participant through which such subscription rights are held in accordance with procedures established by such depository bank or clearing system participant. Such procedures will require that each QIB who retains investment discretion as to whether to exercise its subscription rights return to its depository bank or clearing system participant a duly completed and executed QIB Investment Letter certifying, among other things, that such QIB is a qualified institutional buyer and agrees to comply with the resale restrictions described under "Selling Restrictions" and in the QIB Investment Letter. The form of QIB Investment Letter may be requested from the Subscription Agent, Raiffeisen Centrobank AG, by fax at +43 1 515 20 5428 or email: dividends@rcb.at.

Subscription rights may only be exercised before the end of the Subscription Period on February 7, 2014. QIBs who may wish to exercise subscription rights should consider that they may not be able to do so during normal U.S. business hours on February 7, 2014, and should consult their depository bank or clearing system participants to determine the effective deadline for their exercise of subscription rights.

Holders of ADRs issued by third party depositaries in respect of their holdings in the Company's shares in connection with certain unsponsored ADR programs will not be permitted to effect subscription for New Shares in respect of the shares that are represented by such ADRs.

Termination of the Offering

Pursuant to the underwriting agreement entered into by the Company and the Managers on the date of this prospectus (the "Underwriting Agreement"), the obligations of the Managers are subject to the fulfillment of conditions precedent such as the registration of the capital increase creating the New Shares with the commercial register and other customary conditions, and the Joint Global Coordinators, on behalf of the Managers, have the right to terminate the Underwriting Agreement under certain circumstances, including the occurrence of events of force majeure, up until the Second Closing Date. In the event of termination prior to the settlement on the First Closing Date, all exercised subscription rights as well as all purchase orders placed in the Pre-placement will become void. In the event of termination after the First Closing Date and prior to the settlement on the Second Closing Date, the occurrence of the settlement on the First Closing Date will remain unaffected thereby. However, subject to the terms of the Underwriting Agreement and subject to investors refusing to accept delivery of New Shares against payment, the number of New Shares to be issued on the Second Closing Date could be reduced or such shares could be sold at a price below the Offer and Subscription Price, in which case the proceeds received by the Issuer would be lower than anticipated. In such an event, investors who purchased New Shares in the Pre-placement and whose New Shares were delivered on the First Closing Date could suffer significant economic dilution. The subscription ratio will be maintained despite any reduction of the number of New Shares allocated in the Pre-placement; accordingly, the participation of Shareholders and holders of subscription rights exercising their subscription rights will increase if less than 97,473,914 New Shares are issued.

Form, delivery and settlement

The New Shares purchased or subscribed in the Offering will be represented by one or more modifiable global certificates that have been deposited with OeKB, Am Hof 4, A-1010 Vienna, Austria. Delivery of the New Shares against payment of the Offer and Subscription Price is expected to take place through the book-entry facilities of OeKB, Euroclear and Clearstream.

All New Shares attributable to the Waived Subscription Rights that are acquired in the Pre-placement are expected to be delivered on or about January 28, 2014 (the "First Closing Date"), which will be the fourth New York business day following the date of pricing of the New Shares (this settlement cycle referred to as "T+4"). Pursuant to Rule 15c6-1 under the Securities Exchange Act of 1934, trades in the secondary market generally are required to settle in three business days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, if any purchaser has traded or wishes to trade New Shares acquired in the Pre-Placement and attributable to the Waived Subscription Rights on the date of pricing of the New Shares, it will be required, by virtue of the fact that the such New Shares will initially settle on the fourth New York business day following the date of pricing, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the New Shares acquired in the Pre-Placement and attributable to the Waived Subscription Rights who wish to trade such New Shares on the date of pricing should consult their own advisor.

The Claw-back Shares are expected to be delivered on or about February 12, 2014 (the "Second Closing Date"); each of the First Closing Date and the Second Closing Date, a "Closing Date"). Investors should note that the Second Closing Date settlement will be carried out on a T+2 basis (rather than on a T+3 basis which is the regular term for the settlement of transactions concluded on the Vienna Stock Exchange).

Delivery of the New Shares will take place after the commencement of trading in the New Shares on the Vienna Stock Exchange. If an investor has sold New Shares to a third party prior to the delivery of such New Shares in book-entry form and is unable to meet its obligations to deliver the New Shares to a third party due to the termination of the Underwriting Agreement by the Joint Global Coordinators, on behalf of the Managers, any legal recourse will arise exclusively from and be limited to the contractual relationship between the investor and such third party. In case of short sales in the New Shares by investors, the selling investor bears the risk of being unable to fulfill its delivery obligation.

Stabilization

In connection with the Offering, Deutsche Bank, as stabilization manager may, itself or through affiliates, engage in stabilizing activities aimed at supporting the exchange or market price of the Shares in order to offset selling pressure in those securities. The stabilization manager is not obligated to stabilize and there is no guarantee that stabilization will take place at all. Stabilization, if undertaken at all, can be stopped at any time without prior notice. Stabilizing activities may take place from the date of publication of the Offer and Subscription Price and must end no later than on the thirtieth calendar day after the date allotment of the New Shares (the "Stabilization Period"). Stabilization may result in an exchange or market price of the Shares that is higher than might otherwise prevail, and the exchange or market price may reach a level that cannot be maintained on a permanent basis.

Following the end of the Stabilization Period, information regarding stabilizing activities (including the extent to which it has taken place, the dates on which the first and last stabilization trades were executed, and the dates on and price range within which all stabilization activity took place) will be published in accordance with Article 9(3) of Regulation (EC) No. 2273/2003.

Admission to the Vienna Stock Exchange and commencement of trading

Application will be made to list the New Shares on the Official Market of the Vienna Stock Exchange, where the Existing Shares are already admitted to trading. Subject to approval by the Vienna Stock Exchange, trading in the New Shares to be delivered on the First Closing Date and the New Shares to be delivered on the Second Closing Date on the Vienna Stock Exchange is expected to commence in the prime market segment on or about January 27, 2014 and February 11, 2014, respectively.

Interests that are material to the offer including conflicting interests, other relationships

The Managers have entered into a contractual relationship with the Company in connection with the Offering. Upon completion of the Offering, the Managers will receive a commission. In connection with the Offering, the Managers and their respective affiliated companies will be able to acquire New Shares for their own accounts and hold, purchase or sell for their own accounts and can also offer or sell these Shares outside of the Offering. The Managers do not intend to disclose the scope of such investments or transactions if not required by law.

The Managers and/or their respective affiliates have provided, currently provide or may provide in the future various investment banking, commercial banking, financial advisory and/or similar services to the Company on a regular basis, and maintain normal business relationships with the Company in their capacity as credit institutions or as lenders under credit facilities, for which they have received and may continue to receive customary fees and expenses. All investment, consulting and financial transactions with the Managers are conducted on an arm's length basis.

RCB, one of the Joint Global Coordinators, paying agent for the Shares, is a subsidiary of the Company.

International Finance Corporation (IFC) has indicated to RBI that it is considering placing an order for New Shares of up to EUR 150 million in the Pre-placement. IFC acts on its own account and not as an intermediary, underwriter, manager or similar role in any part of the Offering. Investors should note that IFC has had no role in the drafting of this prospectus and does not endorse or otherwise take responsibility for any part of this prospectus. In furtherance to IFC's intention to strenghten the capital base of RBI Group on a local level, the Issuer has confirmed to IFC its intention to invest in the form of Tier 1 capital an amount corresponding to the investor's purchase order (to the extent it is allocated) as part of its capital planning in the subsidiaries ZAO Raiffeisenbank, Raiffeisen Bank d.d. Bosna i Hercegovina, Raiffeisen Bank Polska S.A. and Raiffeisen Bank Kosovo J.S.C.

Expected Timetable for the Offering

The following is the expected timetable of the Offering. This timetable is of an indicative nature and may change as circumstances warrant.

January 22, 2014	End of Pre-placement
January 22, 2014	Determination and publication of the Offer and Subscription Price, the final number of New Shares and the final subscription ratio
January 24, 2014	Start of Subscription Period, Existing Shares trading ex subscription rights
January 27, 2014	Start of trading in the New Shares attributable to the Waived Subscription Rights
January 28, 2014	Expected date of delivery of the New Shares attributable to the Waived Subscription Rights (First Closing Date)
February 7, 2014	End of Subscription Period, deadline for delivery of the QIB Investment Letter
February 11, 2014	Start of trading in the New Shares not attributable to Waived Subscription Rights
February 12, 2014	Expected date of delivery of the New Shares not attributable to the Waived Subscription Rights (Second Closing Date)

USE OF PROCEEDS

The Issuer will receive the net proceeds from the Offering comprising the gross proceeds from the sale of the New Shares less the commissions of the Managers and other Offering-related expenses incurred by the Issuer. The net proceeds depend on the actual number of New Shares sold, the Offer and Subscription Price, the commissions and the Offering-related expenses.

Assuming that the maximum number of 97,473,914 New Shares is sold in the Offering at an assumed Offer and Subscription Price of EUR 30.50 per New Share (the closing price of the Existing Shares on the Vienna Stock Exchange on January 20, 2014), the gross proceeds from the sale of the New Shares are expected to amount to approximately EUR 2,973 million. The Issuer estimates that its total Offering-related expenses (including commissions of the Managers) will amount to approximately EUR 65 million and, based on the foregoing assumptions expects to receive net proceeds in the amount of approximately EUR 2,908 million.

The purpose of the Offering is to increase and improve the Company's capitalization to a level that it considers adequate in light of the changed regulatory requirements applicable to it and in view of the Company's strategy. In particular and subject to supervisory board and regulatory authorities' approval, RBI intends to use the net proceeds from the Offering for redemption of the outstanding Participation Capital 2008/2009 in full or in part, beginning with the Participation Capital 2008/2009 subscribed by the Republic of Austria (see also "*Business–Strategic priorities–Strengthen capital position and redeem outstanding participation capital*"). Any net proceeds exceeding the outstanding Participation Capital 2008/2009 will be used for general corporate purposes.

SHARE PRICE DEVELOPMENT

The Existing Shares are listed on the Official Market, assigned to trading in the prime market segment, of the Vienna Stock Exchange. The table below sets forth the high and low closing price of the Existing Shares on the Vienna Stock Exchange for the periods indicated and the closing price as of:

Period	High	Low
	(in EUR)	
2009	47.86	13.00
2010	42.75	29.01
2011	45.10	14.16
2012	33.36	18.64
2013	33.59	19.96
Year ended December 31, 2012		
Quarter ended March 31, 2012	29.05	18.64
Quarter ended June 30, 2012	26.17	21.90
Quarter ended September 30, 2012	29.29	23.66
Quarter ended December 31, 2012	33.36	28.86
Year ended December 31, 2013		
Quarter ended March 31, 2013	33.59	26.30
Quarter ended June 30, 2013	27.95	22.40
Quarter ended September 30, 2013	27.16	19.96
Quarter ended December 31, 2013	28.00	23.86
July, 2013	23.14	19.96
August, 2013	27.16	22.71
September, 2013	26.30	23.91
October, 2013	26.93	23.86
November, 2013	28.00	26.95
December, 2013	26.74	24.62

The closing price on July 1, 2013 was EUR 22.32 and the closing price on January 20, 2014, the last trading day before this Prospectus, was EUR 30.50.

Source: Vienna Stock Exchange.

DIVIDEND POLICY

Holders of the Shares are entitled to an annual dividend declared in respect of the Company's financial year. The New Shares have the same dividend rights as all other issued Shares, including full dividend rights for the entire business year 2013. The payment and amount of dividends on the Shares are subject to approval by the shareholders at the annual General Meeting.

The Company paid the following dividends for the financial years 2012, 2011 and 2010:

	2012	2011	2010
Consolidated profit (in EUR million)	725.4	967.7	1,087.5
Dividend for Participation Capital 2008/2009 (in EUR million)	200.0	200.0	200.0
Consolidated profit after dividend for Participation Capital 2008/2009 (in EUR million)	525.4	767.7	887.5
Per share amount of dividends (in EUR)	1.17	1.05	1.05
Total amount of dividends (in EUR million)	228.1	204.7	204.3
Dividend payout ratio (in %)[(1)]	43.03	26.66	23.02

[(1)] Calculated on the basis of consolidated profit after deduction of dividends for Participation Capital 2008/2009.
Source: Internal data.

The Company's dividend policy with regard to its ordinary shares is not based on a fixed dividend payout ratio. Instead, dividends are proposed by the Management and Supervisory Boards to the General Meeting, taking into consideration the Company's net profit for the relevant year, its capital requirements for the development of its business and the implementation of its strategy and other factors as the Management and Supervisory Boards of the Company consider relevant such as building long-term relationships with the Company's shareholders.

In the future, the Company aims to continue to pay dividends on its ordinary shares, the amount of which will be determined in accordance with the factors described above. Past dividends are not an indication of future dividends to be paid by the Company. There can be no assurance that any dividends will be paid or that, if paid, they will correspond to the policy described above.

The Company's ability to pay dividends is based on its unconsolidated financial statements prepared in accordance with Austrian GAAP. Dividends may be paid only from the annual net profit (*Bilanzgewinn*) recorded in the Company's unconsolidated annual financial statements as approved by the Supervisory Board or by the General Meeting. In determining the amount available for distribution, the annual net income (*Jahresüberschuss*) must be adjusted to account for any accumulated undistributed net profit or loss from previous years as well as for withdrawals from or allocations to reserves. Certain reserves must be established by law, and allocation to such reserves must therefore be deducted from the annual net income in order to calculate the annual net profit.

The timing and amount of future dividend payments, if any, will depend upon the Group's and the Company's future earnings and prospects, capital requirements and financial condition. The Company derives a substantial part of its profits from the payment of dividends from its subsidiaries and the Issuer is therefore particularly dependent on its subsidiaries' ability to pay dividends; since the global financial and economic crisis, adaptations of capital requirements and other regulatory or political changes in some of the Group's jurisdictions have made distributions to the Company more difficult.

In the course of the Merger, participation capital (*Partizipationskapital*) issued by Raiffeisen Zentralbank Österreich AG in the total amount of EUR 2,500 million was transferred to the Company. The dividend payable on the participation capital amounts to 8% per annum for the business years until 2013 and increases by 0.5 percentage points in each of 2014 and 2015, by a further 0.75 percentage points in 2016 and by a further 1 percentage point in each year thereafter, unless such dividend would exceed the 12 month Euribor plus 10 percentage points. It is paid from the Company's profit (after allocation to or movements in reserves) and ranks ahead of distributions to the Company's shareholders. Therefore, dividends on Shares may only be distributed to the Company's shareholders if the dividend on the participation capital is paid in full at the same time. The dividend on the participation capital may be distributed only to the extent of the Company's profit for the preceding business year as reported in the Company’s unconsolidated financial statements prepared in accordance with Austrian GAAP. If the Company reports a loss in any year, no participation dividend payment will be made for that year, and the missed dividend payment will not accumulate and will not be payable in any future period. The dividend paid on the participation capital in any year may be less than the stated rate to the extent the Company’s reported profit is less than the amount required to pay the dividend on the participation capital or to the extent the Company’s pari passu securities reduce the amount of profit available to pay the dividend on the participation capital. In such cases, for as long as any participation capital remains outstanding, the Company would be restricted from paying dividends on its Shares.

Furthermore, future dividend payments may be affected by such other factors as the Management and Supervisory Boards of the Company consider relevant, as well as shareholder’s resolutions to the contrary. There can be no assurance that any dividends will be paid or that, if paid, they will correspond to the policy described above.

Future dividends paid by the Company may be subject to deduction of Austrian withholding tax, as described in “*Taxation—Taxation in the Republic of Austria—Taxation of Dividends*”.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth the Group's capitalization as of September 30, 2013: (i) on an actual basis, (ii) as adjusted to reflect the issuance and sale of 97,473,914 New Shares at an assumed Offer and Subscription Price of EUR 30.50 per New Share (the closing price of the Existing Shares on the Vienna Stock Exchange on January 20, 2014) after deduction of the commissions payable to the Managers and other Offering-related expenses incurred by the Company in an amount of approximately EUR 65 million as discussed under "*Use of Proceeds*" and (iii) as adjusted for the Offering, as described in (ii) and to reflect the use of the net proceeds from the Offering for the redemption of Participation Capital 2008/2009 in full. The information has been derived from the Group's Unaudited Consolidated Financial Statements, which have been prepared in accordance with IFRS. This table should be read in conjunction with the Operating and Financial Review and the Unaudited Consolidated Financial Statements incorporated by reference in this prospectus.

	As of September 30, 2013		
	Actual	**As adjusted for this Offering**	**As adjusted for this Offering and assuming the use of the net proceeds from the Offering for the redemption of Participation Capital 2008/2009**
	(in EUR million, except percentages, unaudited)		
Consolidated equity	9,442	12,350	9,850
thereof: subscribed capital	595	892	892
thereof: participation capital	2,500	2,500	-
thereof: capital reserves	2,574	5,185	5,185
thereof: retained earnings	3,774	3,774	3,774
Consolidated profit	411	411	411
Non-controlling interests	501	501	501
Equity	**10,354**	**13,263**	**10,763**
Subordinated capital	**3,861**	**73,861**	**3,861**
Customer deposits	67,496	67,496	67,496
Short-term refinancing	20,503	20,503	20,503
Medium- and long-term refinancing	20,227	20,277	20,277
Other liabilities	8,593	8,593	8,593
Total liabilities	**116,819**	**116,819**	**116,819**
Capitalization	**131,034**	**133,943**	**131,443**
Regulatory own funds and core capital ratios[1]			
Tier 1-capital	8,797	11,705	9,205
Total own funds	12,254	15,162	12,662
Total own funds requirement	6,617	6,617	6,617
Excess own funds	5,637	8,546	6,046
Tier 1 ratio, credit risk	12.9%	17.2%	13.5%
Tier 1 ratio, total risk	10.6%	14.2%	11.1%
Own funds ratio	14.8%	18.3%	15.3%

[1] Calculated by RBI for illustrative purposes only by applying Austrian legal total own funds requirements to the Group. Inclusion of hybrid capital in RBI's own funds calculations is based on the assumption that the Company is the superordinated credit institution (*übergeordnetes Kreditinstitut*) of the Group and remains a subsidiary of RZB.

Source: Unaudited Consolidated Financial Statements and internal data.

Working capital statement

In the opinion of the Company, cash flows from its operating activities as well as cash, liquid funds and other liquid assets available to the Company from its other existing sources are sufficient to cover the Group's foreseeable payment obligations for a period of at least 12 months following the date of this prospectus.

No material adverse change

There has been no material adverse change in the Group’s financial position since September 30, 2013.

DILUTION

The net assets of the Group on a consolidated basis as of September 30, 2013 amounted to approximately EUR 7,203 million, or EUR 36.95 per Existing Share outstanding, based on 194,947,829 Existing Shares outstanding, each representing a calculated notional amount of EUR 3.05 of the nominal share capital. Net assets are total assets less total liabilities less participation capital less interest on participation capital less non-controlling interests. Net assets per Existing Share outstanding are determined by dividing net assets by the number of Existing Shares outstanding.

Assuming the issuance of 97,473,914 New Shares in this Offering at an assumed Offer and Subscription Price of EUR 30.50 per New Share (the closing price of the Existing Shares on the Vienna Stock Exchange on January 20, 2014), the net proceeds from the Offering would amount to EUR 2,908 million and the Group's net assets as of September 30, 2013 would have been approximately EUR 10,111 million, or EUR 34.58 per Share, after deducting the estimated commissions payable to the Managers and other offering-related expenses incurred by the Company. This represents a dilution of approximately EUR 2.37 or approximately 6.4% per Share for existing shareholders who do not exercise their subscription rights, and an immediate increase in net assets of approximately EUR 4.08 or 11.8% per Share to new investors purchasing New Shares in the Offering. Accretion per Share to new investors is determined by subtracting the Offer and Subscription Price paid by a new investor from the net assets per Share after the Offering.

The following table illustrates the per share dilution as described above:

	EUR
Assumed Offer and Subscription Price (the closing price of the Existing Shares on the Vienna Stock Exchange on January 20, 2014)	30.50
Net assets per Share outstanding as of September 30, 2013	36.95
Dilution per Share attributable to existing investors	2.37
Net assets per Share outstanding after the Offering	34.58
Accretion per Share attributable to new investors	4.08

Source: Internal data.

Investors should be aware that the accretion as calculated above is based on an assumed Offer and Subscription Price for the New Shares of EUR 30.50, being the closing price of the Existing Shares on the Vienna Stock Exchange on January 20, 2014, and the assumed issue of 97,473,914 New Shares in this Offering. The actual accretion per Share based on the Offer and Subscription Price will equal the difference between (i) the Offer and Subscription Price and (ii) the sum of net assets prior to the Offering plus net proceeds from the Offering, divided by the number of shares outstanding immediately after the Offering.

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data of the Group should be read in conjunction with the Operating and Financial Review and the Consolidated Financial Statements incorporated by reference in this prospectus. The consolidated statement of income data for the years ended December 31, 2012, 2011 and 2010 and the consolidated balance sheet data as of December 31, 2012, 2011 and 2010 are derived from the Consolidated Financial Statements incorporated by reference in this prospectus and should be read in conjunction with those Consolidated Financial Statements. The unaudited consolidated statement of income data for the nine months ended September 30, 2013 and 2012 and the unaudited consolidated balance sheet data as of September 30, 2013 are derived from the Unaudited Consolidated Financial Statements incorporated by reference in this prospectus which have been prepared on the same basis as the Audited Consolidated Financial Statements. Results for the nine months ended September 30, 2013 are not necessarily indicative of results that may be expected for the entire year. For certain financial data on a country-by-country basis, see "*Financial Information, certain Ratios and other Financial Measures by Country*".

	Nine months ended September 30,		**Year ended December 31,**		
	2013	**2012**	**2012**	**2011**	**2010**
	(in EUR million, except as otherwise noted)				
	(unaudited)		**(audited)**		
Consolidated Income statement					
Interest income	4,564	4,959	6,479	6,614	6,365
Interest expenses	(1,787)	(2,363)	(3,007)	(2,947)	(2,787)
Net interest income	**2,776**	**2,596**	**3,472**	**3,667**	**3,578**
Net provisioning for impairment losses	(800)	(623)	(1,009)	(1,064)	(1,194)
Net interest income after provisioning	**1,977**	**1,973**	**2,463**	**2,604**	**2,384**
Fee and commission income	1,484	1,377	1,869	1,795	1,753
Fee and commission expense	(281)	(257)	(353)	(305)	(262)
Net fee and commission income	**1,203**	**1,120**	**1,516**	**1,490**	**1,491**
Net trading income	240	220	215	363	328
Net income from derivatives and designated liabilities	(243)	(108)	(127)	413	(84)
Net income from financial investments	73	299	318	(141)	137
General administrative expenses	(2,430)	(2,336)	(3,264)	(3,120)	(2,980)
Other net operating income	(117)	(52)	(102)	(232)	6
Net income from disposal of group assets	(6)	(2)	12	(3)	5
Profit before tax	**696**	**1,115**	**1,032**	**1,373**	**1,287**
Income taxes	(236)	(226)	(284)	(399)	(110)
Profit after tax	**461**	**889**	**748**	**974**	**1,177**
Profit attributable to non-controlling interests	(50)	(47)	(22)	(6)	(90)
Consolidated profit	**411**	**842**	**725**	**968**	**1,087**
	(unaudited)		**(audited, unless otherwise stated)**		
Other financial and bank regulatory data and ratios					
Earnings per share (in EUR)	1.34	3.55	2.70	3.95	4.56
Return on equity before tax (in %)	8.6	14.1	9.7	13.7	13.7
Consolidated return on equity (in %, unaudited)	5.4	11.7	7.4	10.8	13.0
Return on assets before tax (in %, unaudited)	0.70	1.00	0.73	0.98	0.9
Cost/income ratio (in %, unaudited)	56.9	58.4	61.5	56.0	54.7
Risk/earnings ratio (in %, unaudited)	28.8	24.0	29.1	29.0	33.4
Provisioning ratio (in %)	1.29	1.00	1.21	1.34	1.89
Net interest margin (in %)	3.08	2.60	2.66	2.90	3.11
Non-performing loans ratio (in %, unaudited)	10.3	10.0	9.8	8.6	9.0
NPL coverage ratio (in %)	66.1	65.8	67.0	68.3	66.3
Loan/deposit ratio (in %, unaudited)	123	120	121.7	127.1	134.1
Risk-weighted assets (credit risk) (in EUR million)[2]	68,132	68,781	68,136	77,150	75,601
Total own funds requirement[1][2]	6,617	6,723	6,626	7,624	7,585
Own funds ratio (in %)[1][2]	14.8	14.8	15.6	13.5	13.3
Tier 1 ratio, total risk (in %)[1][2][3]	10.6	10.7	11.2	9.9	9.7
Core tier 1 ratio, total risk (in %)[1][2]	10.1	10.2	10.7	9.0	8.9
Shareholders' equity per share (in EUR, unaudited)	36.84	38.86	38.13	36.28	33.95

[1] Information with respect to RBI's regulatory capital as of September 30, 2012 and as of December 31, 2011 and 2010 is calculated on the basis of the Austrian Banking Act and Austrian GAAP, while information as of December 31, 2012 and September 30, 2013 is calculated on the basis of IFRS. As a result, amounts as of these dates are not fully comparable. Also, the scope of consolidation for accounting purposes under IFRS differs from the scope for regulatory purposes, in particular in relation to the treatment of de minimis entities and non-financial companies. As a result, the components of regulatory capital deviate from those of consolidated equity, which is prepared for all periods and presented in accordance with IFRS.

(2) Calculated by RBI for illustrative purposes only by applying Austrian legal total own funds requirements to the Group.

(3) Inclusion of hybrid capital in RBI's own funds calculations is based on the assumption that the Company is the superordinated credit institution (*übergeordnetes Kreditinstitut*) of the Group and remains a subsidiary of RZB.

	As of September 30,	**As of December 31,**		
	2013	**2012**	**2011**	**2010**
		(in EUR million)		
	(unaudited)	**(audited)**		
Statement of financial position				
Assets				
Cash reserve	5,273	6,557	11,402	4,807
Loans and advances to banks	21,589	22,323	25,748	21,532
Loans and advances to customers	82,431	83,343	81,576	75,657
Impairment losses on loans and advances	(5,734)	(5,642)	(5,053)	(4,756)
Trading assets	7,853	9,813	10,617	8,068
Derivatives	961	1,405	1,405	1,488
Financial investments	13,787	13,355	16,535	19,631
Investments in associates	5	5	5	5
Intangible fixed assets	1,259	1,321	1,066	1,220
Tangible fixed assets	1,631	1,597	1,511	1,454
Other assets	1,979	2,038	2,174	2,067
Total assets	**131,034**	**136,116**	**146,985**	**131,173**
Equity and liabilities				
Deposits from banks	29,617	30,186	37,992	33,659
Deposits from customers	67,496	66,297	66,747	57,633
Debt securities issued	11,113	13,290	14,367	16,555
Provisions for liabilities and charges	703	721	771	672
Trading liabilities	5,895	8,824	9,715	5,742
Derivatives	398	472	792	1,264
Other liabilities	1,596	1,515	1,515	1,243
Subordinated capital	3,861	3,937	4,151	4,001
Equity	10,354	10,873	10,936	10,404
Consolidated equity	9,442	9,424[1]	8,825	8,251
Consolidated profit	411	730[1]	968	1,087
Non-controlling interests	501	719	1,143	1,066
Total equity and liabilities	**131,034**	**136,116**	**146,985**	**131,173**

[1] Consolidated equity and consolidated profit were adapted due to the retrospective application of IAS 19. The audited amounts were EUR 9,428 million (consolidated equity) and EUR 724 million (consolidated profit).

OPERATING AND FINANCIAL REVIEW

This operating and financial review is based on the Consolidated Financial Statements, which are incorporated by reference in this prospectus and should be read in conjunction with this section. The Consolidated Financial Statements have been prepared in accordance with IFRS. Unless stated otherwise, financial data presented in the tables of this operating and financial review are derived from the Consolidated Financial Statements. The following operating and financial review contains certain forward-looking statements that are based on assumptions about the Group and its business. The Group's actual results could differ materially from those anticipated in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this prospectus, particularly under "Risk Factors".

Overview

RBI is a universal banking group offering a comprehensive range of banking and financial products as well as services to retail and corporate customers, financial institutions and public sector entities. RBI focuses its business on its core markets CEE and Austria. In CEE, the Group operates a network of universal banks, leasing companies and other financial service providers in 16 countries (in 15 of which it operates Network Banks). RBI provides commercial and investment banking services to Austrian and international corporate clients and multinationals and also has long-standing operations in Asia, including China and Singapore, to take advantage of selected business opportunities, primarily with existing clients, which require specific financing solutions. As one of the largest pan-CEE banking groups, RBI's nearly 59,000 employees serve more than 14 million customers through more than 3,000 business outlets.

Segment reporting

The Group's operations are divided into seven reporting segments: (i) Central Europe; (ii) Southeastern Europe; (iii) Russia; (iv) CIS Other; (v) Group Corporates; (vi) Group Markets; and (vii) Corporate Center. The four geographic segments (Central Europe, Southeastern Europe, Russia and CIS Other) focus on traditional banking business, i.e. loan and lease financing, with corporate and retail customers in CEE. The functional segments (Group Corporates and Group Markets) focus on corporate customers in Austria and the rest of the world outside CEE, as well as on financial institutions, institutional and sovereign customers and capital markets products and to a limited extent on proprietary trading. The Corporate Center segment comprises the Group's headquarters function.

The Group's segment reporting reflects the Group's internal management structure, under which members of the Management Board are responsible for specific countries and certain business activities. The highest decision making bodies, the Company's Management Board and Supervisory Board, make major decisions, such as the allocation of resources, in accordance with the financial strength and profitability of the Group's segments. The allocation of reporting units (which may be legal entities, branches or internal profit centers) to segments is based on the location (in the case of geographic segments) or function (in the case of functional segments) of the reporting unit.

In the CEE area, segments are formed in accordance with geographic regions, with reporting units allocated to a particular geographic segment according to the location of their headquarters. Countries that are expected to achieve comparable long-term economic performance and that have similar business structures are grouped together in regional segments. Outside the CEE region, the segments are grouped according to business activities.

Any business conducted by the Group is allocated to the segment to which the reporting unit responsible for such business is assigned. Therefore, the financial results of any business are included in the segment to which the reporting unit is attributed. It is, therefore, not necessarily the location of a customer, but the location of the responsible reporting unit that determines allocation to a particular Group segment.

Central Europe

The Central Europe segment comprises the five countries that joined the European Union on May 1, 2004: Czech Republic, Hungary, Poland, Slovakia and Slovenia. They represent not only the most fully developed banking markets in CEE but also the markets in which the Group had its earliest presence. In each of the countries in this segment, the Group operates a Network Bank and one or more leasing, financial services or other companies.

Southeastern Europe

The Southeastern Europe segment comprises Albania, Bosnia and Herzegovina, Kosovo, Moldova and Serbia, as well as Bulgaria and Romania, which joined the European Union on January 1, 2007 and Croatia, which joined the European Union on July 1, 2013. The Group operates a Network Bank and one or more leasing, financial services or other companies in each of the countries in this segment except for Moldova, where it only operates a leasing company.

Russia

The Russia segment comprises the Group's assets and activities in the Russian Federation, where the Group conducts its operations through a Network Bank and leasing, financial services and other companies.

CIS Other

The CIS Other segment comprises the Commonwealth of Independent States ("CIS") member countries Belarus, Kazakhstan and Ukraine. In Ukraine, the Group operates a Network Bank, a leasing company and other companies. In Belarus, the Group is represented by a Network Bank and a leasing company and in Kazakhstan by a leasing unit.

Group Corporates

The Group Corporates segment includes banking business with large and medium-sized Austrian and international (mainly Western European, but also CEE) corporate customers, which are managed by the Group Corporates segment in Vienna. A significant part of the business with Austrian and Western European clients has a direct or indirect relation to CEE. The segment also includes net income from structured trade financing for commodities dealers, documentary business, project financing and a range of cofinancing solutions with supranational banks. Further, the segment includes the corporate customer business at the Group's Chinese, Hong Kong, Malaysian and Singaporean banking branches and operations involving international customers of the Group's Maltese banking subsidiary as well as the lending business of RB International Finance (USA).

Group Markets

The Group Markets segment comprises markets & investment banking activities of the Issuer and its branches as well as RCB. The segment results primarily consist of income from currency transactions, and to a more limited extent securities trading, interest-based transactions and structured products for financial institutions. The segment includes net income from sales of banking products to and business relationships with banks, institutional customers and governments. This segment also includes the securities trading, capital market financing and mergers and acquisitions business of RCB and the private banking business of Kathrein Privatbank Aktiengesellschaft.

Corporate Center

The Corporate Center segment comprises all the services provided by Group headquarters to various divisions to realize the Group's overall strategy. Results from these activities are allocated to this segment to ensure comparability. This segment also includes income from securities trading conducted in connection with the Group's liquidity and balance sheet structure management, as well as net income from the equity investment portfolio. In addition, the Corporate Center segment covers net income from intra-Group financing carried out by Group headquarters and the Maltese subsidiary (whose business with external customers is included in the Group Corporates segment). Net income from certain customers for which members of the Management Board are directly responsible is also shown in this segment, as is income from the Austrian transaction services business operated by RSC Raiffeisen Daten Service Center GmbH. Net income from specialized and holding companies and other companies not directly allocated to any other segment, as well as interest expenses linked to refinancing using senior and unsecured (subordinated and hybrid) instruments, are also included in this segment. As a large portion of this segment's results stem from transactions with the Group's other segments, they are eliminated in the consolidated financial statements of the Group.

Please refer to "*Business—Segments*" for a more detailed description of the Group's segments and the reporting units attributable to each of the Group's segments.

Key factors affecting the Group's results of operations

In the view of the Group's management, the following factors have been the key drivers affecting the Group's business, financial condition and results of operations over the past three years, and will continue to be so.

Economic and business environment

The performance of the Group is generally influenced by the condition of the global economy and the economy in Austria and CEE in particular as well as the condition of the financial sector. Developments in the financial markets and the wider economy can cause the Group's results of operations and financial condition to fluctuate from year to year. Since 2007, the dislocation in the international financial markets, its effects on the general economy and the challenging macroeconomic conditions have had an adverse impact on many European economies, including those in which the Group is active.

Austria has been less affected by the financial crisis than other European countries. It recorded a GDP growth of 2.7% in 2011 and 0.8% in 2012, compared to an average decline of GDP by 0.3% in the European Union in 2012. With an unemployment rate of 4.2% in 2011 and 4.3% in 2012 and a GDP per capita of EUR 35,800 in 2011 and EUR 36,700 in 2012, Austria is one of the most prosperous countries in the European Union. The Austrian economy is highly export-oriented and characterized by a strong presence of small and medium-sized corporates.

Several of the CEE countries in which the Group operates, in particular Belarus, Croatia, Hungary, Romania, Serbia and Ukraine, were particularly severely affected by the economic downturn and have experienced, and are expected to continue to experience, challenging macroeconomic conditions. The crisis resulted in sharply declining or even negative GDP growth, which in turn significantly increased unemployment rates and insolvencies. While exports were a main driver for economic growth in many CEE countries in times of economic recovery in 2010 and 2011, the dependence on exports resulted in a spill-over effect of recessionary economic developments in Western Europe in 2012 on many economies in CEE. Even though much of the current GDP development in CEE is driven by exports, the Issuer's management, based on economic forecasts, expects domestic demand to provide additional support in the region in the mid-term. Even so, the relatively low level of domestic savings means that the CEE states, and particularly those in Southeastern Europe, are dependent on capital imports, primarily from Western Europe. After a sharp decrease during the crisis, capital inflows into CEE — including through the banking sector — are recovering, although they are still significantly below their pre-crisis level. For a more detailed discussion of developments in the economic and business environment in the markets in which the Group operates, see *"Market Overview"*.

Although the European and global economy recovered to a certain extent in 2010 and the first half of 2011, concerns with levels of public sector debt and with the stability in banks in certain European countries, including, Cyprus, Greece, Italy, Ireland, Portugal, Slovenia and Spain adversely affected macroeconomic conditions. The Group's exposure to sovereign bonds of these countries amounted to approximately EUR 460 million as of September 30, 2013 and consequently the direct impact on the Group's results of operations was relatively low. However, as the financial markets in general (including stock and bond markets) were affected by the sovereign debt crisis in these countries, and because economies in the European Union are closely interconnected, the Group's results of operations were indirectly impacted by the effects of the sovereign crisis on market prices, market volatility and funding costs. Furthermore, the Group's customers remain exposed to financial events and macroeconomic factors such as the European sovereign debt crisis, and the Group's results of operations will continue to be influenced to a significant extent by conditions in the European and international economies.

Changes in the competitive environment

The level of competition has had and is expected to continue to have an impact on the Group's results of operations. The weak economic environment in Europe and the significant decline in interest rates mainly as a result of central bank intervention, have in general adversely impacted the results of operations of the banking sector in Europe. Despite this development, the European banking sector has shown few signs of market consolidation and the number of market participants has not decreased significantly. As a result, competition among market participants has further increased over the past years. This development, coupled with generally lower business volumes as a result primarily of higher regulatory capital requirements, has significantly impacted the profitability of the banking business in Europe, and was a contributing factor to the decrease in the Group's net interest margin from 3.11% in 2010 to 2.90% in 2011 and 2.66% in 2012.

The competitive environment in the Group's markets varies from country to country and depends on country-specific factors such as the concentration of local banking markets, the size of the banking market, the availability of capital and management quality of local competitors. In the Group's Central Europe segment, the market is characterized by low interest rates and a weak credit demand, which is primarily due to the slowed down economic development. A number of bank mergers and acquisitions in the past years have led to a certain degree of market consolidation in the region. Nevertheless, the CE market remains competitive. In the Group's Southeastern Europe segment, markets are characterized by high rates of non-performing loans, particularly in Bulgaria and Croatia, where strong competition has prevented market participants to implement conservative lending policies, which would have resulted in a loss of market shares. In the Group's Russia segment, strong competition and a strong presence of public credit institutions did not materially impact the development of net interest margins, which continued to be at a favorable level due to resilient credit demand by retail customers. In the Group's CIS Other segment, the banking sector in Ukraine is characterized by a strong competition from public credit institutions and moderate growth rates due to weak credit demand and monetary tightening. In Austria, which primarily relates to the Group's corporate business segments, the banking sector is characterized by high competition, high operating costs and relatively low profit margins. However, in recent years a number of the Group's competitors in the corporate business have discontinued their activity in Austria.

Regulatory and tax framework

Changes in the regulatory and tax framework in the countries in which the Group operates have affected and are likely to continue to affect the Group's business and results of operations. In particular, existing and impending European and national regulation imposing more stringent regulatory capital and liquidity standards, including ad-hoc measures implemented in response to the financial crisis, have affected and will continue to affect the Group's business. See "*Banking Regulation and Supervision—Banking regulation and supervision in the European Union—Capital adequacy and liquidity requirements - the Basel Capital Standards and their transformation into European law Basel III, the Capital Requirements Directive IV (CRD IV) and the Capital Requirements Regulation (CRR)*" and "*—Liquidity and capital resources—Capital adequacy*".

In response to the financial crisis, the European Council required 71 internationally operating European banks, including the Company's main shareholder RZB, to comply with a Core Tier 1 ratio of 9% (calculated in line with the methodology of the European Banking Authority, or EBA) beginning as of

June 30, 2012. In order to fulfill this requirement, the Group implemented a number of measures in the third quarter of 2011 and the first half of 2012, including (i) the sale of a high-quality securities portfolio in the first half of 2012, which resulted in a one-off gain, reported as other results, in the amount of EUR 94 million and negatively impacted net interest income in subsequent periods, (ii) the repurchase of hybrid capital instruments in the first half of 2012, which resulted in a one-off gain, reported as net income from derivatives and designated liabilities, in the amount of EUR 113 million and (iii) a general reduction of risk-weighted assets in order to reduce own funds requirements, which had a negative impact on operating income, primarily on net interest income, in subsequent periods.

In June 2013, the EU Council reached an agreement on the legislative package to implement Basel III: the Capital Requirements Directive (CRD IV) and the Capital Requirements Regulation (CRR). The new regime amends current rules on the capital requirements for banks and investment firms and transposes into EU law the Basel III requirements, including rules regarding capital requirements, capital conservation and buffers, and liquidity and leverage. Most of the new rules apply as of January 1, 2014, with capital requirements and buffers increasing from year to year and full implementation, in line with the original proposal by the European Commission, on January 1, 2019. Pursuant to supervisory guidelines issued by Austrian regulatory authorities ("Austrian finish"), Austrian banking institutions, such as RZB, were required to fully implement the quantitative and qualitative, fully phased in Basel III rules in respect of common tier 1 equity on a consolidated level (with the exception that participation capital issued under Austria's bank support package, such as RBI's Participation Capital 2008/2009, may be fully included in the capital base). The new Basel III regime will result in a higher overall capital requirement. Changes in the calculation of risk-weighted assets, such as stricter rules for the calculation of counterparty credit risk and the risk-weighting of unlisted derivatives, will particularly affect the Group's business with financial institutions and its proprietary trading. Additional liquidity buffer requirements under CRD IV, as well as the so-called bail-in rules under the European Directive Establishing a Framework for the Recovery and Resolution of Credit Institutions and Investment Firms, which provide for the power of regulatory authorities to write down debt or to convert debt into equity, are expected to result in higher liquidity and wholesale funding costs and to adversely affect net interest margins. As a result of these new rules, the Group expects that traditional banking services such as loans to customers will become more cost and capital intensive. Consequently, the banking industry, including RBI, is expected to put more focus on products which require lower own funds. In the case of RBI, these products primarily include asset-backed financing transactions (e.g. factoring business or securitization transactions), trade finance (e.g. letters of credit), export financing transactions, which are guaranteed by Oesterreichische Kontrollbank AG or treasury and cash management services.

Various countries have already implemented, or are expected to implement, bank specific taxes or levies. In Hungary, a bank levy, which amounts to 0.45% of total assets, was introduced in 2010. The bank levy in the case of the Group resulted in a tax burden of EUR 41 million in 2010, EUR 10 million in 2011 EUR 24 million in 2012 and EUR 59 million in the nine months ended September 30, 2013 (in 2011, 2012 and the nine months ended September 30, 2013 losses from non-performing loans could be offset against the bank levy).

In Austria, a bank levy was introduced in December 2010 and has been effective as of January 1, 2011. The Austrian bank levy consists of two components, one of which is levied on total assets (calculated as quarterly averages and taking into consideration deductions such as equity and deposits from customers) at a rate of 0.069% on amounts between EUR 1 billion and EUR 20 billion and 0.106% on amounts exceeding EUR 20 billion. Additionally, as a second component, average derivative volumes in the trading book (calculated as quarterly averages) are taxed at a rate of 0.013%. The Austrian bank levy is deductible from corporate income tax and had a negative impact on the Group's 2011 results in the amount of EUR 83 million, on the Group's 2012 results in the amount of EUR 103 million and on the Group's results for the nine months ended September 30, 2013 in the amount of EUR 78 million. According to draft legislation proposed by the Austrian government, the Austrian bank levy is expected to increase to 0.09% for assets between EUR 1 billion and EUR 20 billion and 0.11% on amounts exceeding EUR 20 billion, each effective as of April 1, 2014. A surcharge of 45% on these amounts would become applicable until 2017. According to the plans, the bank levy calculated on derivatives would no longer apply.

In 2011, Slovakia introduced a special bank levy in the amount of 0.4% effective as of 2012. The basis for the calculation of the special levy is the amount of the bank's liabilities recognised in the balance sheet net of: (i) the amount of the bank's equity (provided that its value is positive); (ii) the amount of the subordinated debt under a special regulation; and (iii) the amount of financial funds provided on a long term basis to a branch of a foreign bank. The levy negatively impacted the Group's 2012 results by EUR 29 million and the Group's results for the nine months ended September 30, 2013 by EUR 25 million.

In the Czech Republic it is currently discussed to introduce a bank levy similar to those existing in Austria, Hungary and Slovakia.

Separately, and in addition to bank levies, Hungary imposed a tax on financial transactions, which in June 2013 was raised to 0.6% on cash withdrawals and 0.3% on wire transfers. The tax burden did not have a significant effect on the Group's results as it was mostly passed on to the Group's customers. A similar tax is intended to be implemented by eleven member states (including Austria, Slovakia and Slovenia) of the European Union. However, on the date of this prospectus, the scope of the proposed tax and its impact on the Group's business and results are still uncertain.

Currency exchange rate fluctuations

With the exception of Slovenia and Slovakia, which joined the euro zone in 2007 and 2009, respectively, and Austria, which introduced the euro in 2002, the majority of the Group's operations, assets and customers are located in CEE countries that are not part of the euro zone, and the Group generates a significant amount of its income, and incurs a significant amount of its expenses, in the local currencies. The Group's results are also affected by exchange rate fluctuations relative to the euro in the Swiss franc and the U.S. dollar rates, in which a significant amount of the Group's foreign currency loans are denominated. Fluctuations in the U.S. dollar exchange rate also affect the Group's results indirectly, as the currencies of a number of CIS countries have historically been correlated with it. See also "*Risk Factors—Adverse movements and volatility in foreign exchange rates could have an adverse effect on the valuation of the Group's assets and on the Group's financial condition, result of operations, cash flows and capital adequacy*."

The Group's consolidated financial statements are reported in euros. As a result, the equity investments that the Issuer has in the non-euro zone Group Units, and the revenues and balance sheet assets of non-euro zone Group Units, when translated into euros, will be adversely affected to the extent of any devaluation of their local currencies relative to the euro (and conversely benefit if local currencies appreciate relative to the euro). Currency exchange rate changes therefore affect the comparability of the Group's results between financial periods. Changes in foreign exchange rates directly affect the Group's cash flows, and also impact the Group's results indirectly, due to the effect on the cash flows of the Group's customers (particularly if local currencies of customers depreciate relative to the currencies of foreign currency loans taken on by these customers, thereby effectively increasing such customer's debt burden and the probability of default). The Group also has liabilities in currencies other than the euro and trades currencies on behalf of its customers and for its own account, thus maintaining open currency positions. In general, exchange rate fluctuations may also affect regulatory capital adequacy requirements with respect to foreign currency-denominated assets, even if such assets have been refinanced in the local currency and with matching maturities so that there are no open currency positions. Any currency devaluation of the local currency will generally result in a deterioration in the capital adequacy ratio of the affected Network Bank, which will also affect the Group's consolidated results.

The Group monitors developments in foreign exchange rates and partially hedges its exposure to these fluctuations by entering into currency hedging arrangements. These hedging arrangements include capital hedges and other activities. The Group's currency hedging arrangements are entered into on a central and on a local basis in order to minimize the impact of currency fluctuations on consolidated equity. The results of these hedging transactions are booked directly into equity according to IAS 39 if all requirements stipulated are met by the hedging transaction. The results of hedging transactions not meeting these requirements are recognized as profit or loss in the Group's income statement. See "*Risk Management—Market Risk*" for more details on how the Group manages its currency risk and the effects of currency translations on the Group's retained earnings.

Primarily as a result of foreign exchange effects, which are inherently volatile, since September 30, 2013, customer deposits have decreased by approximately 2% until the date of this prospectus (and approximately 1% until November 30, 2013) and loans and advances to customers have decreased by approximately 3% until the date of this prospectus (and approximately 1% until November 30, 2013). Exchange rate volatility, among other contributing factors, also impacts Group equity, which according to RBI's current estimates could potentially have decreased by up to 2% from September 30, 2013 until the date of this prospectus.

Asset quality and loan impairment charges

The Group's results of operations are affected by the level of net allocations to provisioning for impairment losses, which in turn, depend on the credit quality of loans and advances, as well as changes in such credit quality. For a discussion of the development in credit quality based on customer rating categories, see "*Risk Management—Credit risk*". The amount of impairment provisions also depends on expected recovery ratios and the expected value of available collateral. The Group's net provisioning for impairment losses amounted to EUR 800 million for the nine month ended September 30, 2013, and to EUR 1,009 million, EUR 1,064 million and EUR 1,194 million for the years ended December 31, 2012, 2011 and 2010, respectively.

The following table sets out certain data relating to asset quality broken down by customer groups as of September 30, 2013 and December 31, 2012, 2011 and 2010:

	As of September 30,	**As of December 31,**		
	2013	**2012**	**2011**	**2010**
	(in EUR million, except percentages)			
	(unaudited)	**(audited, unless otherwise stated)**		
Corporate customers				
Non-performing loans	5,416	5,073	4,591	4,381
of which collateralized (unaudited)	1,944	1,770	1,645	1,539
Impairment losses on loans and advances	3,383	3,223	3,046	2,839
Loans (unaudited)	53,847	55,522	58,925	54,676
NPL ratio	10.1%	9.1%	7.8%	8.0%
NPL coverage ratio	62.0%	63.5%	66.3%	64.8%
Retail customers				
Non-performing loans	3,033	3,053	2,452	2,396
of which collateralized (unaudited)	897	872	999	1,057
Impairment losses on loans and advances	]2,218	2,250	1,773	1,661
Loans (unaudited)	26,946	26,435	21,295	20,917
NPL ratio	11,3%	11.5%	11.5%	11.5%
NPL coverage ratio	73.1%	73.7%	72.3%	69.3%
Sovereigns				
Non-performing loans	28	57	12	12
of which collateralized (unaudited)	0	0	1	0
Impairment losses on loans and advances	5	11	6	1
Loans (unaudited)	1,639	1,387	1,356	1,097
NPL ratio	1.7%	4.1%	0.9%	1.1%
NPL coverage ratio	18.2%	19.8%	48.2%	8.2%
Banks				
Non-performing loans	171	202	241	268
of which collateralized (unaudited)	31	43	56	0
Impairment losses on loans and advances	129	158	228	255
Loans (unaudited)	21,589	22,323	25,748	23,378
NPL ratio	0.8%	0.9%	0.9%	1.1%
NPL coverage ratio	75.2%	78.2%	94.3%	95.2%
Total (excluding banks)				
Non-performing loans	8,478	8,183	7,056	6,790
of which collateralized (unaudited)	2,841	2,642	2,645	2,596
Impairment losses on loans and advances (unaudited)	5,606	5,484	4,826	4,501
Loans (unaudited)	82,431	83,343	81,576	75,657

	As of September 30,	As of December 31,		
	2013	2012	2011	2010
		(in EUR million, except percentages)		
	(unaudited)	(audited, unless otherwise stated)		
NPL ratio	10.3%	9.8%	8.6%	9.0%
NPL coverage ratio	66.1%	67.0%	68.4%	66.3%

Source: Consolidated Financial Statements and internal data.

Following an intermittent economic recovery from the global financial crisis and resulting recession in 2010 and the first half of 2011, as a result of which the Group's NPL ratio decreased to 8.5% as of June 30, 2011 (compared to 9.0% as of December 31, 2010), the sovereign debt crisis in Europe and austerity measures implemented by many countries in response to the crisis adversely affected also the real economy in the Group's markets which in turn led to a slight increase in the NPL ratio to 8.6% as of December 31, 2011. In 2012, the continuing challenging macroeconomic conditions in the Group's main markets in CEE, as well as the first-time consolidation of Polbank, led to a further increase of the NPL ratio to 9.8%. In the nine months ended September 30, 2013, the NPL ratio increased to 10.3%, primarily due to a higher NPL ratio in the Group's Southeastern Europe and Central Europe segments.

The Group's customers in many CEE countries have taken up foreign currency loans (mainly in EUR, USD and CHF). As local currencies devalued relative to the currencies in which these loans are denominated, the debt burden on borrowers increased, which negatively impacted local debtors and local credit quality.

The regions in which the Group operates were affected by the financial crisis to different extents. See "*—Economic and business environment*". The following table sets out the provisioning ratio (calculated on average loans and advances to customers) broken down by segment (other than the Corporate Center segment, which has almost no third party loan exposure) since 2010:

	Nine months ended September 30,	For the financial year ended December 31,		
	2013	2012	2011	2010[(1)]
	(unaudited, in %)	(audited, in %)		
Central Europe	1.18	1.82	1.38	n.a.
Southeastern Europe	2.03	1.93	1.66	n.a.
Russia	0.26	(0.17)	0.11	n.a.
CIS other	2.65	1.83	2.81	n.a.
Group Corporates	1.37	0.56	0.20	n.a.
Group Markets	(0.25)	0.38	0.85	n.a.
Total (Group average)	**1.29**	**1.21**	**1.34**	**1.89**

(1) Provisioning ratio figures on a segmental basis are not available for the financial year 2010.

Refinancing sources and costs

The development of the Group's refinancing sources and costs affects its interest margin and net interest income and, therefore, its results of operations. The availability of funding also affects the ability to grow the loan business. The Group's main refinancing sources are customer deposits, which accounted for 60% of total funding, or EUR 67.5 billion, and wholesale funding, including deposits from banks, debt securities issued in the capital markets and subordinated capital, which accounted for 40% of total funding, or EUR 44.6 billion, as of September 30, 2013. See also "*—Liquidity and Capital Resources—Sources of funding*". For the development of weighted average interest rates, see "*Selected Statistical Information*".

Deposits from customers

The Group's customer deposit base is primarily in CEE, where all retail deposits and a large portion of corporate deposits are generated. As of December 31, 2012, retail deposits accounted for 50% of total customer deposits and corporate deposits accounted for 48%. Due to the improving liquidity situation, price competition regarding customer deposits decreased in 2010, which led to more preferable interest rates while the deposit volume remained stable. In 2011, the average amount of total customer deposits increased to EUR 63,561 million. The average amount of total customer deposits increased in 2012 and averaged EUR 68,749 million in 2012 and EUR 66,805 million in the first nine months 2013. The average interest rate on deposits was 2.2% in 2010 and in 2011, 2.4% in 2012 and 2.1% in the first nine months 2013.

Wholesale funding

In 2010 and the first half of 2011, following the global financial crisis, the trend towards improved liquidity and decreasing wholesale funding costs continued, primarily due to governmental and central bank measures, including capital injections in the banking sector, the provision of state guarantees, the lowering of key interest rates and the expansion of liquidity supply. However, in the second half of 2011, the sovereign debt crisis in Europe as well as the public debate on equity requirements caused the refinancing environment for banks to deteriorate. Since 2012, the wholesale funding market has improved gradually and was not subject to significant dislocations. Given the Group's geographic focus on CEE and Austria, any improving or deteriorating view of this region by the global financial markets may affect the Group's ability to raise funds in the global financial markets and the related costs. Furthermore, any adverse development in any other market which is perceived by the global financial markets to have an impact on the Group may have similar effects. In addition, the market perception of an issuer's home country's sovereign risk also affects wholesale funding costs.

Wholesale funding costs are primarily measured by credit default swap spreads, i.e., the market cost of insuring against an issuer's default. Five-year euro senior credit default swaps relating to RBI were 188 basis points as of December 31, 2010, 350 basis points as of December 31, 2011, 155 basis points as of December 31, 2012 and 155 basis points as of September 30, 2013 (Source: Bloomberg).

Interest rates

One of the Group's main sources of income is the deposit and lending business. Net interest income represented 67% of operating income in 2012, 67% of operating income in 2011 and 66% of operating income in 2010. The margin between interest paid to the Group's depositors and interest charged to the Group's borrowers has a significant effect on the Group's results of operations. Generally, in the short term, higher or lower interest rates may affect net interest income due to differences in the duration and interest rate sensitivity between assets and liabilities. In the medium and long term, higher or lower interest rate levels do not automatically influence the Group's interest margin but higher interest rate levels may lead to reduced demand for loans and increased net allocations for impairment losses. However, the Group's management holds the view that volatile interest rates may have a positive effect on the interest margin and the Group's customer business in connection with interest rate hedge instruments.

The following table sets out the interest rates on three months deposits in the Group's most important currencies as of September 30, 2013 and December 31, 2012, 2011 and 2010:

	As of September 30,	**As of December 31,**		
	2013	**2012**	**2011**	**2010**
European euro (EUR)	0.16	0.19	1.13	1.01
U.S. dollar (USD)	0.25	0.31	0.58	0.30
Swiss franc (CHF)	0.02	0.01	0.05	0.17
Russian rouble (RUB)	6.82	7.47	7.22	4.06
Ukrainian hryvnia (UAH)	10.30	24.00	20.83	8.25
Hungarian forint (HUF)	3.56	5.75	7.24	5.85
Romanian lei (RON)	3.04	5.80	5.80	5.36
Polish zloty (PLN)	2.53	4.22	4.98	3.92

Source: Thomson Reuters, Bloomberg, Raiffeisen Research.

Acquisition of Polbank

RBI acquired a 70% interest in Polbank EFG on April 30, 2012, and began consolidating Polbank on May 1, 2012. On October 15, 2012, RBI acquired the remaining 30% interest in Polbank, following the exercise of a put option by the seller Eurobank EFG. As of December 31, 2012, Polbank was merged into Raiffeisen Bank Polska S.A. Since then the merged bank has been operating under the brand "Raiffeisen Polbank". The total purchase price paid by RBI in connection with the Polbank Acquisition amounted to EUR 637.5 million, which remains subject to adjustments based on the amount by which Polbank's equity at the date of completion of the acquisition exceeded a minimum amount of equity of EUR 400 million guaranteed by the seller. According to the closing balance sheet prepared by Polbank, RBI would be required to make an adjustment payment of EUR 179.4 million. However, Eurobank EFG is disputing certain line items and accounting principles in Polbank's closing balance sheet and its quantified claims would result in an adjustment payment that is approximately EUR 80 million higher than the amount calculated pursuant to Polbank's closing balance sheet. The price adjustment determination is expected to be referred to an independent expert appointed by the parties. Goodwill relating to the Polbank Acquisition amounted to EUR 195 million as of September 30, 2013.

At the time of the initial consolidation, Polbank had a network of 327 business outlets, 3,065 employees and served more than 700,000 customers. While Raiffeisen Bank Polska primarily focused on corporate customers prior to the merger, Polbank focused on the retail market and affluent customers.

The first time consolidation of Polbank affects the comparability of the Group's consolidated financial statements for the years 2012 and 2011 and the nine months periods ended September 30, 2013 and 2012.

Implementation of cost management and efficiency measures

In response to the recent financial and economic crises and the higher regulatory capital requirements the Group placed an increased emphasis on cost management and efficiency measures, which are designed to maintain or increase the Group's profitability in times of stagnating or declining business volumes.

The Group's cost management and efficiency measures are specifically tailored to the requirements in the Group's individual markets. In many regions where the Group operates, such as Bosnia and Herzegovina, Bulgaria, Croatia, Hungary, Romania, Slovenia, Serbia and Ukraine, the number of business outlets and staff was reduced to meet lower market demand. Additionally, RBI streamlined its organizational structure in some markets, such as Ukraine, where 25 regional operational hubs were consolidated into seven hubs.

The following table sets out the number of the Group's business outlets and staff for the nine months ended September 30, 2013 and the financial years ended December 31, 2012, 2011 and 2010:

	For the nine months ended September 30,	For the financial year ended December 31,		
	2013	2012	2011	2010
Business outlets	3,051	3,106[1]	2,928	2,961
Staff	58,772	60,084[2]	59,261	59,782

Source: Internal calculations.

(1) Thereof 281 Polbank outlets.

(1) Thereof 3,310 Polbank employees.

In order to reduce expenses for workspace infrastructure and personnel expenses, back-office activities in some markets including Austria, Hungary, Romania, Slovakia and Ukraine were centralized and moved to lower-cost locations.

The Group's IT ability to implement cost management and efficiency measures and to maintain an adequate cost/income ratio is particularly important in times of a stagnation or even contraction of its business volumes. Therefore, as the Group expects only moderate overall growth volumes in its main markets in the near future, future results of operations will to a large extent depend on the Group's cost efficiency.

In September 2013, RBI announced the plan to implement a cost reduction program aimed at achieving cost savings of approximately EUR 450 million over a three year period until financial year 2016 through a combination of a reduction of the absolute level of costs and a containment of cost inflation. The target is for the Group's financial year 2016 nominal cost base (in absolute terms) to be at 2012 levels, despite an annual inflation rate which is estimated across all regions to be on average approximately 3%. The program is set against the background of a more modest economic outlook in the CEE region and includes:

- a reduction of complexity of certain of the Group's operations and processes by identifying product simplification opportunities, evaluating the current distribution and sales networks and by streamlining operational processes;

- back-office optimization by reducing office space expansion, reducing IT costs, and external service costs rationalization.

In addition, the program aims at achieving Group-wide synergies by examining the role of the local head offices across the network to consolidate certain of its operations in shared office functions, e.g. common service centers to be used by multiple countries, and by merging other operations.

RBI has engaged external consultants to explore specific areas for cost rationalization and is in the process of developing the details of the cost reduction program. RBI expects that it will be able to communicate and details on potential cost reduction initiatives with its full year 2013 results.

The implementation of the cost reduction program may involve costs, such as the write-off of the core banking software program Finacle in the Czech Republic used by Raiffeisenbank a.s, which the Group decided to shut down in 2013. This decision lead to a write-off in the amount of EUR 45 million in the fourth quarter 2013. Between October 1, 2013 and the date of this prospectus, general administrative expenses increased by approximately 1% compared to the corresponding prior year period.

The implementation of the cost savings program and the realization of the targeted benefits are generally subject to uncertainties and contingencies as well as volatilities. See "*Risk Factors—Risks affecting the Group's business—The Group may not be able to achieve anticipated benefits from its recently announced cost savings plan and the ongoing implementation of other strategic initiatives and efficiency programs.*" and "*Forward-looking Statements*".

Critical Accounting Policies

In preparing the Consolidated Financial Statements, the Group applies certain accounting policies that management considers important for the portrayal of the Group's financial condition and results of operations. If estimates or assessments are necessary for accounting and measuring under IAS/IFRS rules, these may involve difficult, subjective or complex judgments on the part of management due to the need to make estimates and assumptions about matters that are inherently uncertain. The estimates and assumptions used are based on past experience and other factors, such as expectations and forecasts of future events that appear likely from management's perspective. The estimates and assumptions may prove inaccurate in retrospect and therefore may result in a change in the relevant financial information as actual figures may deviate from the estimated values.

The Group believes that the critical accounting policies discussed below are affected most significantly by management's exercise of its judgment and estimates in the preparation of the Consolidated Financial Statements. The use of different but equally reasonable judgments or estimates by management could have resulted in significantly different results of operations. For a discussion of these and other accounting policies, see the notes to the Consolidated Financial Statements.

Financial instruments at fair value (IAS 39)

IAS 39 establishes principles of recognizing, measuring and disclosing information about financial instruments and requires that all financial assets and liabilities, including all derivative instruments, are shown on the balance sheet. A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Measurement of financial instruments is effected according to the measurement categories to which they belong.

At initial recognition a financial asset is assigned to one of the following categories: (i) financial assets at fair value through profit or loss (comprising trading assets and designated financial instruments at fair value) (which accounted for 14% of the Group's total assets as of December 31, 2012); (ii) financial assets held-to-maturity (which accounted for 3% of the Group's total assets as of December 31, 2012); (iii) loans and advances (which accounted for 75% of the Group's total assets as of December 31, 2012); (iv) financial assets available-for-sale (which accounted for less than 1% of the Group's total assets as of December 31, 2012); (v) cash (which accounted for 5% of the Group's total assets as of December 31, 2012). For more information on each of these categories, see the notes to the Consolidated Financial Statements. Of these five categories, financial assets at fair value through profit and loss and financial assets available-for-sale (which together accounted for 14% of the Group's total assets as of December 31, 2012) are recognized at fair value. Changes in fair value of financial assets at fair value through profit and loss are recognized in the income statement, while valuation differences of financial assets available-for-sale are generally shown in other comprehensive income and only recognized in the income statement if there is an objective indication of impairment.

Financial liabilities are designated as financial instruments at fair value to avoid valuation discrepancies with related derivatives. The fair value of financial liabilities under the fair value option contains all market risk factors, including those associated with the Group's credit risk. The fair value option is not applied to the Jersey hybrid securities which were subject to RBI's tender offer in 2012. The impact from the application of the fair value option on financial liabilities of the Group was a loss of EUR 312 million in 2012 and an income of EUR 249 million in 2011 and EUR 33 million in 2010. See "*—Fair value determination in 2011 for designated liabilities*".

The result from the application of the fair value option does not impact RBI's core tier 1 ratio.

Pursuant to IFRS, the financial assets and liabilities carried at fair value are required to be disclosed according to the valuation method used to determine fair value. In particular, segmentation is required between fair value measurement based on quoted market prices in an active market (level I), valuation techniques based on directly or indirectly observable parameters (e.g. comparisons with the quoted prices of similar financial instruments in active markets) (level II) and valuation techniques using significant, unobservable inputs (level III). This disclosure is provided in note 47 to the consolidated financial statements for 2012.

In addition, management judgment is required to determine the category to which certain financial instruments should be allocated. This specifically arises when the valuation is determined by a number of parameters, some of which are observable and others are not. Moreover, the classification of a financial instrument may change over time to reflect changes in market liquidity and, consequently, price transparency.

As of December 31, 2012, financial assets whose fair value was calculated using level II and III valuation techniques amounted to approximately EUR 12,239 million and EUR 110 million, respectively, and financial liabilities whose fair value was calculated using level II and III valuation techniques amounted to EUR 11,839 million and EUR 28 million, respectively. Further information, including gains and losses resulting from financial instruments of the level III category, can be found in note 47 to the consolidated financial statements for 2012.

Fair value determination

The fair value of a financial instrument is the amount for which it could be exchanged between knowledgeable, willing parties in an arm's length transaction.

The most suitable measure of fair value is the quoted price for an identical instrument in an active market. Management must use its judgment to determine whether there is an active market for a specific financial instrument. An active market exists if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and these prices represent actual and regularly occurring market transactions on an arm's length basis. Broker (or pricing services) quotes might be inputs when measuring fair value, but are not necessarily determinative if an active market does not exist for the instrument. Where no active market exists, the valuation is based on quoted prices for similar instruments in active markets. When valuing financial instruments by referencing similar instruments, management takes into account the term, structure and rating of the instrument with which the instrument held is being compared. Where quoted prices are not available for identical or similar financial instruments, fair value is determined using an appropriate valuation model, including applying internal prices based on present value calculations on an interest curve which consists of money market rates, future rates and swap rates, thereby excluding risk premium. Fair value of options is determined using option price formulas such as Black-Scholes 1972, Black 1976 or Garman-Kohlhagen, depending on the kind of option. While most valuation techniques rely on data from observable market sources, certain financial instruments are valued using models that incorporate input which involve a greater level of management's internal assumptions about future cash flows and appropriately risk-adjusted discount rates (mark-to-model approach). Such data may include data that is extrapolated, interpolated, or may be derived by approximation from correlated or historical data. Inputs into valuations based on unobservable data are inherently uncertain. The scope of assumptions and estimates depends on the price transparency of the financial instrument, the market and the complexity of the instrument.

Fair value determination in 2011 for designated liabilities

Due to the particularly high volatility caused by the financial crisis and euro zone debt crisis in Europe and its effects on the financial markets, in the fourth quarter of 2011 reliable market prices required for the valuation of certain debt securities issued by the Group and designated as financial instruments at fair value, primarily structured bonds, were no longer available. Therefore, the valuation method for these securities was changed temporarily: The fair value was calculated by discounting the contractual cash flows with a credit-risk-adjusted yield curve, which reflects the level at which the Group could issue similar financial instruments at the balance sheet date. A weighted credit spread was determined to assess the Group's creditworthiness composed of the credit spreads from private placements during the last 12 months and market indications for own benchmark debt securities. The credit spread of subordinated issues was calculated on the basis of average observable subordinated spreads for the last 12 months in the iTraxx Senior Financials. Due to the availability of observable market prices for the valuation of these liabilities in 2012, the valuation method was changed back in 2012 to the standard method based on market prices.

Reclassification of financial instruments

In its press release of October 13, 2008, the IASB issued an amendment (IAS 39.50) providing for the reclassification, in exceptional circumstances, of certain financial assets previously carried at fair value pursuant to IFRS. Pursuant to the amendment, it is permissible to reclassify certain financial assets as loans that were previously classified as financial assets at fair value through profit and loss or available-for-sale. For assets to be reclassified out of the held-for-trading sub-category into any other category, there must be a clear change in management intent with respect to such assets since initial recognition, with that shift being to hold such assets for the foreseeable future, and the financial asset must meet the definition of a loan at the reclassification date. In addition, there must be the ability to hold the asset for the foreseeable future at the reclassification date.

In 2011, securities in the amount of EUR 80.5 million were reclassified as held-to-maturity in accordance with IAS 39.50. This amount entirely related to the Group's Slovak Network Unit and was due to a deterioration of the market liquidity for long-term (state) bonds as a result of which the Group decided to hold these bonds to maturity.

Further information on the nature and amount of assets reclassified by the Group can be found in note 20 to the consolidated financial statements for 2012. There have been no reclassifications of financial instruments since 2011.

Significant management judgment and assumptions are required to identify assets that may be reclassified. The same applies to determining the fair value of the identified assets on the reclassification date. The question of whether there is in fact a change of intent to hold the asset for the foreseeable future also requires significant management judgment.

Hyperinflation accounting

According to IAS 29, hyperinflation accounting has to be applied in highly inflationary economies. IAS 29 defines and provides general guidance for assessing whether a particular jurisdiction's economy is hyperinflationary. In particular an economy should be considered hyperinflationary if the cumulative inflation rate over three years is approaching, or exceeds, 100% and is expected to remain at that high level for the following years. However, the IASB does not identify specific jurisdictions and IAS 29 does not conclusively determine under which circumstances hyperinflation accounting has to be applied.

Therefore, the decision whether or not to apply hyperinflation accounting is ultimately taken by the management, applying estimates and judgments regarding the relevant economy, based on expert recommendations from reputable audit firms.

Since January 1, 2011, Belarus has been classified by the Group's management as a highly inflationary economy in accordance with IAS 29, as the inflation rate in 2011 was 109%. Therefore, the Group's Belarusian activities are no longer recognized on the basis of historical acquisition and production costs, but have been adjusted for the effects of inflation. For this purpose the local inflation index (CPI) determined by the Belarusian Ministry of Statistics has been used. The application of the relevant provisions in IAS 29 impacts the consolidated financial statements for the years ended December 31, 2012 and 2011, as well as the consolidated financial statements for subsequent periods. Previously published consolidated financial statements of previous periods are not restated.

In 2012, the application of hyperinflation accounting on the Group's Belarusian activities had the following effects on the Group's financial statements: (i) the hyperinflation-adjustment of non-monetary assets and equity resulted in an increase in equity by EUR 30 million; (ii) a net loss of EUR 16 million was booked in the trading result due to the adjustment of inflated assets and equity; (iii) all income and expense positions were inflation adjusted, the overall negative impact resulting from this was booked in the trading result, however this was only a regrouping and therefore on the bottom line had no effect on the final result; and (iv) for purposes of conversion of income statement items to euro the exchange rate as of December 31, 2012 was used instead of the average exchange rate for 2012.

In 2011, the application of hyperinflation accounting on the Group's Belarusian activities had the following effects on the Group's financial statements: (i) the hyperinflation-adjustment of non-monetary assets and equity resulted in an increase in equity by EUR 95 million; (ii) a net loss of EUR 54 million was booked in the trading result due to the adjustment of inflated assets and equity; (iii) all income and expense positions were inflation adjusted, the overall negative impact resulting from this was booked in the trading result, however this was only a regrouping and therefore on the bottom line had no effect on the final result; and (iv) for purposes of conversion of income statement items to euro the exchange rate as of December 31, 2011 was used instead of the average exchange rate for 2011.

Impairment losses on loans and advances

The Group accounts for credit risk affecting loans and advances by making impairment provisions. Net allocations to provisioning for impairment losses on the loan portfolio as of the balance sheet date represent management's best estimate of expected future cash flows, incurred losses and expected losses, taking into account collateral.

The determination of provisions for impairment losses required for loans which are deemed to be individually significant often requires considerable management judgment concerning such matters as local economic conditions, the financial performance of the borrower and the value of any collateral held, for which there may not be a readily accessible market. In the retail segment, provisions are made according to product portfolio and past due days. Provisions for the counterparty risk associated with loans and advances to banks and customers are allocated at the amounts of expected losses, with a risk of loss being deemed to exist if (taking collateral into account) the discounted projected repayment amounts and interest payments are less than the claim's carrying amount. In certain situations, the Group may assess the enterprise value of the borrower to assess impairment. This requires use of considerable management judgment with regard to the timing of sale and the market value of the borrowing entity. The actual amount of future cash flows and their timing may differ considerably from the estimates used by management and may consequently cause actual losses to differ from the reported net allocations to provisions for impairment losses. Such estimation errors may therefore have a significant impact on the level of impairment provisions and on the Group results and financial condition.

Smaller-balance, homogenous loans with comparable risk profiles are aggregated and impairment provisions are determined on a portfolio-basis with the help of statistical and valuation models, whereby the expected future cash flow is estimated on the basis of historical default experience for the receivables in the respective credit portfolio. Under normal circumstances, historical experience provides the most objective and relevant information for assessing the inherent losses of a portfolio. In certain circumstances, historical loss experiences provide less relevant information about the inherent loss in a given portfolio at the balance sheet date, for example, where there have been changes in economic, regulatory or behavioral conditions which result in the most recent trends in portfolio risk factors being not fully reflected in the statistical valuations models. In some circumstances, such risk factors may be taken into account when calculating the appropriate levels of impairment allowances by adjusting the impairment allowances derived solely from historical loss experience. This key area of judgment is subject to uncertainties and is highly sensitive to various factors such as loan portfolio growth, product mix, insolvency trends, geographic concentrations, loan product features, economic conditions, the level of interest rates, portfolio seasoning, account management policies and practices, changes in laws and regulations, and other factors that can affect customer payment patterns. The Group regularly reviews the methodology and the assumptions it uses in calculating impairment losses in light of differences between loss estimates and actual loss experience.

Further information can be found in notes 3 and 17 to the consolidated financial statements for 2012.

Goodwill impairment

The Group examines goodwill on each reporting date, evaluating future economic utility on the basis of cash generating units. The process for identifying and evaluating the impairment of goodwill is inherently uncertain because it requires management judgment in making a series of estimations, the results of which are sensitive to the assumptions used. Determining the recoverable amount in an impairment test requires estimates to be made on the basis of market prices, prices of comparable businesses, present value or other valuation methods, or a combination thereof. The estimation of the future development of cash generating units takes into account macroeconomic factors such as gross domestic product and inflation expectations as well as specific market conditions and the Group's business strategy. The Group generally bases its macroeconomic estimates for purposes of impairment testing on forecasts provided by its subsidiary Raiffeisen Research GmbH. The data is used to determine a present value on a going concern basis.

In particular, the impairment test of goodwill represents management's best estimates of the following factors:

(i) the future cash flows of cash-generating units (within RBI, all segments according to segment reporting are determined as cash generating units and within the segments, the legal entities form the cash generating unit for impairment testing of goodwill) are sensitive to the cash flows predicted for periods for which detailed forecasts are available, and to assumptions regarding long-term patterns of sustainable cash flows thereafter. Forecasts are compared with the actual performance and verifiable economic data in future years; however, the cash flow forecasts necessarily reflect management's view of future business prospects at the time of the assessment; and

(ii) the rate used to discount future expected cash flows is based on the cost of capital assigned to an individual cash-generating unit, and can have a significant effect on the valuation of the cash-generating unit. The cost of capital percentage is generally derived from a capital asset pricing model, which incorporates inputs reflecting a number of financial and economic variables, including the risk-free interest rate in the country concerned, inflation difference, a premium to reflect the inherent risk of the business being evaluated and beta factors.

These variables are subject to fluctuations in external market rates and economic conditions outside management's control. They are therefore subject to significant management judgment and uncertainty.

If this valuation demonstrates that the expected cash flows of a cash-generating unit have declined and/or that its cost of capital has increased, the effect is to reduce the cash-generating unit's estimated recoverable amount. If it is lower than the carrying value of the cash-generating unit, a charge for impairment of goodwill will be recognized in the consolidated income statement for the year.

As of December 31, 2012, goodwill amounted to EUR 558 million (compared to EUR 408 million as of December 31, 2011), which mainly related to the following cash generating units: ZAO Raiffeisenbank, Moscow, Raiffeisen Bank Polska, Warsaw (as a result of the Polbank Acquisition), Raiffeisen Bank Sh.a., Tirane, Raiffeisenbank a.s. Prague and Ukrainian Processing Center PJSC, Kiev (see "*Business—Assets—Intangible fixed assets*"). The increase in goodwill in 2012 primarily related to goodwill recorded in connection with the Polbank Acquisition in the amount of EUR 175 million, which was partly offset by goodwill impairment of EUR 38 million following routine impairment tests, relating to the Group's equity investments in Ukraine, Bosnia and Herzegovina, Croatia and several other small Group units. See also "*Business—Segments—Central Europe*".

Hedging

Derivative instruments that are not held for trading because they are acquired for hedging purposes are subdivided into derivatives used as hedging instruments in fair value hedges or cash flow hedges and other derivative financial instruments, reflecting differing recognition methods. The allocation of derivative instruments to these categories affects the Group's results of operations due to different valuation models and accounting treatment. In the event that the allocation of a derivative instrument is ambiguous, management has to establish a decision based on its judgment.

Fair value hedge according to IAS 39

Interest-rate swaps that satisfy the prerequisites for hedge accounting are contracted to hedge against the interest-rate risks arising from loans. Hedges are formally documented, continuously assessed, and rated to be highly effective. In other words, throughout the term of a hedge, one can assume that changes in the fair value of a hedged item will be nearly completely offset by a change in the fair value of the hedging instrument and that the actual outcome will lie within a range of 80% to 125%.

Derivative instruments held to hedge the fair values of individual balance sheet items (except trading assets/ liabilities) are recognized at their fair values (dirty prices) under other assets (positive dirty prices) or other liabilities (negative dirty prices). Changes in the carrying amounts of hedged items (assets or liabilities) are allocated directly to the corresponding balance sheet items and reported separately in the notes. Both the effect of changes in the carrying amounts of positions requiring hedging (i.e. hedged instruments) and the effects of changes in the clean prices of the derivative instruments (i.e. hedging instruments) are recorded in the Group's income statement under net income from derivatives (net result from hedge accounting).

Cash flow hedge according to IAS 39

Cash flow hedge accounting according to IAS 39 applies for those derivatives that are used to hedge against the risk of fluctuating future cash flows. The hedging instruments are recognized at fair value and the changes in its clean prices are recorded as a separate item in other comprehensive income.

Other derivative instruments

Derivative instruments held to hedge against market risks (except trading assets/liabilities) that are based on an inhomogeneous portfolio do not satisfy the requirements for hedge accounting according to IAS 39. The Group records them as follows: positive dirty prices are recognized under other assets, and negative dirty prices under other liabilities. The Group recognizes the effect of remeasuring those derivative instruments on a clean-price basis under net income from derivatives (net income from other derivatives).

Deferred tax assets and liabilities

The Group measures income taxes in accordance with IAS 12, using the balance sheet liability method. Deferred income tax assets and liabilities reflect the future tax consequences attributable to differences relevant for taxation purposes between the values of an asset or a liability of an entity of the Group between the IFRS balance and the tax balance as of a given balance sheet date, as well as the tax-reducing effect resulting from the use of existing tax loss carry forwards and tax credits not yet utilized. However, the recognition of deferred tax assets is limited to the extent that in the medium-term probable future taxable profits will be available against which the deductible temporary differences and tax loss carry forward can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies such as future revenue and margin growth, currency fluctuations and inflation.

Period by period comparison

Overview

This operating and financial review is presented at two levels: (i) the Group level, at which the most detailed discussion is presented on the basis of the Group's consolidated results and changes in most line items in the consolidated income statement are examined; and (ii) the segment level, which includes a discussion and analysis of each segment's results.

Explanation of certain line items used in the Group's income statement and other financial data

Net interest income

Net interest income includes income and expenses from items of the banking business, dividend income and fees and commissions with interest-like characteristics, such as prolongation charges, commitment fees or overdraft fees. Interest and similar income mainly includes interest income from loans and advances to customers (75% of interest income in 2012), financial investments (9% of interest income in 2012) and from other interest-bearing assets. In addition, current income from shares and other variable-yield securities (especially dividends), income from equity participations and from investments accounted for at equity, and similar income calculated as interest are also reported under net interest income. Dividend income is recognized if the entitlement of the owner for payment exists. Interest paid and similar charges mainly include interest paid on deposits from customers (54% of interest expenses in 2012) and banks (22% of interest expenses in 2012) and on debt securities issued and subordinated capital. In the case of impaired loans, net interest income is generally calculated on the impaired amount.

Net provisioning for impairment losses

Net provisioning for impairment losses is a function of the Group's estimates of probable losses in its loan portfolio arising from on-balance sheet and off-balance sheet transactions and sovereign risks, taking into account the structure and quality of the loan portfolio and general economic factors. In 2012, net provisioning for impairment losses in the amount of EUR 1,182 million related to individual loan loss provisions and a net release of EUR 164 million related to portfolio based loan loss provisions. This item also reflects amounts released from provisions for possible loan losses, amounts from direct write-downs and income received on written-down claims.

Net fee and commission income

Net fee and commission income mainly includes income and expenses arising from payment transfers (44% in 2012), foreign currency and precious metals business (23% in 2012) and loan and guarantee business (16% in 2012) and, to a lesser extent, from securities business and other banking services, such as asset management.

Net trading income

Net trading income includes the trading income resulting from the foreign exchange business, results due to foreign exchange revaluations and all realized and unrealized gains and losses from financial assets and liabilities at fair value. In addition, it includes all interest and dividend income attributable to the Group's securities trading activities and related refinancing costs. In 2012, net trading income was composed primarily of net income from currency-based transactions and net income from interest-based transactions, while the credit derivatives business and other transactions made a negative contribution to net trading income.

Net income from derivatives and designated liabilities

Net income from derivatives and designated liabilities consists of valuation results and results from termination of derivatives. It comprises net income from hedge accounting, net income from credit derivatives and net income from other derivatives which do not satisfy the requirements for hedge accounting.

Net income from financial investments

Net income from financial investments comprises valuation results and net proceeds from disposal of securities from the financial investment portfolio (held-to-maturity), securities at fair value through profit or loss and equity participations, which include shares in affiliated companies, companies valued at equity and other equity investments.

General administrative expenses

General administrative expenses consist of staff expenses, other administrative expenses and depreciation/amortization of tangible and intangible fixed assets and leased assets. Staff expenses account for almost half of the Group's general administrative expenses and include wages and salaries, social security costs, voluntary social expenses, and severance payments and retirement benefits. Other administrative expenses include various kinds of expenses incurred to run the banking business, such as office space expenses, IT costs and communication expenses, legal, advisory and consultancy expenses, advertising, PR and promotional expenses, deposit guarantee and other sundry administrative expenses.

Other net operating income

Other net operating income captures sales revenues and expenses arising from non-banking activities, income and expenses from the disposal of, and income from the revaluation of, tangible and intangible fixed assets, non-income taxes (such as bank levies in Austria and Hungary) and other operating income and expenses. This item also includes income and expenses resulting from the impairment of goodwill and the release of negative goodwill.

Net income from disposal of group assets

This item includes the net income from the disposal of group assets according to IFRS 3. Net income is calculated from the net proceeds from the sale of a Group asset less its net asset value.

Consolidated Profit

Consolidated profit consists of profit after tax minus the non-controlling interests in profit. This represents the net profits which are attributable to the shareholders of the Company.

Comparison of Group results

The following table sets out the Group's results for the nine months ended September 30, 2013 compared with the nine months ended September 30, 2012 as well as for the financial year 2012 compared with the financial year 2011, and for the financial year 2011 compared with the financial year 2010:

	Nine months ended September 30,			**Year ended December 31,**				
	2013	**% Change**	**2012**	**2012**	**% Change**	**2011**	**% Change**	**2010**
	(in EUR million, except percentages)							
	(unaudited)			**(audited, except percentages)**				
Net interest income	2,776	7	2,596	3,472	(5)	3,667	2	3,578
Net provisioning for impairment losses	(800)	28	(623)	(1,009)	(5)	(1,064)	(11)	(1,194)
Net interest income after provisioning	1,977	0	1,973	2,463	(5)	2,604	9	2,384
Net fee and commission income	1,203	7	1,120	1,516	2	1,490	0	1,491
Net trading income	240	9	220	215	(41)	363	11	328
Net income from derivatives and designated liabilities	(243)	>100	(108)	(127)	n.a.	413	n.a.	(84)
Net income from financial investments	73	(76)	299	318	n.a.	(141)	n.a.	137
General administrative expenses	(2,430)	4	(2,336)	(3,264)	5	(3,120)	5	(2,980)
Other net operating income	(117)	>100	(52)	(102)	(56)	(232)	n.a.	6
Net income from disposal of group assets	(6)	>100	(2)	12	n.a.	(3)	n.a.	5
Profit before tax	**696**	**(38)**	**1,115**	**1,032**	**(25)**	**1,373**	**7**	**1,287**
Income taxes	(236)	4	(226)	(284)	(29)	(399)	>100	(110)
Profit after tax	**461**	**(48)**	**889**	**748**	**(23)**	**974**	**(17)**	**1,177**

Source: Consolidated Financial Statements and internal data.

Net interest income

The following table sets out the components of the Group's net interest income and the Group's net interest margins in the nine months ended September 30, 2013 and 2012 as well as for the financial years 2012, 2011 and 2010:

	Nine months ended September 30,		**Year ended December 31,**		
	2013	**2012**	**2012**	**2011**	**2010**
	(in EUR million)				
	(unaudited)		**(audited)**		
Net interest income					
Interest and interest-like income, total	**4,564**	**4,959**	**6,479**	**6,614**	**6,365**
Interest income	4,535	4,923	6,435	6,529	6,334
from balances at central banks	30	56	76	62	85
from loans and advances to banks	167	322	297	442	448

	Nine months ended September 30,		Year ended December 31,		
	2013	2012	2012	2011	2010
			(in EUR million)		
	(unaudited)		(audited)		
from loans and advances to customers	3,486	3,678	4,875	4,744	4,572
from financial investments	407	443	609	771	697
from leasing claims	143	163	217	222	221
from derivative financial instruments (non-trading), net	302	262	362	289	311
Current income	13	16	19	51	11
from shares and other variable-yield securities	1	4	4	3	2
from shares in affiliated companies	9	9	10	45	5
from other interests	3	3	5	4	4
Interest-like income	16	20	25	34	19
Interest expenses and interest-like expenses, total	**(1,787)**	**(2,363)**	**(3,007)**	**(2,947)**	**(2,787)**
Interest expenses	(1,757)	(2,332)	(2,964)	(2,905)	(2,740)
on deposits from central banks	(1)	(2)	(2)	(10)	(3)
on deposits from banks	(307)	(633)	(664)	(649)	(679)
on deposits from customers	(1,029)	(1,196)	(1,633)	(1,411)	(1,251)
on debt securities issued	(279)	(341)	(454)	(616)	(610)
on subordinated capital	(142)	(160)	(211)	(219)	(198)
Interest-like expenses	(30)	(31)	(43)	(42)	(46)
Net interest income	**2,776**	**2,596**	**3,472**	**3,667**	**3,578**
Net interest margin			**(in percentages)**		
Net interest margin	3.08	2.60	2.66	2.90	3.11

In the nine months ended September 30, 2013, net interest income increased by EUR 181 million or 7% to EUR 2,776 million from EUR 2,596 million in the nine months ended September 30, 2012. The net interest margin (calculated on average interest-bearing assets) increased by 48 basis points to 3.08%, primarily due to positive effects associated with repricing measures in deposit business (particularly during the first half of 2013 and to a lower extent in the third quarter) and reduced liquidity positions. Average interest-bearing assets decreased by EUR 13,055 million or 10%.

The increase in net interest income was primarily the result of lower interest expenses for customer deposits driven by repricing measures, partly offset by lower lending volumes. Interest income from derivatives increased by 15% or EUR 41 million to EUR 302 million and primarily related to Poland and Group head office. In Poland, net interest income was positively affected by repricing measures in deposit business following the Polbank Acquisition. Net interest income in Russia and Belarus increased due to the favorable development of lending business. In the Czech Republic and Bulgaria, net interest income decreased as a result of the lower lending volumes to retail and corporate customers and lower interest rates. Net interest income in Hungary decreased due to lower interest income from derivatives and lower lending volumes. In Ukraine, net interest income decreased due to lower lending volumes to retail and corporate customers and higher expenses for customer deposits. In Romania, the decrease in net interest income was primarily attributable to lower interest rates and reduced interest income from securities.

In 2012, net interest income decreased by EUR 195 million or 5% to EUR 3,472 million from EUR 3,667 million in 2011. The net interest margin declined by 24 basis points to 2.66%, primarily as a result of the low interest environment, which particularly affected margins charged by the Group on customer deposits. Average interest-bearing assets increased by 3%, primarily driven by higher loans and advances to customers, which increased by 2.2%.

The decline in net interest income resulted primarily from lower interest income, which was primarily due to higher refinancing costs and lower income from financial investments, which decreased by EUR 162 million partly as a result of the disposal of a portfolio of high-quality debt securities by the Group head office as part of the measures to achieve the EBA regulatory capital requirement on June 30, 2012. Interest income from loans and advances to banks also registered a significant decline of EUR 145 million to EUR 297 million due to a reduction in excess liquidity at Group head office. These effects were partly offset by interest income from loans and advances to customers which increased by EUR 131 million, primarily due to a 3.4% increase in average interest-bearing assets. Furthermore, net interest income was positively impacted by the Polbank consolidation.

In the Central Europe segment, the overall difficult market environment caused the net interest margin to decrease by 50 basis points to 2.85%. In Hungary, net interest margin decreased by 44 basis points to 3.43%. Southeastern European countries also posted a decline of 20 basis points to 4.21% in net interest margin. Bulgaria was particularly affected as a result of a change in accounting methodology in 2012, pursuant to which interest income on non-performing loans is no longer recognized in line with Group reporting policies. In Russia net interest income increased by EUR 159 million due to higher credit business volumes combined with an improved net interest margin, which increased by 1 basis point to 5.3% as well as higher interest income from derivatives. The Group Corporates segment, however, posted only a slight decline of 4 basis points in net interest margin, mainly because of asset-related adjustments.

In 2011, net interest income increased by EUR 89 million or 2% to EUR 3,667 million from EUR 3,578 million in 2010. Net interest income increased primarily in the Russia, Group Corporates and Corporate Center segments, partly offset by lower net interest income in the Group Markets segments.

Compared to December 31, 2010, total loans and advances to customers increased by 8% or EUR 81,576 million while the Group's net interest margin decreased by 21 basis points to 2.90%.

Business with customers improved considerably in Russia, Romania, Austria and Slovakia, and in addition, the more favorable refinancing conditions contributed to the increase in net interest income. Net interest income from financial investments benefited from higher interest on government bonds acquired in Ukraine and Poland to place excess liquidity. In Hungary, on the other hand, net interest income fell by EUR 42 million due to the difficult credit environment and a decline in customer volumes. Belarus also saw net interest income decrease by EUR 18 million, as the exchange rate on the reporting date was used for income statement items in line with IAS 29 (hyperinflation accounting).

Net provisioning for impairment losses

The following tables set out the components of the Group's net provisioning for impairment losses and related key ratios in the nine months ended September 30, 2013 and 2012 as well as for the financial years 2012, 2011 and 2010:

	Nine months ended September 30,		**Year ended December 31,**		
	2013	**2012**	**2012**	**2011**	**2010**
			(in EUR million)		
	(unaudited)		**(audited, unless otherwise stated)**		
Net provisioning for impairment losses					
Individual loan loss provisions	**(781)**	**(719)**	**(1,182)**	**(1,177)**	**(1,196)**
Allocation to provisions for impairment losses	(1,274)	(1,117)	(1,661)	(1,679)	(1,682)
Release of provisions for impairment losses	507	458	568	559	531
Direct write-downs	(79)	(109)	(169)	(133)	(90)
Income received on written down claims	65	49	80	76	45
Portfolio-based loan loss provisions	**(28)**	**90**	**164**	**105**	**(1)**
Allocation to provisions for impairment losses	(274)	(284)	(361)	(281)	(391)
Release of provisions for impairment losses	246	373	525	386	390
Gains from loan termination or sale	**10**	**6**	**9**	**8**	**3**
Total	**(800)**	**(623)**	**(1,009)**	**(1,064)**	**(1,194)**
Ratios			**(in percentages)**		
Non-performing loans ratio (unaudited)	10.3	10.0	9.8	8.6	9.0
Provisioning ratio (average loans and advances to customers)	1.29	1.00	1.21	1.34	1.89
Loss rate	0.48	0.41	0.53	0.38	0.41
Portfolio rate	3.53	3.22	3.41	2.80	2.90

In the nine months ended September 30, 2013, net provisioning for impairment losses increased by EUR 176 million or 28% to EUR 800 million from EUR 623 million in the nine months ended September 30, 2012. This increase was attributable to portfolio-based loan loss provisions, which amounted to EUR 28 million compared to a net release of EUR 90 million, which was reported primarily in Russia and at Group head office in the nine months ended September 30, 2012 due to improved credit ratings of the loan portfolio. Net allocations to individual loan loss provisions increased by EUR 62 million to EUR 781 million. This increase was primarily due to a significant increase in individual loan loss provisions in the Group Corporates segment as a result of a significant increase in non-performing loans in this segment. In Southeastern Europe, net allocations to loan loss provisions also increased by EUR 19 million, particularly in connection with corporate and retail customers in Croatia, whereas the Central Europe Segment reported a decrease in loan loss provisions by EUR 33 million. Non-performing loans to customers increased by EUR 295 million to EUR 8,478 million, primarily attributable to an increase of non-performing loans in the Group Corporates segment. The NPL ratio increased to 10.3% compared to 9.8% as of December 31, 2012. Non-performing loans in the amount of EUR 8,478 million were covered by provisions in the amount of EUR 5,606 million. This resulted in a NPL coverage ratio of 66.1% compared to 67.0% on December 31, 2012.

In 2012, net provisioning for impairment losses decreased by EUR 55 million or 5% to EUR 1,009 million compared to EUR 1,064 million in 2011. Individual loan loss provisions increased by EUR 5 million to EUR 1,182 million, while net releases of portfolio-based loan loss provisions increased by EUR 59 million to EUR 164 million. Net provisioning for impairment losses in 2012 included income from the sale of impaired loans amounting to EUR 9 million. Despite the general deterioration in economic conditions in the second half of 2012, trends in net provisioning for impairment losses varied in the individual countries: In Hungary net provisioning for impairment losses decreased to EUR 241 million from EUR 478 million in 2011, primarily due to high impairment needs in 2011 as a result of the adverse economic situation in that country and government-induced conversions of foreign currency loans under the so-called "home protection law". In Russia, loan loss provisions were released due to quality improvements in the loan portfolio. In contrast, net provisioning for impairment losses in Poland increased by EUR 69 million to EUR 127 million, relating to both to large corporate customers and retail customers, partly attributable to the first-time consolidation of Polbank. Significantly higher net provisions were also recorded for corporate customers at Group head office, in Slovakia and Romania, as well as in Slovenia for both corporate and retail customers. The provisioning ratio decreased by 13 basis points to 1.21%. The portfolio of non-performing loans to customers increased by EUR 1,127 million to EUR 8,183 million in 2012. The Polbank consolidation contributed EUR 508 million to this increase and currency effects added a further EUR 95 million. Without these two effects, non-performing loans would have increased by EUR 524 million. Group head office, Hungary and Poland posted the largest increases, while Ukraine and Russia posted considerable declines. The NPL ratio deteriorated to 9.8% compared to 8.6% on December 31, 2011. Non-performing loans were covered by provisions totaling EUR 5,484 million. This resulted in a NPL coverage ratio of 67.0% compared to 68.4% on December 31, 2011.

In 2011, net provisioning for impairment losses decreased by EUR 131 million or 11% to EUR 1,064 million compared to EUR 1,194 million in 2010. This decrease was primarily due to the economic recovery in most markets, particularly in the first half of 2011, leading to an improvement in the creditworthiness of borrowers. Moreover, active measures, such as loan restructuring where necessary, had already been taken in prior years to stabilize and improve the quality of the Group's loan portfolio. Contrary to this positive trend, in Hungary, the political and economic situation required substantial provisioning for impairment losses, which increased by EUR 282 million to EUR 478 million. Thereof, EUR 109 million related to potential losses in connection with the Hungarian "home protection law" allowing borrowers to repay foreign currency mortgage loans early at below-market exchange rates. The repayment rate under this program was around 29%. Of the overall net provisioning for impairment losses, EUR 1,177 million were accounted for by individual loan loss provisions, representing a decrease of EUR 19 million, which was primarily due to lower provisions in connection with loans to corporate customers. Portfolio-based loan loss provisions improved to a net release of EUR 105 million compared to net provisioning of EUR 1 million in 2010. This development was due to releases of provisions in Russia, Hungary, Ukraine and Slovakia. The provisioning ratio declined to 1.34% from 1.89% in 2010. Non-performing loans as of December 31, 2011 amounted to EUR 7,056 million, an increase of EUR 266 million (taking into account currency movements) compared to December 31, 2010. The non-performing loans ratio improved to 8.6%. The NPL coverage ratio improved to 68.4%, reflecting non-performing loans in the amount of EUR 7,056 million and corresponding provisions in the amount of EUR 4,826 million.

Net fee and commission income

The following table sets out the components of the Group's net fee and commission income in the nine months ended September 30, 2013 and 2012 as well as for the financial years 2012, 2011 and 2010:

	Nine months ended September 30,		Year ended December 31,		
	2013	2012	2012	2011	2010
	(in EUR million)				
	(unaudited)		(audited)		
Net fee and commission income					
Payment transfer business	539	486	663	611	599
Loan and guarantee business	182	190	247	281	282
Securities business	109	86	118	119	135
Foreign currency, notes/coins, and precious-metals business	263	263	349	330	330
Management of investment and pension funds	24	16	23	27	26
Sale of own and third party products	34	31	45	41	47
Credit derivatives business	(0)	(0)	(0)	2	3
Other banking services	52	48	72	81	69
Total	**1,203**	**1,120**	**1,516**	**1,490**	**1,491**

In the nine months ended September 30, 2013, net fee and commission income increased by EUR 82 million or 7% to EUR 1,203 million from EUR 1,120 million in the nine months ended September 30, 2012. Of this increase, EUR 53 million, were attributable to higher net income from the payment transfer business, particularly due to higher fees in Hungary following the introduction of the financial transaction tax (which is shown as an expense under other net operating income), the Polbank consolidation and a volume-driven increase in income from the credit card business in Russia. Net income from the securities business increased by EUR 24 million or 28% million as a result of higher volumes, mainly at Group head office and in Hungary. Higher volumes from the management of investment and pension funds, which occurred primarily in Slovakia and Croatia, were the key factors for a EUR 8 million rise in income from this business, whereas income from the loan and guarantee business decreased by EUR 8 million or 4%, primarily due to developments in Poland, Serbia and Croatia. Net income from the sale of own and third-party products increased by EUR 3 million, primarily driven by higher business volumes in Croatia, Poland and Ukraine. Net income from other banking services developed favorably, primarily in the Czech Republic and Russia as a result of structured financing transactions and collections.

In 2012, net fee and commission income increased by EUR 27 million or 2% to EUR 1,516 million compared to EUR 1,490 million in 2011. This increase was primarily driven by higher net income from the payment transfer business and the foreign currency, notes/coins and precious metals business while net income from the loan and guarantee business and from other banking services decreased. Net income from the payment transfer business increased by EUR 52 million to EUR 663 million, primarily due to a higher number of transactions and increased transaction volumes. At EUR 19 million, Russia made the largest contribution to the increase, followed by Ukraine with EUR 18 million. The EUR 19 million increase in net income from the foreign currency, notes/coins and precious metals business was primarily attributable to better results in Russia and in Belarus as a result of higher turnover and improved margins. Net income from the loan and guarantee business decreased by EUR 34 million to EUR 247 million, primarily due to lower lending fees in Romania, partly as a result of a methodology change which involved a reclassification between net fee and commission income and net interest income. Net income from the management of investment and pension funds decreased EUR by 4 million, primarily due to lower business activity in Croatia. Net income from the sale of own and third-party products increased by EUR 4 million to EUR 45 million, mainly in Poland and Ukraine. In Poland, a significant part of the EUR 16 million increase in net fee and commission income was attributable to the Polbank Acquisition.

In 2011, net fee and commission income remained stable at EUR 1,490 million compared to EUR 1,491 million in 2010. Net income from the payment transfer business, which increased by EUR 12 million to EUR 611 million, was positively affected by increased transactions volumes due to the improved economic climate and a change in the pricing policy in the Czech Republic, which generated an increase of EUR 13 million. Net income from the loan and guarantee business decreased by EUR 1 million, reflecting lower margins and volumes in Romania, which resulted in a decrease of EUR 25 million, largely offset by a strong contribution from the Russia segment, due to a methodology change which involved reclassification between net fee and commission income and net interest income. Net income from the foreign currency, notes/coins and precious metals business remained stable at EUR 330 million. Net income from other banking services, which, among other things, includes deposit box rental fees, consulting service fees and cash collection commissions for export and import operations, increased by EUR 12 million to EUR 81 million, mainly due to higher earnings in Russia and at the Group's head office in Vienna.

Net trading income

The following table sets out the components of the Group's net trading income in the nine months ended September 30, 2013 and 2012 as well as for the financial years 2012, 2011 and 2010:

	Nine months ended September 30,		**Year ended December 31,**		
	2013	**2012**	**2012**	**2011**	**2010**
	(in EUR million)				
	(unaudited)		**(audited)**		
Net trading income					
Interest-based transactions	15	79	34	171	211
Currency-based transactions	198	162	209	107	121
Equity-/index-based transactions	23	11	9	5	10
Credit derivatives business	(1)	(13)	(13)	2	(1)
Other transactions	5	(19)	(25)	79	(13)
Total	**240**	**220**	**215**	**363**	**328**

In the nine months ended September 30, 2013, net trading income increased by EUR 20 million or 9% to EUR 240 million from EUR 220 million in the nine months ended September 30, 2012. Net income from currency-based transactions, credit derivatives business, and other transactions showed a positive development at Group head office while a significant decline was reported in Poland due to the classification of new currency-based transactions as non-trading since the second quarter of 2013 and consequently the allocation of income from these positions since then to net interest income (compared to trading income until the first quarter of 2013). This positive development was partly offset by lower net income from interest-based transactions, which decreased due to valuation losses on derivatives at Group head office and on securities positions in Russia. Croatia also reported a decrease in net income from interest-based transactions by EUR 7 million, which was primarily due to higher trading activities in the first nine months of 2012 in a comparatively more favorable market environment. Net income from credit derivates increased by EUR 12 million and net income from capital guarantees at Group head office improved by EUR 22 million compared to the nine months ended September 30, 2012.

In 2012, net trading income decreased by EUR 149 million or 69% to EUR 215 million compared to EUR 363 million in 2011. This decrease was primarily due to lower net income from interest-based transactions, which decreased by 80% or EUR 137 million to EUR 34 million. The decrease in net income from interest-based transactions primarily related to valuation losses on derivatives in Russia and lower net valuation income from interest swaps at Group head office, which was partly due to a change in the assessment of the counterparty credit risk. Net income from other business, which was largely related to capital guarantees issued by the Group head office, declined from a gain of EUR 79 million in 2011 (which resulted from a change in the valuation method to comply with statutory requirements) to a loss of EUR 25 million in 2012, primarily due to lower long-term interest rates. Net income from currency-based transactions increased by 95% or EUR 102 million to EUR 209 million. Thereof, an increase of EUR 64 million was attributable to hyperinflation accounting in Belarus. The remaining increase was due to a higher contribution to net income from derivative financial instruments from the Group's Russian segment and higher currency-based transaction volumes increased at Group head office, which were, however, negatively impacted by currency volatility. In Hungary valuation losses caused by a higher number of derivatives transactions used for hedging purposes negatively impacted net income from currency-based transactions.

In 2011, net trading income increased by EUR 35 million or 11% to EUR 363 million compared to EUR 328 million in 2010. This increase was primarily due to a net income from other transactions in the amount of EUR 79 million compared to a loss of EUR 13 million in 2010, which was due to a change in the accounting method of capital guaranteed products as the valuation of such capital guaranteed products was adjusted to reflect the changes in statutory requirements. This change in the valuation method, which was due to an amendment of the Austrian Income Tax Act reducing the minimum portion of equity instruments in capital guaranteed products from 40% to 30% as well as the implementation of OeNB requirements pursuant to which a stochastic interest rate model has to be applied instead of a static yield curve, resulted in a one-off net income of EUR 81 million. Net income from currency based transactions decreased by EUR 14 million, primarily due to the application of IAS 29 to report hyperinflation in Belarus, which had a negative impact of EUR 84 million, which in turn was partly offset by valuation gains of EUR 44 million from a strategic currency position, taken in part to hedge equity. Net income from interest-based transactions decreased by EUR 40 million, primarily due to a decrease in the Russia segment of EUR 15 million due to a particularly strong result in 2010 as a result of recoveries on interest-rate products.

Net income from derivatives and designated liabilities

The following table sets out the components of the Group's net income from derivatives and designated liabilities in the nine months ended September 30, 2013 and 2012 as well as for the financial years 2012, 2011 and 2010:

	Nine months ended September 30,		Year ended December 31,		
	2013	**2012**	**2012**	**2011**	**2010**
	(in EUR million)				
	(unaudited)		(audited)		
Net income from derivatives and designated liabilities					
Net income from hedge accounting	(8)	5	9	3	(1)
Net income from credit derivatives	1	6	7	32	2
Net income from other derivatives	(225)	37	59	194	(63)
Net income from liabilities designated at fair value	(12)	(268)	(312)	184	(23)
Income from repurchase of liabilities	(0)	112	110	0	0
Total	**(243)**	**(108)**	**(127)**	**413**	**(84)**

In the nine months ended September 30, 2013, net loss from derivatives and designated liabilities increased by EUR 135 million to EUR 243 million compared to a loss of EUR 108 million in the nine months ended September 30, 2012. This loss primarily related to valuation losses of own liabilities in the amount of EUR 139 million (compared to EUR 72 million in the nine months ended September 30, 2012), which resulted from decreased credit spreads for RBI. Net loss from the valuation of derivatives entered into for hedging purposes was EUR 225 million, compared to an income of EUR 37 million in the nine months ended September 30, 2012. There was no income from the repurchase of liabilities compared to a net income of EUR 112 million in the nine months ended September 30, 2012 as a result of the partial buyback of hybrid bonds.

In 2012, net income from derivatives and designated liabilities was a loss of EUR 127 million compared to an income of EUR 413 million in 2011. This development was primarily attributable to a net loss from liabilities designated at fair value in the amount of EUR 312 compared to net income of EUR 184 million in 2011. This loss consisted of an interest component (EUR 167 million) and valuation losses due to lower credit spreads (EUR 145 million). Net income from other derivatives declined by EUR 135 million to EUR 59 million due to lower valuation of other derivatives. The repurchase of liabilities generated an income of EUR 110 million (net of transaction costs), primarily due to the repurchase of hybrid bonds, which generated an income in the amount of EUR 113 million.

In 2011, net income from derivatives and designated liabilities was EUR 413 million compared to a loss of EUR 84 million in 2010. This improvement was primarily due to the valuation of fixed interest swaps by Group headquarters, which increased by EUR 258 million to EUR 194 million as a result of the sustained decline of the long-term euro yield curve since the first quarter of 2011. Net income from the valuation of liabilities designated at fair value (i.e. debt securities issued by the Group for which the fair value option was used) was EUR 184 million compared to a loss of EUR 23 million in 2010 as higher credit spreads positively affected the valuation of such instruments (see "*—Critical Accounting Policies—Financial instruments at fair value (IAS 39)—Fair value determination in 2011 for designated liabilities*"). All of these valuation gains do not affect statutory own funds, and are therefore not relevant when calculating statutory capital requirements such as the EBA requirements.

Net income from financial investments

The following table sets out the components of the Group's net income from financial investments in the nine months ended September 30, 2013 and 2012 as well as for the financial years 2012, 2011 and 2010:

	Nine months ended September 30,		**Year ended December 31,**		
	2013	**2012**	**2012**	**2011**	**2010**
			(in EUR million)		
	(unaudited)		**(audited)**		
Net income from financial investments					
Net income from financial investments held-to-maturity	**1**	**3**	**1**	**92**	**6**
Net valuations of financial investments held-to-maturity	0	3	0	(2)	1
Net proceeds from sales of financial investments held-to-maturity	1	0	1	94	5
Net income from equity participations	**32**	**10**	**(1)**	**(98)**	**11**
Net valuations of equity participations	(18)	(4)	(22)	(112)	(5)
Net proceeds from sales of equity participations	49	14	22	14	16
Net income from securities at fair value through profit and loss	**40**	**130**	**155**	**(135)**	**120**
Net valuations of securities at fair value through profit and loss	22	65	73	(125)	58
Net proceeds from sales of securities at fair value through profit and loss	18	65	82	(11)	62
Net income from available for sale securities	**0**	**156**	**163**	**0**	**-**
Total	**73**	**299**	**318**	**(141)**	**137**

In the nine months ended September 30, 2013, net income from financial investments decreased by EUR 226 million or 76% to EUR 73 million from EUR 299 million in the nine months ended September 30, 2012. This decrease was due to the sale of securities at Group head office which was effected to meet the capital ratio required by the EBA and resulted in net proceeds of EUR 156 million in the nine months ended September 30, 2012. In addition, in the nine months ended September 30, 2012 the sale of other securities generated an additional net income of EUR 65 million. In the nine months ended September 30, 2013, net proceeds from the sale of similar securities amounted to EUR 18 million and therefore reflected a significant decline compared to the first three quarters of 2012. The valuation of the fair-value portfolio resulted in an income of EUR 22 million compared to EUR 65 million in the in the nine months ended September 30, 2012. These effects were partly offset by higher net proceeds from the sale of equity participations, which increased by EUR 35 million to EUR 49 million, mainly due to the sale of equity participations in Russia and Ukraine. The valuation of equity participations, primarily in Slovakia and the Czech Republic, resulted in a loss of EUR 18 million compared to a loss of EUR 4 million in the nine months ended September 30, 2012.

In 2012, net income from financial investments was an income of EUR 318 million compared to a loss of EUR 141 million in 2011. This development was due to the sale of high quality bonds from the available-for-sale securities portfolio as part of the measures to achieve the EBA regulatory capital requirement, which resulted in net income of EUR 163 million as well as net income from securities at fair value through profit and loss in the amount of EUR 155 million compared to a loss of EUR 135 million in 2011. Net income from securities at fair value through profit and loss was primarily attributable to valuation gains relating to securities in the fair-value portfolio in the amount of EUR 73 million (compared to a loss of 124 million in 2011), among others relating to bonds and municipal bonds at Group head office and in Hungary while valuation losses on bonds were reported in Ukraine. Sales of securities from the fair-value portfolio generated an additional income of EUR 82 million (compared to a loss of EUR 11 million in 2011). Net loss from equity participations decreased by EUR 97 million to EUR 1 million (compared to a loss of 98 million in 2011), primarily due to lower valuation losses relating to the valuation of equity participations. Net income from securities held-to-maturity decreased to EUR 1 million from EUR 92 million in 2011, which included gains from the sale of high-quality securities in the amount of EUR 94 million, resulting from measures taken to meet the stricter EBA capital requirements.

In 2011, net loss from financial investments was EUR 141 million compared to net income of EUR 137 million in 2010. This development was primarily due to a net loss from securities at fair value through profit and loss of EUR 135 million compared to net income of EUR 120 million in 2010 as a result of share valuation losses in Austria, decreasing value of municipal bonds in Hungary and fixed-income securities in Ukraine. Net income from equity participations decreased by EUR 109 million to a loss of EUR 98 million in 2011, which was mainly due to converting a Bulgarian loan recorded and accounted for in Austria to an equity participation, which was then written off. As the associated loan loss provision was released at the same time, the transaction had no effect on consolidated profit. Net income from financial assets held-to-maturity was positively affected in the amount of EUR 94 million by the sale of government bonds in the amount of EUR 2,551 million. The sale of financial investments held-to-maturity, which according to IAS 39 is permissible only under exceptional circumstances in order to avoid the so-called tainting rules, occurred in accordance with IAS 39 AG22e as part of the measures to achieve compliance with the higher capital requirements of the EBA.

General administrative expenses

The following table sets out the components of the Group's general administrative expenses, the Group's average number of employees and cost/income ratio in the nine months ended September 30, 2013 and 2012 as well as for the financial years 2012, 2011 and 2010:

	Nine months ended September 30,		**Year ended December 31,**		
	2013	**2012**	**2012**	**2011**	**2010**
	(in EUR million)				
	(unaudited)		**(audited)**		
General administrative expenses					
Staff expenses	**(1,227)**	**(1,178)**	**(1,606)**	**(1,540)**	**(1,453)**
Wages and salaries	(946)	(909)	(1,235)	(1,192)	(1,115)
Social security costs and staff-related taxes	(229)	(217)	(293)	(281)	(265)
Other voluntary social expenses	(30)	(30)	(41)	(43)	(41)
Expenses on severance payments, retirement benefits and anniversary payments	(17)	(16)	(30)	(16)	(27)
Expenses on share incentive program (SIP)	(4)	(6)	(7)	(7)	(5)
Other administrative expenses	**(920)**	**(884)**	**(1,257)**	**(1,209)**	**(1,187)**
Office space expenses	(257)	(259)	(352)	(331)	(332)
IT expenses	(196)	(186)	(258)	(223)	(202)
Communication expenses	(61)	(67)	(90)	(93)	(95)
Legal, advisory and consulting expenses	(85)	(69)	(117)	(119)	(118)
Advertising, PR and promotional expenses	(77)	(61)	(102)	(113)	(110)
Deposit guarantee fees	(71)	(70)	(93)	(85)	(73)
Office supplies	(23)	(21)	(30)	(32)	(33)
Car expenses	(16)	(16)	(22)	(21)	(21)
Security expenses	(32)	(33)	(46)	(51)	(45)
Traveling expenses	(17)	(16)	(24)	(25)	(25)
Training expenses for staff	(10)	(9)	(16)	(19)	(18)
Sundry administrative expenses	(75)	(75)	(107)	(99)	(115)
Depreciation on intangible and tangible fixed assets	**(283)**	**(274)**	**(401)**	**(372)**	**(340)**
Tangible fixed assets	(128)	(130)	(188)	(194)	(180)
Intangible fixed assets	(132)	(120)	(179)	(143)	(128)
Leased assets (operating lease)	(24)	(25)	(33)	(35)	(32)
Total	**(2,430)**	**(2,336)**	**(3,264)**	**(3,120)**	**(2,980)**
Number of employees at the end of the period	58,772	60,632	60,084	59,261	59,782
Average number of employees	59,296	61,645	60,924	60,021	59,188
Cost/income ratio (in %)	56.9	58.4	61.5	56.0	54.7

In the nine months ended September 30, 2013, general administrative expenses increased by EUR 94 million or 4% to EUR 2,430 million from EUR 2,336 million in the nine months ended September 30, 2012. This increase was primarily attributable to the consolidation and integration of Polbank in May 2012. Due to higher operating income, the cost/income ratio decreased by 1.5 percentage points to 56.9%.

Staff expenses increased by EUR 48 million, or 4%, to EUR 1,227 million. This increase mainly resulted from the Polbank consolidation, salary adjustments in Russia and collective contractual wage increases at Group head office. These increases were partly offset by reductions in variable salary components in Hungary and Slovenia and by cost and staff reductions in Ukraine and Hungary. The average number of employees decreased by 2,349 to 59,296 compared to the nine months ended September 30, 2012, primarily due to a decreasing number of employees in Ukraine (by 1,295), Romania (by 479), Poland (by 286), Hungary (by 140) and Bulgaria (by 127).

Other administrative expenses increased by EUR 36 million, or 4%, to EUR 920 million. This increase was primarily due to the Polbank consolidation, outsourcing of IT activities at Group head office and an increase in advertising campaigns in Russia, partly offset by cost reductions in several other countries.

Depreciation of tangible and intangible fixed assets increased by EUR 9 million, or 3%, to EUR 283 million, primarily due to the Polbank consolidation, the impairment of buildings in Russia and the impairment of a software project in the Czech Republic.

In 2012, general administrative expenses increased by EUR 143 million or 4% to EUR 3,264 million compared to EUR 3,120 million in 2011. The cost/income ratio increased to 61.5% (compared to 56.0% in 2011).

Staff expenses increased by 4% or EUR 67 million, mainly as a result of the consolidation of Polbank but also related to salary adjustments in Russia. This increase was partially offset by lower staff expenses as a result of lower costs and headcount reductions in Hungary, the Czech Republic and Romania. The average number of employees increased by 1%, primarily in Poland (due to the Polbank Acquisition) and Slovakia, while the average number of employees declined particularly in Ukraine (by 753), Russia (by 448), Romania (by 323) and Hungary (by 282).

Other administrative expenses increased by 4% or EUR 48 million. This increase was primarily related to higher IT expenses (which increased by 16% due to the Polbank consolidation and the outsourcing of IT services at Group head office), deposit insurance fees (which increased by 10%) and office space expenses (which increased by 6%). These increases were partly offset by lower advertising, PR and promotional expenses (which decreased by 10%), security expenses (which decreased by 8%) and communications expenses (which decreased by 4%). The number of business outlets increased by 178 to 3,106 compared to December 31, 2011. This increase was entirely attributable to the Polbank consolidation, as a result of which the number of business outlets in Poland increased by 300 from 116 as of January 1, 2013 to 416 as of December 31, 2013, while the number of business outlets decreased primarily in Ukraine (by 84), Romania (by 24) and Hungary (by 9).

Depreciation of tangible and intangible assets increased by EUR 29 million due to higher depreciation of intangible assets, which increased by EUR 36 million, primarily as a result of impairments of software in Ukraine and the Czech Republic, the Polbank consolidation as well as system expansions in Romania, Croatia and Ukraine. Depreciation of tangible assets decreased by EUR 6 million, due to extraordinary impairment requirements relating to property in Russia in 2011.

In 2011, general administrative expenses increased by EUR 141 million or 5% to EUR 3,120 million compared to EUR 2,980 million in 2010. The cost/income ratio increased by 1.3 percentage points to 56.0%.

Staff expenses, which accounted for 49% of total general administrative expenses increased by 6% or EUR 87 million compared to 2010. This increase was primarily due to market-related salary increases and bonus payments in several markets as well as changes to statutory social security contributions in Russia and Slovakia. At the same time, a higher average number of staff triggered higher staff expenses in the Czech Republic (especially due to the expansion of the branch network), Ukraine, Russia, Poland and Slovakia. The average number of staff employed by the Group (full-time equivalents) increased by 1% or 833 persons to 60,021 employees. Other administrative expenses increased by 2% or EUR 23 million compared to 2010. This increase was primarily due to higher IT expenses (which increased by 10%), deposit insurance fees (which increased by 16%), security expenses (which increased by 11%), and advertising, PR and promotional expenses (which increased by 3%). In contrast, other administrative expenses (which decreased by 14%), office supplies (which decreased by 3%) and communication expenses (which decreased by 2%) declined.

Depreciation of intangible and tangible fixed assets increased by 9% or EUR 31 million to EUR 372 million. This increase was due to higher depreciation of intangible assets (which increased by EUR 15 million, primarily relating to the implementation of new software and a shorter useful life for the systems being replaced) and tangible assets (which increased by EUR 14 million, primarily relating to a EUR 11 million impairment of a property in Russia).

Other net operating income

The following table sets out the components of the Group's other net operating income in the nine months ended September 30, 2013 and 2012 as well as for the financial years 2012, 2011 and 2010:

	Nine months ended September 30,		Year ended December 31,		
	2013	2012	2012	2011	2010
	(in EUR million)				
	(unaudited)		(audited)		
Other net operating income					
Sales revenues from non-banking activities	503	580	721	715	834
Expenses arising from non-banking activities	(479)	(545)	(676)	(684)	(799)
Revenues from additional leasing services	54	56	80	83	92
Expenses from additional leasing services	(55)	(58)	(72)	(89)	(94)
Rental income from operating lease (vehicles and equipment)	24	25	33	38	36
Rental income from investment property incl. operating lease (real estate)	25	18	23	21	13
Net proceeds from disposal of tangible and intangible fixed assets	(7)	(1)	(9)	(9)	(9)
Other taxes	(208)	(140)	(190)	(131)	(74)
hereof bank levies and financial transaction tax	(163)	(114)	(157)	(93)	(41)
Impairment of goodwill	(3)	(1)	(38)	(187)	-
Net expenses from allocation and release of other provisions	10	13	19	(12)	(27)
Sundry operating income	45	38	60	70	77
Sundry operating expenses	(28)	(37)	(54)	(46)	(42)
Total	**(117)**	**(52)**	**(102)**	**(232)**	**6**

In the nine months ended September 30, 2013, other net operating expenses increased by EUR 65 million to EUR 117 million compared to EUR 52 million in the nine months ended September 30, 2012. This negative development was primarily due to a EUR 48 million increase in bank levies in Hungary and Slovakia and the newly introduced financial transaction tax in Hungary which was, however, partly offset by higher fee and commission income. The Hungarian bank levy was booked upfront for the full year 2013 in the second quarter in accordance with the IFRS standard. The release of a provision for VAT liabilities in Poland and net income from the operating lease business had a positive effect on other net operating income.

In 2012, other net operating expenses were EUR 102 million compared to an expense of EUR 232 million in 2011. This positive development was primarily due to lower impairment of goodwill, which decreased to EUR 38 million in 2012 (from EUR 187 million in 2011) and related to impairments in the Group's Ukrainian subsidiary (in the amount of EUR 29 million) as well as the Group's subsidiaries in Bosnia and Herzegovina, Croatia as well as various smaller Group units. Lower impairment requirements for goodwill were partly offset by other factors, such as higher bank levies in Austria and Hungary, as well as the first-time imposition of a bank levy in Slovakia. The Group's total expenses in connection with bank levies amounted to EUR 157 million in 2012 (compared to EUR 93 million in 2011).

In 2011, other net operating expenses were EUR 232 million compared to an income of EUR 6 million in 2010. This development was primarily due to a EUR 187 million impairment in goodwill recorded in Ukraine, Hungary and Slovenia. The goodwill impairment in Ukraine was a result of the revised macroeconomic forecast for Ukraine and the increase in the applicable discount rate, which required a goodwill impairment of EUR 183 million for Raiffeisen Bank Aval JSC. Goodwill relating to the

Group’s network banks in Hungary (EUR 3 million) and Slovenia (EUR 1 million) was completely written off. Additionally, the bank levy in Austria had a negative impact on other net operating income of EUR 83 million. Loan losses resulting from the “home protection law” in Hungary could be offset against the bank levy in Hungary, reducing the Hungarian bank levy by EUR 31 million to EUR 10 million in 2011.

Net income from disposal of group assets

In the nine months ended September 30, 2013, net loss from disposal of group assets increased by EUR 4 million to EUR 6 million compared to a loss of EUR 2 million in the nine months ended September 30, 2012. This loss was attributable to the deconsolidation of companies with revenues or assets below the materiality threshold.

In 2012, net income from disposal of group assets was EUR 12 million compared to a loss of EUR 3 million in 2011. This was due to the deconsolidation of ten Group companies, eight of which due to immateriality, one due to closure of business and one Group company was sold.

In 2011, net loss from disposal of group assets was EUR 3 million compared to income of EUR 5 million in 2010. This was due to the deconsolidation of five Group companies, four of which due to immateriality and one due to closure of business.

Profit before tax

In the nine months ended September 30, 2013, profit before tax decreased by EUR 419 million or 38% to EUR 696 million from EUR 1,115 million in the nine months ended September 30, 2012. This decrease was primarily due to lower net income from financial investments and higher loss from derivatives and liabilities as well as the challenging business development in Hungary.

In 2012, profit before tax decreased by EUR 342 million or 25% to EUR 1,032 million compared to EUR 1,373 million in 2011. This decrease was primarily due to lower net interest income and lower net fee and commission income as well as higher general administrative expenses.

In 2011, profit before tax increased by EUR 86 million or 7% to EUR 1,373 million compared to EUR 1,287 million in 2010. This increase was primarily attributable to the increase in net interest income and the decrease in net provisioning for impairment losses, partly offset by the increase in general administrative expenses. Profit before tax in 2011 also reflected the one-off effects of the use of the fair value option for the valuation of debt securities issued by the Group and the impairment in goodwill in the Group’s Network Unit in Ukraine.

Income taxes

The following table sets out the components of the Group’s income taxes in the nine months ended September 30, 2013 and 2012 as well as for the financial years 2012, 2011 and 2010:

	Nine months ended September 30,		**Year ended December 31,**		
	2013	**2012**	**2012**	**2011**	**2010**
			(in EUR million)		
	(unaudited)		**(audited)**		
Income taxes					
Current income taxes	(262)	(225)	(264)	(341)	(357)
Austria	(21)	(11)	(16)	(25)	(41)
Foreign	(241)	(214)	(248)	(316)	(316)
Deferred taxes	26	(2)	(20)	(59)	247
Total	**(236)**	**(226)**	**(284)**	**(399)**	**(110)**

The Group’s income taxes deviate from the theoretical income tax expense. The following table sets out a reconciliation of the Group’s income taxes for the financial years 2012, 2011 and 2010:

	Year ended December 31,		
	2012	2011	2010
	(in EUR million) (audited)		
Reconciliation of income taxes			
Profit before tax	**1,032**	**1,373**	**1,287**
Theoretical income tax expense in the financial year based on the domestic income tax rate of 25%	**(258)**	**(343)**	**(322)**
Effect of divergent foreign tax rates	61	92	61
Tax deductions because of tax-exempted income from equity participations and other income	52	157	103
Tax increases because of non-deductible expenses	(82)	(132)	(56)
Other tax deductions and tax increases	(57)	(173)	104
Effective tax burden	**(284)**	**(399)**	**(110)**
Tax rate in %	**27.5**	**29.1**	**8.6**

In the nine months ended September 30, 2013, income taxes increased by EUR 9 million or 4% to EUR 236 million from EUR 226 million in the nine months ended September 30, 2012. This increase was primarily an increase of the tax rate to 34% and partly offset by lower profit before tax.

In 2012, income taxes decreased by EUR 115 million or 29% to EUR 284 million compared to EUR 399 million in 2011. This decrease was primarily due to lower profit before tax and lower deferred taxes. The Group's effective tax rate was 27.5% compared to 29.1% in 2011.

In 2011, income taxes increased by EUR 289 million to EUR 399 million compared to EUR 110 million in 2010. This increase was due to deferred tax expenses of EUR 59 million in 2011 compared to deferred tax income of EUR 247 million in 2010 as a result of valuation gains on derivatives and liabilities designated at fair value in Austria. Income taxes were also adversely affected by losses in Hungary that could not be offset by recognizing tax loss carry-forwards. As a result of the foregoing, the effective tax rate increased to 29.1% in 2011 from 8.6% in 2010.

Profit after tax

In the nine months ended September 30, 2013, profit after tax decreased by EUR 428 million or 48% to EUR 461 million from EUR 889 million in the nine months ended September 30, 2012.

In 2012, profit after tax decreased by EUR 226 million or 23% to EUR 748 million compared to EUR 974 million in 2011.

In 2011, profit after tax decreased by EUR 203 million or 17% to EUR 974 million compared to EUR 1,177 million in 2010.

Comparison of segment results

The following table sets out the Group's results and selected key figures by segment for the year ended December 31, 2012:

	Central Europe	South-eastern Europe	Russia	CIS other	Group Corporates	Group Markets	Corporate Center	Reconciliation	Total
	(in EUR million) (audited)								
Net interest income	1,043	869	749	418	404	159	501	(670)	3,472
Net fee and commission income	496	319	285	209	163	105	(42)	(19)	1,516
Net trading income	8	53	69	(19)	16	78	(36)	45	215
Other net operating income	(18)	40	(5)	(5)	12	13	44	(182)	(102)
Operating income	**1,529**	**1,281**	**1,098**	**602**	**595**	**355**	**467**	**(826)**	**5,101**
General administrative expenses	(1,037)	(702)	(511)	(384)	(177)	(256)	(328)	131	(3,264)
Operating result	**492**	**579**	**587**	**218**	**418**	**99**	**138**	(694)	1,837
Net provisioning for impairment losses	(517)	(287)	16	(89)	(113)	(18)	(1)	0	(1,009)
Other results	78	11	(5)	(21)	14	177	(537)	486	203
Profit before tax	**53**	**303**	**599**	**108**	**319**	**258**	**(399)**	(209)	**1,032**

	Central Europe	South-eastern Europe	Russia	CIS other	Group Corporates	Group Markets	Corporate Center	Reconciliation	Total
					(in EUR million) (audited)				
Income taxes	(68)	(36)	(126)	(47)	(72)	(68)	132	0	(284)
Profit after tax	**(15)**	**267**	**473**	**61**	**247**	**191**	**(268)**	**(209)**	**748**
Profits attributable to non-controlling interests	2	(16)	(5)	(6)	0	(1)	0	3	(22)
Consolidated profit	**(13)**	**251**	**468**	**55**	**247**	**190**	**(268)**	**(205)**	**725**
Risk-weighted assets (credit risk)	21,958	13,169	10,243	5,148	13,151	3,323	18,957	(17,813)	68,136
Assets	40,787	21,346	15,635	6,324	18,997	20,243	47,341	(34,557)	136,116
					(in percentages)				
Share of profit before tax	4.3	24.4	48.3	8.7	25.7	20.8	(32.2)	n.a.	100
Non-performing loan ratio	11.5	12.5	5.0	28.2	4.8	4.1	n.a.	n.a.	9.8
NPL coverage ratio	64.0	62.0	100.0	70.2	60.7	90.3	n.a.	n.a.	67.0
Net interest margin (average interest-bearing assets)	2.9	4.2	5.3	7.1	1.9	0.8	n.a.	n.a.	2.7
Cost/income ratio	65.5	54.8	46.5	63.8	29.8	71.9	57.7	n.a.	61.5
Return on equity before tax	1.7	14.7	39.2	13.7	18.0	24.6	n.a.	n.a.	9.7
					(in numbers)				
Business outlets	853	1,129	193	926	8	3	1	n.a.	3,106

The presentation of statement of comprehensive income data in the Group's segment reporting deviates from the presentation of the Group's statement of comprehensive income on a consolidated basis. In addition to the Group's consolidated statement of comprehensive income being more detailed than the Group's segment reporting data, the order of the individual line items differs. In particular, "operating income" and "operating result" are reported only on a segment level and in segment reporting "net provisioning for impairment losses" is deducted from operating result while it is deducted from "net interest income" in the Group's consolidated statement of comprehensive income. The line item "other results" is used by the Group in connection with its segment reporting and comprises "net income from derivatives and designated liabilities", "net income from financial investments", "net income from disposal of group assets", which are shown as separate line items in the Group's consolidated income statement as well as impairment on goodwill and – since the third quarter of 2013 – bank levies and special transaction tax in Hungary.

Until the second quarter of 2013, bank levies, financial transaction tax and special transaction tax in Hungary were reported under "other net operating income". Since the third quarter of 2013, bank levies and special transaction tax are reported under "other results". Data for the nine months ended September 30, 2012 were adjusted to reflect this change. The Audited Financial Statements were not adjusted.

Central Europe

The following table sets forth the Central Europe segment's results and selected key figures for the nine months ended September 30, 2013 and 2012 as well as for the years ended December 31, 2012, 2011 and 2010:

	Nine months ended September 30,			Year ended December 31,				
	2013	% Change	2012	2012	% Change	2011	% Change	2010
Central Europe	(in EUR million, except percentages)							
	(unaudited)			(audited, except percentages)				
Net interest income	803	4	774	1,043	5	1,102	(1)	1,111
Net fee and commission income	409	13	363	496	1	491	4	473
Net trading income	7	(7)	7	8	(90)	77	83	42
Other net operating income	19	>100	9	(18)	>100	(2)	(97)	(58)
Operating income	**1,238**	**7**	**1,154**	**1,529**	**(8)**	**1,668**	**6**	**1,569**
General administrative expenses	(784)	8	(723)	(1,037)	11	(938)	6	(883)
Operating result	**454**	**5**	**430**	**492**	**(33)**	**730**	**6**	**685**
Net provisioning for impairment losses	(260)	(11)	(293)	(517)	(20)	(646)	58	(408)
Other results	(66)		15	78	n.a.	(50)	>100	(8)

	Nine months ended September 30,			Year ended December 31,				
	2013	% Change	2012	2012	% Change	2011	% Change	2010
Central Europe	(in EUR million, except percentages)							
	(unaudited)			(audited, except percentages)				
Profit before tax	**127**	(16)	**152**	**53**	**61**	**33**	**(88)**	**269**
Income taxes	(54)	(12)	(61)	(68)	3	(66)	1	(65)
Profit after tax	**73**	**(20)**	**91**	**(15)**	**(55)**	**(33)**	**n.a.**	**204**
Profits attributable to non-controlling interests	(34)	74	(19)	2	(91)	22	n.a.	(54)
Consolidated profit	**40**	**(45)**	**72**	**(13)**	**17**	**(11)**	**n.a.**	**149**
Risk-weighted assets (credit risk)	21,175	(1)	21,439	21,958	2	21,510	(6)	22,886
Assets	38,353	(8)	41,601	40,787	17	34,852	(3)	33,928
	(in percentages; changes shown in percentage points)							
Share of profit before tax	9.4	0.3PP	9.1	4.3	2.1PP	2.2	(14.8)PP	17.0
Non-performing loan ratio	12.0	0.9PP	11.1	11.5	1.7PP	9.8	0.7PP	9.1
NPL coverage ratio	63.7	2.0PP	61.8	64.0	3.3PP	60.7	7.4PP	53.3
Net interest margin (total assets)	n.a.	n.a.	n.a.	n.a.	n.a.	3.2	(0.1)PP	3.3
Net interest margin (average interest-bearing assets)	2.9	0.05PP	2.9	2.9	(0.5)PP	3.4	n.a.	n.a.
Cost/income ratio	63.3	0.6PP	62.7	65.5	9.6PP	55.9	1.0PP	54.9
Return on equity before tax	5.2	(1.7)PP	6.9	1.7	0.5PP	1.2	(9.2)PP	10.4
	(in numbers)							
Business outlets	805	(43)	848	853	301	552	(3)	555

Net interest income

In the nine months ended September 30, 2013, net interest income increased by EUR 29 million or 4% to EUR 803 million from EUR 774 million in the nine months ended September 30, 2012. Average interest-bearing assets increased by EUR 769 million to EUR 36,876 million. The segment's net interest margin remained stable at 2.9%.

This increase was attributable to a EUR 47 million increase in net interest income in Poland as a result of the Polbank Acquisition as well as the classification of new currency-based transactions as non-trading since the second quarter of 2013 and consequently the allocation of income from these positions since then to net interest income (compared to trading income until the first quarter of 2013). In Hungary interest income decreased substantially as a result of lower loan volumes and decreasing interest income from derivative financial instruments as well as from securities. In Slovakia, net interest income was positively affected by a restructuring of the loan portfolio. In the Czech Republic, net interest income decreased as a result of lower lending volumes to retail and corporate customers.

In 2012, net interest income decreased by EUR 59 million or 5% to EUR 1,043 million compared to EUR 1,102 million in 2011. Average interest-bearing assets increased by EUR 3,780 million to EUR 36,532 million. The segment's net interest margin decreased by 50 basis points to 2.9%.

The decline in net interest income primarily related to lower net interest income in Hungary as a result of the premature repayment of foreign-currency loans to retail customers and higher interest expenses for customer deposits. In the Czech Republic, lower retail business volumes due to the general economic condition resulted in lower net interest income. The net interest margin in the Central Europe segment was also adversely affected by the competitive banking environment in the region, leading to higher interest expenses for client deposits, particularly in Slovakia. These effects were only partly offset by higher net interest income in Poland, which increased by 41% due to the Polbank consolidation.

In 2011, net interest income decreased by EUR 9 million or 1% to EUR 1,102 million from EUR 1,111 million in 2010. Average interest-bearing assets amounted to EUR 32,753 million. The net interest margin (total assets) in the segment decreased by 10 basis points to 3.2%.

The decrease in net interest income was primarily due to lower contributions of the Hungarian and Czech Network Units. In Hungary, lower lending volumes were due to the ongoing difficult economic environment, while in the Czech Republic higher interest expenses for actively acquired customer deposits as well as interest expenses for newly issued subordinated capital negatively affected net interest income. Lower contributions from Hungary and the Czech Republic were partly offset by the units in Slovakia and Poland, mainly due to the expansion of their customer portfolios. In Slovakia, this reflected higher income from loans to corporate and retail customers – and, in particular, a significant expansion of the mortgage loan portfolio – while in Poland, a significant increase in demand for loans from corporate customers supported net interest income. In addition, interest income from securities increased due to the investment of excess liquidity.

Net fee and commission income

In the nine months ended September 30, 2013, net fee and commission income increased by EUR 46 million or 13% to EUR 409 million from EUR 363 million in the nine months ended September 30, 2012. Income from payment transactions increased by 18% to EUR 176 million, primarily due to higher fees charged to customers in connection with the financial transaction tax in Hungary (which is shown as an expense under other net operating income). Income from the securities business increased by 47% to EUR 34 million, primarily in Hungary. Income from foreign currency, notes/coins and precious metals business increased by 5% to EUR 116 million year-on-year, primarily as a result of a favorable development in Poland.

In 2012, net fee and commission income increased by EUR 5 million or 1% to EUR 496 million compared to EUR 491 million in 2011. Net income from payment transfer business increased by 3% to EUR 201 million, primarily due to the Polbank consolidation. Net income from the loan and guarantee business decreased by 10% to EUR 65 million because of lower business volumes and a lower number of transactions, particularly in Hungary and the Czech Republic. Net income from foreign currency, notes/coins and precious metals business increased by 2% to EUR 150 million year-on-year, primarily due to the Polbank consolidation.

In 2011, net fee and commission income increased by EUR 17 million or 4% to EUR 491 million from EUR 473 million in 2010. Net income from the payment transfer business increased by 5%, primarily due to a rise in the number of transactions as well as to price adjustments for retail customers in the Czech Republic. Net income from the loan and guarantee business increased by 9%, mainly due to higher business activity and income from project financing in Poland. Net income from the foreign exchange, notes/coins and precious metals business remained unchanged, despite a decrease in the number and volume of foreign currency transactions Hungary.

Net trading income

In the nine months ended September 30, 2013, net trading income remained stable at EUR 7 million. Net income from currency-based transactions, decreased from an income of EUR 2 million to a loss of EUR 16 million, primarily as a result of a one-off gain incurred in the nine months ended September 30, 2012 in Poland in connection with business activities of Polbank. Additionally, the classification of new currency-based transactions as non-trading since the second quarter of 2013 and consequently the allocation of income from these positions since then to net interest income (compared to trading income until the first quarter of 2013) also had a negative impact on net income from currency-based transactions in Poland. This negative development was partly offset by a substantial increase of valuation gains from derivative financial instruments in Hungary and higher net income from interest-based transactions, which increased by EUR 17 million to EUR 22 million, primarily due to valuation gains incurred in connection with the valuation of interest-based derivatives in the Czech Republic and Poland.

In 2012, net trading income decreased by EUR 69 million or 90% to EUR 8 million compared to EUR 77 million in 2011. This decrease was primarily due to a net loss from currency-based transactions in the amount of EUR 3 million compared to net income in the amount of EUR 62 million in 2011, primarily as a result of valuation losses from derivatives in Hungary. Net income from interest-based transactions decreased by EUR 4 million to EUR 10 million, primarily due to a lower valuation result from interest-rate derivatives in Hungary.

In 2011, net trading income increased by EUR 35 million or 83% to EUR 77 million from EUR 42 million in 2010. This increase was primarily due to higher net income from currency-based transactions, which increased by EUR 26 million, primarily due to revaluation gains on various foreign currency instruments in Poland and Hungary. Net income from interest-based transactions increased by EUR 13 million due to revaluation gains on interest rate swap transactions in the Czech Republic and Hungary.

Other net operating income

In the nine months ended September 30, 2013, other net operating income increased by EUR 9 million to EUR 19 million compared to EUR 9 million in the nine months ended September 30, 2012. This development was primarily due to the release of a provision for VAT liabilities in Poland provided a positive contribution to other net operating income.

In 2012, other net operating loss increased by EUR 16 million to EUR 18 million compared to EUR 2 million in 2011. This development was primarily attributable to the introduction of a bank levy in Slovakia which adversely impacted net income in the amount of EUR 29 million. The bank levy in Hungary also had a stronger negative impact on net income than in 2011 as losses resulting from the early repayment of foreign currency loans, which could be offset from the bank levy, decreased in 2012 compared to 2011. The negative impacts from the bank levies in Slovakia and Hungary were partly offset by net income from the release of provisions in Hungary, which had been established for legal disputes.

In 2011, other net operating loss decreased by EUR 56 million or 97% to EUR 2 million from EUR 58 million in 2010. This improvement was driven by higher net income from non-banking activities as well as reduced expenses relating to the bank levy in Hungary. This reduction was the result of the partial deductibility of losses from the early repayment of foreign currency loans under the Hungarian home protection law.

General administrative expenses

In the nine months ended September 30, 2013, general administrative expenses increased by EUR 61 million or 8% to EUR 784 million from EUR 723 million in the nine months ended September 30, 2012. This increase was primarily attributable to the first time consolidation of Polbank and its ongoing operational merger with the structures and systems of Raiffeisen Bank Polska S.A. In the Czech Republic, expenses for deferred bonus payments led to a rise in staff expenses. These effects were partly offset by cost saving programs and staff reductions in Hungary and Slovenia. The segment’s cost/income ratio increased by 0.6 percentage points to 63.3%, primarily due to the first-time consolidation of Polbank in May 2012.

In 2012, general administrative expenses increased by EUR 99 million or 11% to EUR 1,037 million compared to EUR 938 million in 2011. This increase was exclusively due to the Polbank consolidation and its operational merger with Raiffeisen Bank Polska, which could not be offset by cost reductions in other countries, particularly in Hungary, where a decrease in business outlets and headcount reduction considerably reduced staff expenses. The segment’s other administrative expenses increased to EUR 435 million, primarily due to the Polbank consolidation. The 26% increase in depreciation expenses was also largely attributable to the Polbank consolidation as well as higher depreciation of IT software in Slovakia and depreciation of the branch network in Hungary. The segment’s cost/income ratio increased by 9.6 percentage points to 65.5%, primarily due to lower operating income.

In 2011, general administrative expenses increased by EUR 55 million or 6% to EUR 938 million from EUR 883 million in 2010. This increase was primarily due to higher staff expenses relating to increased marketing activities in the Czech Republic, increased operating activities of ZUNO in Slovakia and insourcing measures, which triggered higher staff expenses in Poland. Additionally, other administrative expenses increased by 6% as a result of additional business activities of ZUNO in the Czech Republic and Slovakia, as well as the preparations for the acquisition of Polbank in Poland. These effects were partly offset by lower general administrative expenses in Hungary due to the closure of several branches and the reduction in the number of employees. Depreciation expenses also increased in several countries in the region, mainly as a result of the commissioning of IT applications and the depreciation of IT systems following implementation of a new core bank system. The segment's cost/income ratio increased by 1.0 percentage points to 55.9%.

Net provisioning for impairment losses

In the nine months ended September 30, 2013, net provisioning for impairment losses decreased by EUR 33 million or 11% to EUR 260 million from EUR 293 million in the nine months ended September 30, 2012. Net allocations to individual loan loss provisions and portfolio-based loan loss provisions decreased by EUR 20 million and EUR 8 million, respectively. In Hungary, net provisioning for impairment losses declined by EUR 50 million due to net releases of individual and portfolio-based loan loss provisions for retail and corporate customers and in the Czech Republic loan loss provisioning decreased by EUR 9 million compared to the nine months ended September 30, 2012. In Slovenia, net provisioning for impairment losses increased by EUR 25 million and related to corporate and retail customer business. The share of non-performing loans for non-banks in the loan portfolio was 12.0% compared to 11.1% in the nine months ended September 30, 2012.

In 2012, net provisioning for impairment losses decreased by EUR 129 million or 20% to EUR 517 million compared to EUR 646 million in 2011. This decrease was primarily attributable to lower loan loss provisions in Hungary, where exceptionally high net provisioning for impairment losses had been required in 2011, particularly due to the adverse economic situation and as a result of government measures allowing borrowers to prematurely repay foreign currency loans at an exchange rate below the market rate. This decrease was partly offset by higher allocations in Poland as a result of increased defaults in the construction sector and in the Czech Republic due to higher loan loss provisions with respect to mortgage loans. In total, net allocations to individual loan loss provisions decreased by 13% to EUR 582 million and the net release from portfolio-based loan loss provisions in the region increased by EUR 40 million to EUR 61 million. The share of non-performing loans in the Central Europe segment's loan portfolio amounted to 11.5% as of December 31, 2012 compared to 9.8% as of December 31, 2011.

In 2011, net provisioning for impairment losses increased by EUR 238 million or 58% to EUR 646 million from EUR 408 million in 2010. This increase was primarily due to provisions in the amount of EUR 478 million in Hungary as a result of the political and economic situation and an allocation in the amount of EUR 109 million in connection with the Hungarian "home protection law". Net allocations to individual loan loss provisions increased by 65% to EUR 671 million, primarily due to the situation in Hungary, which also triggered the revaluation of collateral in Hungary. Portfolio-based loan loss provisions were a net release of EUR 21 million, primarily relating to consumer lending in Hungary, partly offset by net allocations to portfolio-based loan loss provisions in the Czech Republic, mainly in connection with the expanded retail customer portfolio. The proportion of non-performing loans in the loan portfolio of the Central Europe segment was 9.8% as of December 31, 2011.

Other results

In the nine months ended September 30, 2013, other results were a loss of EUR 66 million compared to an income of EUR 15 million in the nine months ended September 30, 2012. This loss was primarily attributable to bank levies in Slovakia and Hungary and the newly introduced financial transaction tax established in Hungary, which had a negative impact on income in the amount of EUR 85 million – an increase of EUR 48 million compared to the nine months ended September 30, 2012. Additionally, net income from financial investments declined by EUR 22 million and net income from derivates and derivates and liabilities declined by EUR 11 million, primarily due to a decline in net income from the valuation of the fair value portfolio of securities in Hungary and Slovakia. In the Czech Republic and Slovakia impairments on equity participations increased by EUR 6 million and lower valuation gains from hedging transactions in the Czech Republic were responsible for a decrease by EUR 11 million in net income from derivates.

In 2012, other results were an income of EUR 78 million compared to a loss of EUR 51 million in 2011. Net income from financial investments, which was positively impacted by valuation gains in the amount of EUR 43 million from municipal bonds in Hungary, increased to EUR 52 million. Net income from derivatives in the region also increased due to higher valuation gains from various hedging transactions concluded to adjust the currency and interest-rate structure in the Czech Republic.

In 2011, other results were a loss of EUR 50 million, an increase of EUR 43 million from a loss of EUR 8 million in 2010. This development was primarily due to a higher net loss from financial investments, which increased from EUR 2 million in 2010 to a loss of EUR 59 million in 2011 as a result of valuation losses, particularly in Hungary, where a significant revaluation loss had to be booked on municipal bonds as a result of the worsening of the financial condition of Hungarian municipalities and the general increase in risk aversion which led to a rise in bond yields. This loss was partly offset by net income from derivative financial investments, which improved from a loss of EUR 10 million in 2010 to an income of EUR 8 million in 2011, predominantly as a result of revaluation gains on hedging transactions in the Czech Republic. These hedging instruments had been entered into to adjust the foreign currency and interest rate structure and were positively affected by declining interest rate levels.

Profit before tax

In the nine months ended September 30, 2013, profit before tax decreased by EUR 25 million or 16% to EUR 127 million from EUR 152 million in the nine months ended September 30, 2012. This decrease was primarily due to higher general administrative expenses, which could only partly be offset by lower net provisioning for impairment losses.

In 2012, profit before tax increased by EUR 20 million or 61% to EUR 53 million compared to EUR 33 million in 2011. This increase was primarily due to significantly lower losses in Hungary, where the political and economic situation and government measures had particularly impacted the segment's results in 2011. This positive development was partly offset by lower profit in other regions, particularly Poland, which was due to the Polbank integration, and Slovakia.

In 2011, profit before tax decreased by EUR 236 million or 88% to EUR 33 million from EUR 269 million in 2010. This decrease was primarily due to the negative development in Hungary, where lower net interest income, net provisioning of EUR 478 million as well as valuation losses on municipal bonds negatively affected the segment's results. These effects could only partially be offset by the positive development in other countries of the segment.

Income taxes

In the nine months ended September 30, 2013, income taxes decreased by EUR 7 million or 12% to EUR 54 million from EUR 61 million in the nine months ended September 30, 2012. The effective tax rate increased by 2 percentage points to 42%, primarily due to the situation in Hungary and Slovenia, where losses could not be fully deducted for tax purposes through the recognition of corresponding tax loss carry-forwards. Additionally, tax loss carry-forwards relating to the Polbank Acquisition could not be fully utilized due to tax restrictions.

In 2012, income taxes increased by EUR 2 million or 3% to EUR 68 million compared to EUR 66 million in 2011. This increase was primarily due to the fact that the losses in Hungary could only be used to a limited extent for allocations to deferred tax assets. Similarly, tax loss carry-forwards in connection with the Polbank acquisitions could not be fully utilized due to tax restrictions.

In 2011, income taxes increased by 1% to EUR 66 million from EUR 65 million in 2010. This increase was primarily due to the fact that the losses in Hungary could only be used to a limited extent for allocations to deferred tax assets.

Southeastern Europe

The following table sets forth the Southeastern Europe segment's results and selected key figures for the nine months ended September 30, 2013 and 2012 as well as for the years ended December 31, 2012, 2011 and 2010:

	Nine months ended September 30,			Year ended December 31,				
	2013	% Change	2012	2012	% Change	2011	% Change	2010
Southeastern Europe	(in EUR million, except percentages)							
	(unaudited)			(audited, except percentages)				
Net interest income	645	(1)	654	869	(5)	919	2	898
Net fee and commission income	252	5	241	320	(12)	365	(6)	388
Net trading income	41	(5)	43	53	28	41	(26)	56
Other net operating income	26	(1)	27	40	0	40	8	37
Operating income	**964**	**0**	**965**	**1,281**	**(6)**	**1,366**	**(1)**	**1,379**
General administrative expenses	(515)		(516)	(702)	(6)	(747)	1	(738)
Operating result	**449**	**0**	**449**	**579**	**(6)**	**619**	**(3)**	**641**
Net provisioning for impairment losses	(219)	10	(200)	(287)	11	(258)	(23)	(335)
Other results	15	20	13	11	n.a.	(10)	>100	(1)
Profit before tax	**246**	**(6)**	**261**	**303**	**(14)**	**351**	**15**	**305**
Income taxes	(23)	(27)	(32)	(36)	(23)	(47)	19	(39)
Profit after tax	**223**	**(3)**	**230**	**267**	**(12)**	**305**	**15**	**266**
Profits attributable to non-controlling interests	(1)	(95)	(15)	(16)	0	(16)	(7)	(17)
Consolidated profit	**222**	**3**	**215**	**251**	**(13)**	**289**	**16**	**248**
Risk-weighted assets (credit risk)	12,833	(2,4)	13,150	13,169	(19)	16,325	(2)	16,698
Assets	21,358	(2,3)	21,866	21,346	(17)	22,827	1	22,697
	(in percentages; changes shown in percentage points)							
Share of profit before tax	18.2	2.5PP	15.7	24.4	1.0PP	23.4	4.2PP	19.2
Non-performing loan ratio	13.7	1.1PP	12.5	12.5	1.2PP	11.3	2.3PP	9.0
NPL coverage ratio	62.2	2.4PP	59.8	62.0	3.4PP	58.6	(9.6)PP	68.2
Net interest margin (total assets)	n.a.	n.a.	n.a.	n.a.	n.a.	4.1	0.2PP	3.9
Net interest margin (average interest-bearing assets)	4.3	0.2PP	4.2	4.2	(0.2)PP	4.4	n.a.	n.a.
Cost/income ratio	53.4	(0.1)PP	53.5	54.8	0.1PP	54.7	1.1PP	53.5
Return on equity before tax	16.1	(1.0)PP	17.1	14.7	(2.8)PP	17.5	1.8PP	15.7
	(in numbers)							
Business outlets	1,121	(14)	1,135	1,135	32	1,161	(6)	1,167

Net interest income

In the nine months ended September 30, 2013, net interest income decreased by EUR 9 million or 1% to EUR 645 million from EUR 654 million in the nine months ended September 30, 2012. Average interest-bearing assets decreased by EUR 1,009 million to EUR 19,834 million. The segment's net interest margin increased by 15 basis points to 4.3% due to lower average interest-bearing assets.

The decrease in net interest income was attributable to the development in most of the region's countries, in particular Romania and Bulgaria. In Romania, the main factors were lower interest rates and declining interest income from securities while in Bulgaria the maturing of portions of the corporate loan portfolio and lower interest rates had a negative effect on net interest income. In Serbia, however, net interest income increased as a result of lower interest expenses for customer deposits.

In 2012, net interest income decreased by EUR 50 million or 5% to EUR 869 million compared to EUR 919 million in 2011. Average interest-bearing assets decreased by EUR 193 million to EUR 20,631 million. The segment's net interest margin declined by 20 basis points to 4.2%.

The decrease in net interest income was primarily attributable to lower net interest income in Croatia, where maturities in the loan portfolio led to lower net interest income, and in Bulgaria, where, beginning with 2012, no interest income is recognized on non-performing loans due to a methodology change. These effects were partly offset by higher net interest income in Romania, which increased 13%, primarily due to a reclassification at the expense of net fee and commission income.

In 2011, net interest income increased by EUR 21 million or 2% to EUR 919 million from EUR 898 million in 2010. Average interest-bearing assets amounted to EUR 20,824 million. The net interest margin (total assets) in the segment increased by 20 basis points to 4.1%.

The increase in net interest income was primarily due to a strong increase in net interest income in Romania, despite high pressure on margins, as lending volumes for large corporate customers and retail customers increased significantly. Net interest income also increased in all other countries of the segment, except for Bulgaria, where net interest income from the customer portfolio was negatively affected by lower loan margins.

Net fee and commission income

In the nine months ended September 30, 2013, net fee and commission income increased by EUR 11 million or 5% to EUR 252 million from EUR 241 million in the nine months ended September 30, 2012. Income from the payment transfer business increased by 8%. Income from the foreign currency, notes/coins and precious metals business remained stable at EUR 51 million. Income from the loan and guarantee business decreased by 26% to EUR 16 million, primarily due to lower transaction volumes in Serbia and Croatia, while income from the loan and guarantee business increased by EUR 3 million, primarily in Romania and Croatia, as a result of successfully implemented repricing measures. Net income from the sale of own and third party products in Croatia and Serbia also increased by EUR 3 million.

In 2012, net fee and commission income decreased by EUR 45 million or 12% to EUR 320 million compared to EUR 365 million in 2011. Income from the payment transfer business remained stable while income from the loan and guarantee business decreased by 67% to EUR 20 million, mainly due to the developments in Romania where net fee and commission income decreased primarily due lower prices, especially in the retail business, and a methodology change which involved a reclassification between net fee and commission income and net interest income. Income from the management of investment and pension funds decreased by 30% to EUR 8 million due to an increase in government fees for pension funds in Croatia as well as lower transaction volumes. Income from foreign currency, notes/coins and precious metals business, generated mainly in Croatia and Romania, remained stable at EUR 69 million.

In 2011, net fee and commission income decreased by EUR 23 million or 6% to EUR 365 million from EUR 388 million in 2010. This decrease was primarily due to lower income from the loan and guarantee business, which decreased by 32% compared to 2010, particularly in Romania as a result of lower transaction volumes (particularly in the guarantee business), a market-related decline in fees and new consumer protection provisions. Income from the securities business also decreased by 11% compared to 2010, primarily due to the sharp decline in public sector issues on the local financial market in Croatia. These effects were only partly offset by an increase in income from the foreign exchange, notes/coins and precious- metals business, which increased by 4% compared to 2010.

Net trading income

In the nine months ended September 30, 2013, net trading income decreased by EUR 2 million or 5% to EUR 41 million from EUR 43 million in the nine months ended September 30, 2012. This decline was attributable to lower income from interest-based transactions, which was not fully offset by higher net income from currency-based transactions. Lower income from interest-based transactions was primarily attributable to Croatia, where in the nine months ended September 30, 2012 lower spreads led to high valuation gains from bonds in the trading portfolio. Higher net income from currency-based transactions was mainly attributable to positive market valuations of forward exchange contracts due to currency appreciation in Romania and Serbia.

In 2012, net trading income increased by EUR 12 million or 28% to EUR 53 million compared to EUR 41 million in 2011. Net income from interest-based transactions increased by EUR 33 million, primarily due to higher valuation gains on bonds in the Croatian trading portfolio, which increased due to a narrowing in credit spreads. This positive development was partly offset by lower income from currency-based transactions, which decreased by EUR 21 million, primarily due to a lower net valuation result from forward transactions in Romania.

In 2011, net trading income decreased by EUR 15 million or 26% to EUR 41 million from EUR 56 million in 2010. This overall decrease was the result of decreases in net income from currency-based transactions (which decreased by 8% compared to 2010) as well as net income from interest-based transactions (which decreased by 40% compared to 2010). In Croatia the expiration of a number of currency swap transactions and significantly lower currency volatility negatively affected income from currency-based transactions, and valuation losses on government bonds, due to higher credit spreads, had a negative effect on interest-based transactions.

Other net operating income

In the nine months ended September 30, 2013, other net operating income decreased by EUR 1 million or 1% to EUR 26 million from EUR 27 million in the nine months ended September 30, 2012.

In 2012, other net operating income remained stable at EUR 40 million. The positive impact from the release of other provisions in several countries was offset by lower income from the operating lease business, which was adversely affected by lower new business volumes in Croatia.

In 2011, other net operating income increased by EUR 3 million or 8% to EUR 40 million from EUR 37 million in 2010. This increase was primarily due to higher net income from the operating leasing business, particularly in Croatia.

General administrative expenses

In the nine months ended September 30, 2013, general administrative expenses decreased slightly by EUR 1 million to EUR 515 million compared to EUR 516 million in the nine months ended September 30, 2012. While staff expenses remained stable at EUR 225 million, other administrative expenses increased by EUR 3 million to EUR 224 million due to higher advertising, public relations, promotional and IT expenses as well as higher expenses for deposit insurance. Depreciation expenses decreased by 7% or EUR 5 million to EUR 65 million, mainly as a result of lower depreciation on tangible fixed assets in Croatia and Romania as well as on leased assets in Croatia. The cost/income ratio decreased by 0.1 percentage points to 53.4%.

In 2012, general administrative expenses decreased by EUR 45 million or 6% to EUR 702 million compared to EUR 747 million in 2011. Staff expenses decreased as a result of headcount reduction, especially in Romania, and due to lower bonus payments in Croatia. Other administrative expenses also decreased by 6% to EUR 304 million, due to a reduction in legal, advisory and consulting expenses in Romania as well as advertising, PR and promotional expenses, particularly in Croatia and Romania. Depreciation in the region decreased by 13% to EUR 94 million, primarily due to write-ups on previously impaired assets in Romania. At 54.8%, the cost/income ratio increased by 1 basis point.

In 2011, general administrative expenses increased by EUR 9 million or 1% to EUR 746 million from EUR 738 million in 2010. This increase was mainly due to higher administrative expenses, which increased by 3% compared to 2010 as a result of higher expenses in connection with new IT applications and deposit protection as well as a change in VAT regulations, in each case in Romania. Additionally, depreciation in the segment increased by 5% compared to 2010, primarily as a result of investments in intangible fixed assets, including IT applications, particularly in Romania. These effects were partly offset by lower staff expenses, which decreased in several countries, particularly in Romania due to lower expenses for bonus payments. The cost/income ratio in the segment increased by 1.1 percentage points to 54.7%.

Net provisioning for impairment losses

In the nine months ended September 30, 2013, net provisioning for impairment losses increased by EUR 19 million or 10% to EUR 219 million from EUR 200 million in the nine months ended

September 30, 2012. Individual loan loss provisions increased by 4% or EUR 9 million to EUR 225 million, primarily due to a 43% increase in provisioning for impairment losses for corporate and retail customers in Croatia. In Albania net provisioning for impairment losses increased by EUR 9 million, primarily for corporate customers. All other countries of the segment posted lower loan loss provisioning in the nine months ended September 30, 2013. Portfolio-based loan loss provisions contributed a net release of EUR 4 million compared to a net release of EUR 14 million in the nine months ended September 30, 2012. The NPL ratio increased by 1.1 percentage points to 13.7%.

In 2012, net provisioning for impairment losses increased by EUR 30 million or 11% to EUR 287 million compared to EUR 258 million in 2011. This increase was primarily attributable to lower net releases from portfolio-based loan loss provisions, which decreased by EUR 38 million compared to 2011. Net allocations to individual loan loss provisions decreased by 3% or EUR 10 million to EUR 305 million, primarily in Bulgaria and Serbia. The NPL ratio increased by 1.2 percentage points to 12.5%.

In 2011, net provisioning for impairment losses decreased by EUR 77 million or 23% to EUR 258 million from EUR 335 million in 2010. Net allocations to individual loan loss provisions decreased by EUR 20 million primarily due to the developments in Croatia, where the collection of receivables and restructuring measures for loans to retail customers proved successful. In Albania, individual loan loss provisions for a large corporate customer were released. Portfolio-based loan loss provisions recorded a net release of EUR 54 million, particularly in Bulgaria and Romania. In Croatia, net provisioning for the large customer portfolio was required due to an increase in historical default rates. The NPL ratio increased to 11.3%, mainly due to large individual non-performing loans in the corporate customer business.

Other results

In the nine months ended September 30, 2013, other results increased by EUR 2 million or 20% to EUR 15 million from EUR 13 million in the nine months ended September 30, 2012. Positive valuation results from interest rate swaps in Croatia led to an improved result by EUR 13 million from derivative financial instruments. In Romania, higher valuation gains on securities, primarily of government bonds were reported due to decreasing yields. These positive factors were partly offset by lower net income from financial investments, which decreased by EUR 7 million due to one-off income from the sale of shares in equity participations in Croatia, Serbia, and Bosnia and Herzegovina in this amount in the nine months ended September 30, 2012.

In 2012, other results were an income of EUR 11 million compared to a loss of EUR 10 million in 2011. This development was primarily attributable to higher gains from the valuation and sale of government bonds in Romania, which resulted from lower yields, as well as to the sale of corporate bonds in Serbia and Croatia. Net income from derivatives remained stable compared to 2011.

In 2011, other results decreased from a loss of EUR 1 million in 2010 to a loss of EUR 10 million. This development was primarily due to a net loss from financial investments of EUR 5 million (compared to an income of EUR 10 million in 2010), which was due to disposal and valuation losses on government bonds in Romania as well as corporate bonds in Croatia.

Profit before tax

In the nine months ended September 30, 2013, profit before tax decreased by EUR 15 million or 6% to EUR 246 million from EUR 261 million in the nine months ended September 30, 2012. This decrease was primarily due to higher net provisioning for impairment losses and lower operating income.

In 2012, profit before tax decreased by EUR 49 million or 14% to EUR 303 million compared to EUR 351 million in 2011. This decrease resulted from lower operating income and higher net provisioning for impairment losses, partly offset by lower general administrative expenses.

In 2011, profit before tax increased by EUR 47 million or 15% to EUR 351 million from EUR 305 million in 2010. This increase was primarily due to lower net provisioning for impairment losses, partly offset by a lower operating result.

Income taxes

In the nine months ended September 30, 2013, income taxes decreased by EUR 9 million or 27% to EUR 23 million compared to EUR 32 million in the nine months ended September 30, 2012. This decrease was due to lower profit before tax as well as a lower tax rate, which decreased by 3 percentage points to 9% due to a one-off effect relating to the fiscal treatment of deferred tax liabilities in Romania.

In 2012, income taxes decreased by EUR 11 million or 23% to EUR 36 million compared to EUR 47 million in 2011. This decrease was due to lower profit before tax and a lower tax rate which decreased by 1 percentage point to 12%.

In 2011, income taxes increased by EUR 7 million or 19% to EUR 47 million compared to EUR 39 million in 2010. This increase was due to higher profit before tax as the tax rate remained unchanged at 13%.

Russia

The following table sets forth the Russia segment's results and selected key figures for the nine months ended September 30, 2013 and 2012 as well as for the years ended December 31, 2012, 2011 and 2010:

	Nine months ended September 30,			**Year ended December 31,**				
		%			**%**		**%**	
	2013	**Change**	**2012**	**2012**	**Change**	**2011**	**Change**	**2010**
Russia	**(in EUR million, except percentages)**							
	(unaudited)			**(audited, except percentages)**				
Net interest income	542	(2)	551	749	27	590	16	507
Net fee and commission income	231	10	211	285	20	238	11	214
Net trading income	121	87	65	69	82	38	(49)	74
Other net operating income	0	>100	8	(5)	61	(13)	(56)	(28)
Operating income	**894**	**7**	**834**	**1,098**	**29**	**853**	**11**	**767**
General administrative expenses	(392)	9	(360)	(511)	5	(488)	18	(415)
Operating result	**502**	**6**	**474**	**587**	**61**	**366**	**4**	**352**
Net provisioning for impairment losses	(19)	n.a.	13	16	(62)	42	n.a.	(77)
Other results	24	n.a.	(2)	(5)	n.a.	26	n.a.	(8)
Profit before tax	**507**	**4**	**485**	**599**	**38**	**434**	**62**	**267**
Income taxes	(124)	21	(103)	(126)	12	(112)	111	(53)
Profit after tax	**382**	**0**	**383**	**473**	**47**	**322**	**50**	**214**
Profits attributable to non-controlling interests	(2)	32	(3)	(5)	n.a.	0	n.a.	(0)
Consolidated profit	**380**	**0**	**379**	**468**	**45**	**322**	**51**	**214**
Risk-weighted assets (credit risk)	10,226	5	9,700	10,243	(3)	10,517	21	8,692
Assets	15,796	2	15,443	15,635	10	14,218	17	12,178
	(in percentages; changes shown in percentage points)							
Share of profit before tax	37.5	8.3PP	29.2	48.3	19.4PP	28.9	12.1PP	16.9
Non-performing loan ratio	4.4	(1.4)PP	5.8	5.0	(0.8)PP	5.8	(3.0)PP	8.8
NPL coverage ratio	101.9	4.8PP	97.1	100.0	(0.2)PP	100.2	5.9PP	94.3
Net interest margin (total assets)	n.a.	n.a.	n.a.	n.a.	n.a.	4.5	0.4PP	4.1
Net interest margin (average interest-bearing assets)	4.8	(0.4)PP	5.2	5.3	0.1PP	5.2	n.a.	n.a.
Cost/income ratio	43.8	0.6PP	43.2	46.5	(10.6)PP	57.2	3.1PP	54.1
Return on equity before tax	41.8	(1.2)PP	43.1	39.2	5.2PP	34.0	9.3PP	24.7
	(in numbers)							
Business outlets	192	(1)	193	186	(5)	191	(7)	198

Net interest income

In the nine months ended September 30, 2013, net interest income decreased by EUR 9 million or 2% to EUR 542 million from EUR 551 million in the nine months ended September 30, 2012. Average interest-bearing assets increased by EUR 973 million to EUR 15,025 million. The net interest margin of the segment decreased by 0.4 percentage points to 4.8%.

The decrease in net interest income was due to a decrease in interest income from derivative financial instruments used to hedge foreign currency denominated loan exposure by EUR 80 million. This decrease was mostly offset by higher interest income from customer loans as a result of higher loan volumes and lower interest expenses for customer deposits. As a result of lower income from derivative financial instruments the net interest margin decreased by 42 basis points to 4.8%.

In 2012, net interest income increased by EUR 159 million or 27% to EUR 749 million compared to EUR 590 million in 2011. Average interest-bearing assets increased by EUR 2,770 million to EUR 14,162 million. The segment reported an increase in the net interest margin of 11 basis points to 5.3%.

The increase in net interest income was primarily attributable to higher volume of loans to private individuals and to large corporate customers, as well as higher interest income from derivatives, which were concluded to hedge exposures related to loans denominated in foreign currencies.

In 2011, net interest income increased by EUR 83 million or 16% to EUR 590 million from EUR 507 million in 2010. Average interest-bearing assets amounted to EUR 11,392 million. The net interest margin (total assets) in the segment increased by 40 basis points to 4.5%.

The increase in net interest income was primarily due to higher loan volumes to large corporate customers and private individuals as a result of strong demand for loans as well as higher interest income from derivative financial instruments, which increased by EUR 51 million, largely resulting from a higher number of transactions.

Net fee and commission income

In the nine months ended September 30, 2013, net fee and commission income increased by EUR 20 million or 10% to EUR 231 million from EUR 211 million in the nine months ended September 30, 2012. This increase was primarily related to higher income from the loan and guarantee business, which increased by EUR 14 million as a result of higher volumes in new retail business and the early repayment of a syndicated loan. Income from the payment transfer business increased by EUR 10 million, primarily driven by higher transaction volumes, in particular in the credit card business. These positive factors were partly offset by lower income from the foreign currency, notes/coins and precious metals business, which reported a decrease of EUR 4 million due to lower volumes.

In 2012, net fee and commission income increased by EUR 47 million or 20% to EUR 285 million compared to EUR 238 million in 2011. Income from the payment transfer business increased by 23% and income from the foreign currency, notes/coins and precious metals business as well as from the loan and guarantee business also improved compared to 2011.

In 2011, net fee and commission income increased by EUR 24 million or 11% to EUR 238 million from EUR 214 million in 2010. This increase was primarily due to a change in the method of calculating fee and commission income (certain interest income was reclassified as fee and commission income), as a result of which net income from the loan and guarantee business increased by EUR 26 million. Income from other banking services also increased by 17% compared to 2010, primarily as a result of improved income from the collections business and import-export financing. Income from the foreign currency, notes/coins and precious- metals business increased by 6% in line with an increase in transaction volumes. These positive effects were partly offset by a lower contribution of the payment transfer business, due to the release of accruals for expected income as a result of a change in the effective interest rate calculation.

Net trading income

In the nine months ended September 30, 2013, net trading income increased by EUR 57 million or 87% to EUR 121 million from EUR 65 million in the nine months ended September 30, 2012. This increase was primarily attributable to higher net income form currency-based transactions, which increased by EUR 61 million to EUR 114 million primarily due to valuation gains from foreign currency derivatives. This positive development was partly offset by lower net income from interest-based transactions, which decreased by EUR 5 million to EUR 8 million as a result of valuation losses.

In 2012, net trading income increased by EUR 31 million or 82% to EUR 69 million compared to EUR 38 million in 2011. This increase related to a net income from currency-based transactions in the amount of EUR 57 million (compared to a loss of EUR 7 million in 2011), primarily due to revaluation gains on currency swaps held for proprietary trading as well as on foreign currency positions. This positive development was partly offset by lower net income from interest-based transactions, which decreased by EUR 33 million due to a reduced trading portfolio.

In 2011, net trading income decreased by EUR 36 million or 49% to EUR 38 million from EUR 74 million in 2010. This decrease was driven by the declines in both net income from interest-based transactions (which decreased by 24% compared to 2010) as well as net income from currency-based transactions (which was a loss of EUR 7 million compared to net income of EUR 14 million in 2010). The decrease in net income from interest-based transactions was mainly due to valuation losses relating to fixed-interest bonds and notes, while the decrease in net income from currency-based transactions was primarily due to valuation losses relating to currency swaps linked to proprietary trading as well as foreign currency positions.

Other net operating income

In the nine months ended September 30, 2013, there was no other net operating income compared to a net operating income of 8 million in the nine months ended September 30, 2012.

In 2012, other net operating loss decreased by EUR 8 million or 61% to EUR 5 million compared to EUR 13 million in 2011. This positive development was primarily due to the release of provisions for legal disputes which were successfully concluded in 2012.

In 2011, other net operating loss decreased by EUR 16 million or 56% to EUR 13 million from EUR 28 million in 2010. This development was primarily due to lower allocations to other provisions – after relatively high allocations to litigation provisions following the closure of an outlet in 2010 – as well a strong contribution from the operating leasing business in 2011, which was mainly due to the consolidation of a new subsidiary in October 2010.

General administrative expenses

In the nine months ended September 30, 2013, general administrative expenses increased by EUR 31 million or 9% to EUR 392 million from EUR 360 million in the nine months ended September 30, 2012. This increase was primarily attributable to higher staff expenses, which increased by EUR 18 million due to salary increases at year-end 2012 and an increase in the number of employees. Other administrative expenses increased by EUR 8 million, particularly due to higher advertising and IT expenses, which were only partly offset by lower communication expenses. Depreciation expenses increased by EUR 6 million, which was attributable entirely to impairments of branch buildings. The cost/income ratio increased by 0.6 percentage points to 43.8%.

In 2012, general administrative expenses increased by EUR 23 million or 5% to EUR 511 million compared to EUR 488 million in 2011. This increase was attributable primarily to higher staff expenses as a result of salary increases, which could not be entirely offset by a 4% decrease in the total number of employees. Deposit insurance fees as well as legal, advisory and consulting expenses also increased. Depreciation expenses decreased due to one-off impairment expenses in 2011 relating to a property.

Due to a significant increase in operating income, the cost/income ratio improved by 10.6 percentage points to 46.5%.

In 2011, general administrative expenses increased by EUR 73 million or 18% to EUR 488 million from EUR 415 million in 2010. This increase was primarily due to higher staff expenses as a result of salary increases and higher ancillary salary costs. Other administrative expenses increased due to higher IT, legal, advisory and consulting expenses. Depreciation expenses increased by 24%, mainly due to higher impairment of tangible fixed assets. The cost/income ratio increased to 57.2%, compared to 54.1% in 2010.

Net provisioning for impairment losses

In the nine months ended September 30, 2013, net provisioning for impairment losses amounted to EUR 19 million compared to a net release of EUR 13 million in the nine months ended September 30, 2012. This development was primarily attributable to an increase in non-performing loans to retail customers and individual defaults of corporate customers, which resulted in higher individual loan loss provisions and were only partly offset by a lower provisioning requirement as a result of the sale of receivables and the recognition of a higher value of collateral provided by corporate customers. Additionally, higher lending volumes and the development of the USD/EUR exchange rate required a net allocation of EUR 5 million for portfolio-based loan loss provisions. The NPL ratio decreased by 1.4 percentage points to 4.4% year-on-year.

In 2012, net provisioning for impairment losses was a net release of provisions in the amount of EUR 16 million compared to a net release of EUR 42 million in 2011. Net allocations to individual loan loss provisions, which were primarily established in connection with loans to private individuals, amounted to EUR 2 million compared to a net release of EUR 9 million in 2011. A net release of EUR 15 million from portfolio-based loan loss provisions was due to a higher quality of the loan portfolio. This improvement was due to the fact that new business was primarily concluded with customers with a better rating, and old loans with a poorer customer rating matured. The NPL ratio decreased by 0.7 percentage points to 5.0%.

In 2011, net provisioning for impairment losses was a net release of provisions in the amount of EUR 42 million compared to net provisioning of EUR 77 million in 2010. This positive development was primarily due to lower individual loan loss provisions as a result of a significant decline in non-performing loans (the NPL ratio decreased by 3 percentage points to 5.8%), improved repayment ratios regarding overdue loans, and the sale of loans. A net release from portfolio-based loan loss provisions in the amount of EUR 31 million was due to improved loss rates, which are used for the calculation of portfolio-based loan loss provisions.

Other results

In the nine months ended September 30, 2013, other results were an income of EUR 24 million, compared to a loss of EUR 2 million in the nine months ended September 30, 2012. This development was primarily due to net income from financial investments in the amount of EUR 25 million, primarily as a result of the sale of equity participations. Net income from derivative financial instruments was a loss of EUR 1 million and resulted from interest rate swap transactions used to mitigate interest rate structure risk.

In 2012, other results were a loss of EUR 5 million, compared to an income of EUR 26 million in 2011. This development primarily related to a net loss from derivatives in the amount of EUR 9 million (compared to net income of EUR 27 million in 2011), mainly due to valuation losses on interest rate swap transactions concluded to mitigate interest rate structure risks. Additionally, the termination of a hedging transaction that no longer qualified for hedge accounting had an adverse impact on net income. These negative developments were partly offset by higher net income from financial investments, which related to the sale and valuation of securities.

In 2011, other results were an income of EUR 26 million, compared to a loss of EUR 8 million in 2010. This development was primarily due to a net income from derivatives of EUR 27 million as a result of valuation gains from the revaluation of interest swap transactions entered into in order to mitigate interest rate structure risk.

Profit before tax

In the nine months ended September 30, 2013, profit before tax increased by EUR 22 million or 4% to EUR 507 million from EUR 485 million in the nine months ended September 30, 2012. This increase was primarily driven by higher operating income and net income from financial investments, partly offset by higher general administrative expenses.

In 2012, profit before tax increased by EUR 165 million or 38% to EUR 599 million compared to EUR 434 million in 2011. This increase was primarily due to higher operating income as a result of higher lending volumes and an improved net interest margin, partly offset by higher general administrative expenses.

In 2011, profit before tax increased by EUR 167 million or 62% to EUR 434 million from EUR 267 million in 2010. This increase was primarily due to a net release of provisions for impairment losses as well as higher operating income, partly offset by higher general administrative expenses.

Income taxes

In the nine months ended September 30, 2013, income taxes increased by EUR 21 million or 21% to EUR 124 million from EUR 103 million in the nine months ended September 30, 2012. This increase in income taxes was due to higher profit before tax, higher non-deductible expenses and an increase in the tax rate by 4 percentage points to 25%.

In 2012, income taxes increased by EUR 14 million or 12% to EUR 126 million compared to EUR 112 million in 2011. This increase was entirely attributable to higher profit before tax, which was partly offset by a lower effective tax rate, which decreased by 5 percentage points to 21%.

In 2011, income taxes increased by EUR 59 million to EUR 112 million from EUR 53 million in 2010. This increase was due to higher profit before tax as well as an increase in the tax rate by 6 percentage points to 26%, as a result of the higher share of expenses not deductible for tax purposes.

CIS Other

The following table sets forth the CIS other segment's results and selected key figures for the nine months ended September 30, 2013 and 2012 as well as for the years ended December 31, 2012, 2011 and 2010:

	Nine months ended September 30,			**Year ended December 31,**				
	2013	**% Change**	**2012**	**2012**	**% Change**	**2011**	**% Change**	**2010**
CIS Other	**(in EUR million, except percentages)**							
	(unaudited)			**(audited, except percentages)**				
Net interest income	307	(3)	317	418	0	416	(2)	424
Net fee and commission income	156	2	153	209	19	176	(4)	183
Net trading income	8	n.a.	(5)	(19)	>100	(1)	n.a.	23
Other net operating income	(4)	79	(2)	(5)	(21)	(7)	(16)	(8)
Operating income	**467**	**1**	**462**	**602**	**3**	**584**	**(6)**	**622**
General administrative expenses	(268)	(4)	(278)	(384)	14	(336)	(3)	(346)
Operating result	**(199)**	**8**	**184**	**218**	**(12)**	**248**	**(10)**	**276**
Net provisioning for impairment losses	(94)	24	(76)	(89)	31	(128)	(40)	(214)
Other results	44	n.a.	(27)	(21)	46	(15)	n.a.	27
Profit before tax	**149**	**82**	**82**	**108**	**2**	**106**	**18**	**89**
Income taxes	(32)	17	(27)	(47)	(9)	(52)	>100	(7)
Profit after tax	**117**	**>100**	**54**	**61**	**13**	**54**	**(34)**	**82**
Profits attributable to non-controlling interests	(8)	>100	(4)	(6)	97	(3)	(62)	(8)

	Nine months ended September 30,			Year ended December 31,				
		%			%		%	
	2013	Change	2012	2012	Change	2011	Change	2010
CIS Other	(in EUR million, except percentages)							
	(unaudited)			(audited, except percentages)				
Consolidated profit	**109**	**>100**	**51**	**55**	**7**	**51**	**(31)**	**74**
Risk-weighted assets (credit risk)	5,229	2	5,120	5,148	(6)	5,490	(3)	5,671
Assets	5.981	(6)	6,356	6,324	(6)	6,761	(5)	7,131
	(in percentages; changes shown in percentage points)							
Share of profit before tax	11.0	6.1PP	4.9	8.7	1.7PP	7.0	1.4PP	5.6
Non-performing loan ratio	25.4	(5.9)PP	31.3	28.2	(1.5)PP	29.7	2.8PP	26.9
NPL coverage ratio	72.7	4.2PP	68.5	70.2	2.0PP	68.2	(1.3)PP	69.6
Net interest margin (total assets)	n.a.	n.a.	n.a.	n.a.	n.a.	6.1	(0.1)PP	6.2
Net interest margin (average interest-bearing assets)	7.3	(0.1)PP	7.2	7.1	0.3PP	6.8	n.a.	n.a.
Cost/income ratio	57.4	(2.8)PP	60.2	63.8	6.2PP	57.5	1.9PP	55.7
Return on equity before tax	23.6	9.6PP	14.0	13.7	(1.4)PP	15.1	1.7PP	13.4
	(in numbers)							
Business outlets	919	(8)	927	926	(85)	1,011	(17)	1,028

Net interest income

In the nine months ended September 30, 2013, net interest income decreased by EUR 10 million or 3% to EUR 307 million from EUR 317 million in the nine months ended September 30, 2012. Average interest-bearing assets decreased by EUR 249 million to EUR 5,638 million. The segment's net interest margin increased by 9 basis points to 7.3%.

The decrease in net interest income was primarily due to a 9% decrease in net interest income in Ukraine, which was attributable to lower loan volumes to retail and corporate customers as well as lower interest income from securities and higher expenses for customer deposits. This development was partly offset by an increase in net interest income in Belarus, where higher lending volumes and higher interest margins led to an increase in net interest income by 30% to EUR 65 million.

In 2012, net interest income increased by EUR 2 million to EUR 418 million compared to EUR 416 million in 2011. Average interest-bearing assets decreased by EUR 269 million to EUR 5,864 million. The net interest margin improved by 35 basis points to 7.1%.

Net interest income in Ukraine increased by 2% due to higher income from customer loans as a result of improved margins on loans and advances to customers as well as the appreciation of the Ukrainian hryvnia. This positive development was partly offset by higher expenses for customer deposits and lower interest income from securities. In Belarus, net interest income decreased due to higher interest expenses for customer deposits.

In 2011, net interest income decreased by EUR 8 million or 2% to EUR 415 million from EUR 424 million in 2010. Average interest-bearing assets amounted to EUR 6,133 million. The net interest margin (total assets) in the segment decreased by 10 basis points to 6.1%.

The decrease in net interest income was primarily due to lower net interest income in Belarus as a result of negative currency translation effects coupled with an increased share of interest income in local currency, which in 2011 decreased by 78% compared to the euro. This negative development in Belarus was partly offset by a 3% increase in net interest income in Ukraine, which was due to a reduction in interest expenses for customer deposits, as well as higher income from the increased portfolio of Ukrainian government bonds.

Net fee and commission income

In the nine months ended September 30, 2013, net fee and commission income increased by EUR 3 million or 2% to EUR 156 million from EUR 153 million in the nine months ended September 30,

2012. This increase was primarily due to higher income from the payment transfer business as a result of a higher number of transactions in Ukraine and Belarus.

In 2012, net fee and commission income increased by EUR 34 million or 19% to EUR 209 million compared to EUR 176 million in 2011. This increase was primarily attributable to higher income from the payment transfer business in Ukraine and Belarus due to a higher number of transactions and price adjustments in Belarus. Net income from the foreign currency, notes/coins, and precious metals business increased by 16%, primarily due to price adjustments in Belarus and an increase in the total number of transactions as a result of the stabilization of the currency market.

In 2011, net fee and commission income decreased by EUR 8 million or 4% to EUR 176 million from EUR 183 million. This decrease was due to foreign currency translation effects relating to net fee and commission income in Belarus. In Ukraine, income from the foreign currency, notes/coins and precious metals business decreased by 17% as a result of the discontinuation of foreign currency lending to private customers, while income from the payment transfer business improved due to a higher number of accounts and transactions with retail and corporate customers.

Net trading income

In the nine months ended September 30, 2013, net trading income was an income of EUR 8 million compared to a loss of EUR 5 million in the nine months ended September 30, 2012. In Belarus, net income from currency-based transactions was positively affected by lower valuation losses on a strategic foreign currency position held to hedge equity. In Ukraine, net income from interest-based transactions increased by EUR 2 million due to valuation gains from bonds.

In 2012, net trading income was a loss of EUR 19 million compared to a loss of EUR 1 million in 2011. This negative development resulted from a net loss from currency-based transactions in the amount of EUR 21 million (compared to a net income of EUR 5 million in 2011), which was primarily attributable to a lower valuation gain from a strategic currency position established in Belarus to hedge equity. In 2011 this hedge had resulted in a gain of EUR 77 million as a result of the unstable currency market and the devaluation of the Belarusian rouble. This negative development was partly offset by a lower negative impact from the application of hyperinflation accounting in Belarus (EUR 21 million in 2012 compared to EUR 84 million in 2011). Income from interest-based transactions decreased by EUR 4 million to EUR 1 million, primarily due to lower valuation gains relating to securities with fixed interest rates in Ukraine.

In 2011, net trading income was a loss of EUR 1 million compared to an income of EUR 23 million in 2010. This loss was primarily due to the application of hyperinflation accounting in Belarus, which impacted net trading income by EUR 84 million, partly offset by valuation gains from strategic currency positions taken to hedge equity, which resulted in an income of EUR 76 million (including income in the amount of EUR 44 million relating to a currency swap). In Ukraine, net income from fixed income government securities and bonds decreased due to mark-to-market valuation.

Other net operating income

In the nine months ended September 30, 2013, other net operating loss increased by EUR 2 million or 79% to EUR 4 million compared to a loss of EUR 2 million in the nine months ended September 30, 2012.

In 2012, other net operating loss decreased by EUR 1 million or 21% to EUR 5 million compared to EUR 7 million in 2011.

In 2011, other net operating loss decreased by EUR 1 million or 16% to EUR 7 million from EUR 8 million in 2010, mainly due to the release of provisions established in 2010 for a legal proceeding relating to real estate in Ukraine.

General administrative expenses

In the nine months ended September 30, 2013, general administrative expenses decreased by EUR 10 million or 4% to EUR 268 million from EUR 278 million in the nine months ended September 30, 2012. This positive development was due to a EUR 16 million decrease in general administrative expenses in Ukraine, which was due to lower staff expenses, which decreased by EUR 6 million as a result of a headcount reduction, and lower depreciation on tangible assets, which decreased by EUR 8 million as a result of lower IT investments. Cost reductions were also supported by a slight depreciation of the US-dollar against the Ukrainian hryvnia. In Belarus, general administrative expenses increased by EUR 6 million, of which EUR 5 million were related to inflation-index-based staff expenses and salary increases agreed in 2012. The cost/income ratio in the segment decreased by 2.8 percentage points to 57.4%.

In 2012, general administrative expenses increased by EUR 48 million or 14% to EUR 384 million compared to EUR 336 million in 2011. Staff expenses increased primarily due to the appreciation of the Ukrainian hryvnia despite a reduction in the number of employees. The increase in depreciation expenses was primarily related to IT investments in a new core banking system and impairments in the amount of EUR 7 million for decommissioned IT systems in Ukraine. Additionally, the write-up of tangible fixed assets in Belarus due to high inflation resulted in higher depreciation expenses. Due to higher general administrative expenses, the cost/income ratio increased by 6.2 percentage points to 63.8% as operating income did not increase at the same pace.

In 2011, general administrative expenses decreased by EUR 10 million or 3% to EUR 336 million from EUR 346 million in 2010. This decrease was primarily due to lower administrative expenses in Belarus due to the devaluation of the Belarusian rouble compared to the euro as well as lower administrative expenses in Ukraine. Staff expenses remained nearly unchanged as staff expenses decreased by EUR 7 million in Belarus and increased by EUR 6 million in Ukraine as the number of employees in Ukraine increased by 4% due to higher credit and customer activity and the establishment of a transaction services center, which provides clearing and other services for the local network. Depreciation of intangible and tangible fixed assets increased, mainly due to IT investments in the new core bank system in Ukraine. The cost/income ratio for the segment increased by 1.9 percentage points to 57.5%.

Net provisioning for impairment losses

In the nine months ended September 30, 2013, net provisioning for impairment losses increased by EUR 18 million or 24% to EUR 94 million from EUR 76 million in the nine months ended September 30, 2012. This increase entirely related to provisioning for impairment losses in Ukraine, which was required due to a lower valuation of collateral provided by retail customers. The NPL ratio decreased by 5.9 percentage points to 25.4%.

In 2012, net provisioning for impairment losses decreased by EUR 39 million or 31% to EUR 89 million compared to EUR 128 million in 2011. This decrease was primarily attributable to lower net allocations to individual loan loss provisions, which decreased by EUR 53 million due to an improved portfolio quality with private individuals in Ukraine. The net release from portfolio-based loan loss provisions decreased by 40% to EUR 21 million. This net release of portfolio-based loan loss provisions was primarily related to the result of a revised macroeconomic assessment in Belarus and the corresponding adjustment to the underlying calculation parameters. The NPL ratio was 28.2%, which represented a decrease by 1.4 percentage points compared to 2011.

In 2011, net provisioning for impairment losses decreased by EUR 86 million or 40% to EUR 128 million from EUR 214 million in 2010. This decrease was primarily due to lower net allocations to individual loan loss provisions in Ukraine as a result of the general improvement in portfolio quality for retail and corporate customers, successful debt collection and higher loan repayments. The net release from portfolio-based loan loss provisions in the amount of EUR 34 million was due to lower allocations in Ukraine, reflecting a decrease in the volume of the credit portfolio and an improvement in the portfolio quality. These effects were partly offset by the difficult economic situation in Belarus, which required net allocations of EUR 21 million to corporate customer portfolio-based loan loss provisions.

The share of non-performing loans in the total credit portfolio was 29.7% (Belarus: 2.0%, Ukraine: 34.8%).

Other results

In the nine months ended September 30, 2013, other results were an income of EUR 44 million compared to a loss of EUR 27 million in the nine months ended September 30, 2012. This development was primarily attributable to valuation gains relating to fixed-income Ukrainian government bonds, the market value of which was positively affected by declining interest rates. Additionally, the sale of an equity participation in Ukraine had a positive effect on other results in the amount of EUR 21 million.

In 2012, other results were a loss of EUR 21 million compared to a loss of EUR 15 million in 2011. This increase in other loss was primarily due to valuation losses incurred in connection with the portfolio of Ukrainian government bonds with fixed interest rates recognized at fair value due to the widening of credit spreads.

In 2011, other results were a loss of EUR 15 million compared to income of EUR 27 million in 2010. This negative development was primarily due to lower valuation gains on the fixed rate portfolio of Ukrainian government bonds recognized at fair value as a result of the deteriorating macroeconomic situation as well as losses on the sale of Ukrainian government bonds.

Profit before tax

In the nine months ended September 30, 2013, profit before tax increased by EUR 67 million or 82% to EUR 149 million from EUR 82 million in the nine months ended September 30, 2012. This increase was primarily attributable to valuation gains of fixed-income bonds in Ukraine.

In 2012, profit before tax increased by EUR 2 million or 2% to EUR 108 million compared to EUR 106 million in 2011. This slight improvement of profit before tax was primarily attributable to improved net fee and commission income and lower net provisioning for impairment losses, partly offset by higher general administrative expenses.

In 2011, profit before tax increased by EUR 16 million or 18% to EUR 106 million from EUR 89 million in 2010. This increase was due to lower net provisioning for impairment losses, particularly in Ukraine, and was partly offset by lower operating income in Belarus due to currency translation effects and the application of hyperinflation accounting.

Income taxes

In the nine months ended September 30, 2013, income taxes increased by EUR 5 million or 17% to EUR 32 million from EUR 27 million in the nine months ended September 30, 2012. This increase was due to higher profit before tax and was partly offset by a lower effective tax rate, which decreased by 12 percentage points to 21% due to a deviation of the tax result in Belarus from the IFRS result and a conservative estimation of valuation gains in Ukraine for purposes of the tax forecast.

In 2012, income taxes decreased by EUR 4 million or 9% to EUR 47 million compared to EUR 52 million in 2011. The decrease in income taxes was attributable to a lower effective tax rate, which decreased by 5 percentage points to 44%.

In 2011, income taxes increased by EUR 44 million to EUR 52 million from EUR 7 million in 2010. This increase was due to higher profit before tax as well as an increase in the tax rate to 49%, primarily as a result of the hyperinflation accounting rules applied in Belarus, as well as higher non-deductible expenses in Ukraine.

Group Corporates

The following table sets forth the Group Corporates segment's results and selected key figures for the nine months ended September 30, 2013 and 2012 as well as for the year ended December 31, 2012, 2011 and 2010:

	Nine months ended September 30,			**Year ended December 31,**				
		%			**%**		**%**	
	2013	**Change**	**2012**	**2012**	**% Change**	**2011**	**Change**	**2010**
Group Corporates	**(in EUR million, except percentages)**							
	(unaudited)			**(audited, except percentages)**				
Net interest income	354	15	308	404	(6)	429	16	371
Net fee and commission income	117	(1)	119	163	(8)	178	14	155
Net trading income	(4)	n.a.	20	16	(23)	21	11	19
Other net operating income	0	(93)	6	12	94	6	>100	2
Operating income	**468**	**3**	**453**	**595**	**(6)**	**634**	**16**	**547**
General administrative expenses	(142)	9	(130)	(177)	26	(141)	(1)	(142)
Operating result	**326**	**1**	**323**	**418**	**(15)**	**493**	**22**	**405**
Net provisioning for impairment losses	(208)	>100	(52)	(113)	(2)	(116)	(10)	(129)
Other results	(2)	n.a.	18	14	n.a.	(4)	n.a.	19
Profit before tax	**117**	**(59)**	**288**	**319**	**(15)**	**374**	**27**	**295**
Income taxes	(27)	(62)	(71)	(72)	(6)	(76)	16	(65)
Profit after tax	**90**	**(58)**	**217**	**247**	**(17)**	**298**	**30**	**230**
Profits attributable to non-controlling interests	0	n.a.	0	0	n.a.	0	n.a.	(0)
Consolidated profit	**90**	**(58)**	**217**	**247**	**(17)**	**298**	**30**	**230**
Risk-weighted assets (credit risk)	13,510	9	12,393	13,151	(16)	15,733	1	15,645
Assets	21,667	7	20,293	18,997	(17)	22,843	(3)	23,478
	(in percentages; changes shown in percentage points)							
Share of profit before tax	8.7	(8.7)PP	17.3	25.7	0.8PP	24.9	6.3PP	18.6
Non-performing loan ratio	5.5	0.9PP	4.6	4.8	1.8PP	3.0	(1.3)PP	4.3
NPL coverage ratio	55.5	(5.6)PP	61.1	60.7	(6.0)PP	66.7	1.5PP	65.2
Net interest margin (total assets)	n.a.	n.a.	n.a.	n.a.	n.a.	2.0	0.4PP	1.6
Net interest margin (average interest-bearing assets)	2.3	0.4PP	1.9	1.9	(0.1)PP	2.0	n.a.	n.a.
Cost/income ratio	30.3	1.6PP	28.8	29.8	7.6PP	22.2	(3.7)	25.9
Return on equity before tax	8.6	(13.5)PP	22.1	18.0	(4.4)PP	22.4	3.9PP	18.5
	(in numbers)							
Business outlets	9	1	8	8	0	8	0	8

Net interest income

In the nine months ended September 30, 2013, net interest income increased by EUR 46 million or 15% to EUR 354 million from EUR 308 million in the nine months ended September 30, 2012. Average interest-bearing assets decreased by EUR 990 million to EUR 20,393 million. The segment's net interest margin increased by 40 basis points to 2.3%.

The increase in net interest income was primarily attributable to improved interest margins for Austrian and multinational corporate customers as well as an increased lending volume at Group head office. Net interest income generated with international corporate customers with a CEE relationship also increased slightly while lower lending volumes led to declining net interest income in Asia.

In 2012, net interest income decreased by EUR 25 million or 6% to EUR 404 million compared to EUR 429 million in 2011. Average interest-bearing assets decreased by EUR 872 million to EUR 20,887 million. The segment's net interest margin decreased by 4 basis points to 1.9%.

The decrease in net interest income was primarily due to lower lending volumes, partly offset by higher margins on loans and advances to customers. While net interest income from the business with Austrian and multinational corporate customers (managed out of Vienna) remained stable at EUR 166 million, lower net interest income was mainly attributable to lower lending volumes in Asian business outlets. Net interest income generated from the business with international corporate customers with a CEE relationship and at the Maltese subsidiary increased by 9% and 15%, respectively, primarily due to improved margins and lower refinancing costs.

In 2011, net interest income increased by EUR 58 million or 16% to EUR 429 million from EUR 371 million in 2010. Average interest-bearing assets amounted to EUR 21,760 million in 2011. The net interest margin (total assets) in the segment increased by 40 basis points to 2.0%.

The increase in net interest income was due to higher margins on loans to Austrian and Western European corporate customers, as low-margin lending was replaced by more profitable credit business. This positive effect was partly offset by lower business volumes due to lower credit demand and strong competitive pressure in the Austrian and Western European corporate customer segment. The Asian branches increased their contribution to net interest income, by 35% to EUR 147 million by expanding business activities. Also at the Maltese subsidiary, which is active in the corporate and intrabank business, net interest income increased by 47% to EUR 28 million as a result of higher business volumes and improved margins.

Net fee and commission income

In the nine months ended September 30, 2013, net fee and commission income decreased by EUR 2 million or 1% to EUR 117 million from EUR 119 million in the nine months ended September 30, 2012. This decrease primarily related to lower fee and commission income in the Group's business outlets in Asia, partly offset by higher income generated in connection with lead-arranger bond issuance activities for Austrian and international customers.

In 2012, net fee and commission income decreased by EUR 15 million or 8% to EUR 163 million compared to EUR 178 million in 2011. This decrease was primarily due to lower net fee and commission income at the business outlets in Asia and the U.S. Net fee and commission income generated at Group head office remained stable and was primarily attributable to lead arranger activities associated with bond issuances by Austrian and international customers as well as to income from the loan and project financing business.

In 2011, net fee and commission income increased by EUR 22 million or 14% to EUR 178 million from EUR 155 million in 2010. This increase was based on higher sales of capital- and funding-light products as well as higher net income from export financing. Income from business with CEE customers was particularly strong due to higher fee and commission income both from standard loans and from project and structured financing.

Net trading income

In the nine months ended September 30, 2013, net trading loss was 4 million compared to an income of EUR 20 million in the nine months ended September 30, 2012. This development was primarily due to lower net income from derivative financial instruments in connection with interest rate and currency hedges as well as lower net income from structured investments and financial products as a result of lower margins and spreads.

In 2012, net trading income decreased by EUR 5 million or 23% to EUR 16 million compared to EUR 21 million in 2011. This decrease was primarily attributable to valuation losses relating to derivatives at Group head office. This decrease was partly offset by valuation gains on currency and interest-based transactions with financial instruments.

In 2011, net trading income increased by EUR 2 million or 11% to EUR 21 million from EUR 19 million in 2010. This increase was primarily due to a EUR 11 million increase in net trading income from the Group unit in Singapore, which was partly offset by lower valuation gains on currency and interest-based transactions at Group headquarters.

Other net operating income

In the nine months ended September 30, 2013, there was no other net operating income compared to EUR 6 million in the nine months ended September 30, 2012.

In 2012, other net operating income increased by EUR 6 million or 94% to EUR 12 million compared to EUR 6 million in 2011. This increase was primarily due to the release of other provisions in connection with a legal dispute at the Group unit in Malta.

In 2011, other net operating income increased by EUR 4 million to EUR 6 million from EUR 2 million in 2010.

General administrative expenses

In the nine months ended September 30, 2013, general administrative expenses increased by EUR 12 million or 9% to EUR 142 million from EUR 130 million in the nine months ended September 30, 2012. This increase was mainly a result of higher overhead costs allocated to the segment. The cost/income ratio increased by 1.6 percentage points to 30.3%.

In 2012, general administrative expenses increased by EUR 36 million or 26% to EUR 177 million compared to EUR 141 million in 2011. This increase was mainly attributable to higher overhead costs allocated to the Group Corporates segment as a result of higher overhead costs for the entire Group and a higher percentage of overhead costs allocated to the Group Corporates segment. The cost/income ratio increased by 7.6 percentage points to 29.8%.

In 2011, general administrative expenses decreased by EUR 1 million or 1% to EUR 141 million from EUR 142 million in 2010. This decrease was primarily due to one-off merger-related expenses in 2010, which did not recur in 2011. The cost/income ratio improved by 3.7 percentage points to 22.2%.

Net provisioning for impairment losses

In the nine months ended September 30, 2013, net provisioning for impairment losses increased by EUR 155 million to EUR 208 million from EUR 52 million in the nine months ended September 30, 2012. This increase was primarily due to higher individual loan loss provisions in connection with individual loans to large corporate customers. In the previous year net provisioning for impairment losses had also been low due to modifications of the portfolio risk model that had led to releases of portfolio-based loan loss provisions. The NPL ratio increased by 0.9 percentage points to 5.5%.

In 2012, net provisioning for impairment losses decreased by EUR 2 million or 2% to EUR 113 million compared to EUR 115 million in 2011. This decrease was primarily due to lower individual loan loss provisions at Group head office. The NPL ratio increased by 1.8 percentage points to 4.8%.

In 2011, net provisioning for impairment losses decreased by EUR 14 million or 10% to EUR 116 million from EUR 129 million in 2010. This decrease was mainly due to lower net allocations to individual loan loss provisions relating to loans and advances to corporate customers as a result of improved credit conditions. This effect was partly offset by higher net provisioning for impairment losses in the Asian branches as a result of higher loan volumes.

Other results

In the nine months ended September 30, 2013, other results were a loss of 2 million compared to an income of EUR 18 million in the nine months ended September 30, 2012. This development was due to lower net income from the valuation of securities held-to-maturity and a EUR 18 million one-off effect incurred in the nine months ended September 30, 2012 incurred in connection with the sale of shares.

In 2012, other results were an income of EUR 14 million compared to a loss of EUR 4 million in 2011. This positive development was primarily attributable to higher income from financial investments, which increased due to a one-off effect resulting from the sale of shares, which had originally been obtained as collateral in connection with a loan agreement and since then considerably increased in value. Additionally, mark-to-market valuation gains on corporate bonds held at Group head office and on securities held by the Maltese subsidiary had a positive effect on other results.

In 2011, other results were a loss of EUR 4 million compared to an income of EUR 19 million in 2010. This negative development was primarily due to valuation gains from mark-to-market valuations of corporate bonds in 2010.

Profit before tax

In the nine months ended September 30, 2013, profit before tax decreased by EUR 101 million or 59% to EUR 117 million from EUR 218 million in the nine months ended September 30, 2012. This decrease was primarily due to higher net provisioning for impairment losses and higher general administrative expenses.

In 2012, profit before tax decreased by EUR 55 million or 15% to EUR 319 million compared to EUR 374 million in 2011. This decrease was primarily due to lower operating income and higher general administrative expenses, partly offset by a positive contribution from other results.

In 2011, profit before tax increased by EUR 78 million or 27% to EUR 374 million from EUR 295 million in 2010. This increase was primarily due to the strong operating result, which improved mainly as a result of higher net interest margins and a growth in loan volumes in the Asian and Maltese branches, as well as lower net provisioning for impairment losses.

Income taxes

In the nine months ended September 30, 2013, income taxes decreased by EUR 44 million or 62% to EUR 27 million from EUR 71 million in the nine months ended September 30, 2012. This decrease was due to lower profit before tax as well as a decrease in the effective tax rate by 2 percentage points to 21%.

In 2012, income taxes decreased by EUR 4 million or 6% to EUR 72 million compared to EUR 76 million in 2011. This decrease was attributable to lower profit before tax, partly offset by an increase in the effective tax rate by 2 percentage points to 23%.

In 2011, income taxes increased by EUR 11 million or 16% to EUR 76 million from EUR 65 million in 2010. This increase was due to higher profit before tax, while the effective tax rate decreased by 2 percentage points to 20%.

Group Markets

The following table sets forth the Group Markets segment's results and selected key figures for the nine months ended September 30, 2013 and 2012 as well as for the year ended December 31, 2012, 2011 and 2010:

	Nine months ended September30,			**Year ended December 31,**				
		%			**%**		**%**	
	2013	**Change**	**2012**	**2012**	**Change**	**2011**	**Change**	**2010**
Group Markets	**(in EUR million, except percentages)**							
	(unaudited)			**(audited, except percentages)**				
Net interest income	108	(16)	128	159	(31)	229	(19)	284
Net fee and commission income	87	14	76	105	(8)	115	7	107
Net trading income	70	14	62	78	(55)	176	89	93
Other net operating income	16	65	10	13	(54)	28	(6)	30
Operating income	**281**	**2**	**276**	**355**	**(35)**	**548**	**7**	**514**
General administrative expenses	(193)	0	(192)	(256)	(3)	(264)	10	(241)
Operating result	**89**	**7**	**83**	**99**	**(65)**	**284**	**4**	**273**
Net provisioning for impairment losses	7	n.a.	(19)	(18)	31	(14)	(56)	(31)
Other results	13	(93)	174	177	n.a.	(4)	n.a.	7

	Nine months ended September30,			Year ended December 31,				
	2013	% Change	2012	2012	% Change	2011	% Change	2010
Group Markets	(in EUR million, except percentages)							
	(unaudited)			(audited, except percentages)				
Profit before tax	**108**	**(55)**	**238**	**258**	**(3)**	**266**	**7**	**249**
Income taxes	(21)	(68)	(65)	(68)	(5)	(72)	15	(62)
Profit after tax	**87**	**(50)**	**173**	**191**	**(2)**	**195**	**4**	**187**
Profits attributable to non-controlling interests	0	(100)	0	(1)	(40)	(1)	11	(1)
Consolidated profit	**87**	**(50)**	**173**	**190**	**(2)**	**194**	**4**	**186**
Risk-weighted assets (credit risk)	3,610	10	3,273	3,323	(35)	5,129	(3)	5,273
Assets	20.778	4	20,068	20,243	(21)	25,732	(5)	27,218
	(in percentages; changes shown in percentage points)							
Share of profit before tax	8.0	(6.3)PP	14.3	20.8	3.0PP	17.8	2.0PP	15.7
Non-performing loan ratio	7.9	6.9PP	1.0	4.1	(2.4)PP	6.5	0.8PP	5.7
NPL coverage ratio	90.2	13.9PP	76.4	90.3	(17.5)PP	107.8	18.9PP	88.9
Net interest margin (total assets)	n.a.	n.a.	n.a.	n.a.	n.a.	0.9	0.2PP	0.7
Net interest margin (average interest-bearing assets)	0.7	(0.1)PP	0.9	0.9	(0.1)PP	1.0	n.a.	n.a.
Cost/income ratio	68.4	(1.3)PP	69.8	71.9	23.9PP	48.0	1.2PP	46.9
Return on equity before tax	22.1	(5.9)PP	28.0	24.6	5.1PP	19.5	4.1PP	15.4
	(in numbers)							
Business outlets	4	1	3	3	(1)	4	0	4

Net interest income

In the nine months ended September 30, 2013, net interest income decreased by EUR 20 million or 16% to EUR 108 million from EUR 128 million in the nine months ended September 30, 2012. Average interest-bearing assets increased by EUR 315 million to EUR 19,982 million. The segment's net interest margin increased by 14 basis points to 0.7%.

The decrease in net interest income was primarily due to lower business volume in highly-liquid bonds from financial institutions due to reduced investment activities of RBI as well as ongoing cautious risk positioning.

In 2012, net interest income decreased by EUR 70 million or 31% to EUR 159 million compared to EUR 229 million in 2011. Average interest-bearing assets decreased by EUR 4,136 million to EUR 18,802 million. The net interest margin decreased by 15 basis points to 0.9%.

The decrease in net interest income was mainly attributable to EUR 64 million lower interest income from the high-quality securities portfolio, due to the maturity and sale of substantial positions. Additionally, lower business volumes relating to highly liquid bonds from financial institutions as well as continued cautious risk positioning had an adverse effect on net interest income.

In 2011, net interest income decreased by EUR 55 million or 19% to EUR 229 million from EUR 284 million in 2010. Average interest-bearing assets amounted to EUR 22,937 million in 2011. The net interest margin (total assets) in the segment increased by 20 basis points to 0.9%.

The decrease in net interest income was due to the maturity and sale of parts of the high-quality securities portfolio, net interest income from which amounted to EUR 81 million in 2011 compared to EUR 97 million in 2010. Additionally, net interest income was adversely affected by the decline in total business volume of highly liquid bonds from financial institutions, a further reduction in risk positions, a more selective approach to new transactions, the restriction on trading limits in market risks, flattening of the yield curve and lower credit spreads on high-quality securities due to higher liquidity in the financial markets following an ECB liquidity injection.

Net fee and commission income

In the nine months ended September 30, 2013, net fee and commission income increased by EUR 11 million or 14% to EUR 87 million from EUR 76 million in the nine months ended September 30, 2012. This increase was primarily due to an improved financial markets environment, which had a positive effect on income from cash management, custody and funds services. This positive development was partly offset by a lower contribution from the securities business in the private banking and asset management division.

In 2012, net fee and commission income decreased by EUR 9 million or 8% to EUR 105 million compared to EUR 115 million in 2011. This decrease was primarily attributable to lower fee and commission income of the capital markets and the credit investments divisions, primarily due to lower business volume. Net fee and commission income generated by RCB decreased by 18% to EUR 14 million, primarily due to lower income from advisory services provided to corporate customers for primary market transactions as well as from the mergers & acquisitions business.

In 2011, net fee and commission income increased by EUR 8 million or 7% to EUR 115 million from EUR 107 million in 2010. This increase was primarily attributable to higher profits from service contracts in cash management, as well as from the issuing business, despite the weak market for institutional issues. The mergers & acquisitions division increased its contribution to net fee and commission income to EUR 9 million while net fee and commission income of Raiffeisen Centrobank Group declined to EUR 17 million due to lower income from support provided to corporate customers for primary market transactions.

Net trading income

In the nine months ended September 30, 2013, net trading income increased by EUR 8 million or 14% to EUR 70 million from EUR 62 million in the nine months ended September 30, 2012. This increase was primarily due to higher trading volumes and higher income generated in connection with capital guarantees issued by the Group and the credit derivatives business, while income from interest-based transactions declined as a result of the negative development in the bond market.

In 2012, net trading income decreased by EUR 98 million or 55% to EUR 78 million compared to EUR 176 million in 2011. This decrease was mainly attributable to the valuation of capital guarantees issued. While these resulted in a gain of EUR 72 million in 2011, due to a one-off gain of EUR 81 million in connection with a change in valuation methodology, a valuation loss of EUR 24 million occurred in 2012. Lower income from proprietary trading (mainly in fixed-income securities) as a result of a reduction in risk positions also was a contributing factor. The contribution of RCB to net trading income increased by 11%, primarily through valuation gains from zero-coupon bonds and other placements used to hedge open risk positions in connection with structured products issued by RCB.

In 2011, net trading income increased by EUR 83 million or 89% to EUR 176 million from EUR 93 million in 2010. This increase was primarily due to one-off valuation gains on the valuation of capital guarantees issued, as a result of a change in valuation methodology in line with statutory requirements, as a result of which net income was EUR 72 million compared to a loss of EUR 14 million in 2010. Additionally, market maker profit from customer and proprietary trading in foreign currency products as well as income from bank note and coin trading improved compared to 2010. Further, the contribution of RCB (EUR 45 million in 2011) increased by 2%, primarily due to higher net income from valuation gains on structured bonds and equity- and index-linked certificates. These positive effects were partly offset by a lower contribution from proprietary trading mainly in fixed income securities, as well as from structured products, due to a reduction in risk positions.

Other net operating income

In the nine months ended September 30, 2013, other net operating income increased by EUR 6 million or 65% to EUR 16 million from EUR 10 million in the nine months ended September 30, 2012.

In 2012, other net operating income decreased by EUR 15 million or 54% to EUR 13 million compared to EUR 28 million in 2011. This decrease was primarily due to the fact that F.J. Elsner Trading GmbH, which had contributed other net operating income in the amount of EUR 10 million in 2011, was reclassified into the Corporate Center segment. Additionally, other net operating income contributed by RCB and generated primarily by its commodity trading subsidiaries in the U.S. and Germany decreased by 13% to EUR 8 million.

In 2011, other net operating income decreased by EUR 2 million or 6% to EUR 28 million from EUR 30 million in 2010. This decrease primarily relates to lower income from commodity trading at RCB's commodity trading subsidiaries (such as F.J. Elsner Trading) in the U.S. and Germany.

General administrative expenses

In the nine months ended September 30, 2013, general administrative expenses increased by EUR 1 million to EUR 193 million from EUR 192 million in the nine months ended September 30, 2012. The cost/income ratio improved by 1.3 percentage points to 68.4%.

In 2012, general administrative expenses decreased by EUR 7 million or 3% to EUR 256 million compared to EUR 264 million in 2011. This decrease was primarily due to lower business volumes as a result of which lower general administrative expenses were allocated to this segment in connection with cost allocation at Group head office. Despite lower general administrative expenses, the decrease in operating income resulted in an increase of the cost/income ratio by 23.9 percentage points to 71.9%.

In 2011, general administrative expenses increased by EUR 23 million or 10% to EUR 264 million from EUR 241 million in 2010. This increase primarily related to the full commissioning of an IT system for derivatives and the introduction of IT applications in the custody division as well as transportation costs, which increased due to the expansion of the bank note and coin trading business. The cost/income ratio increased by 1.2 percentage points to 48.0%.

Net provisioning for impairment losses

In the nine months ended September 30, 2013, net provisioning for impairment losses was a net release of EUR 7 million compared to net provisioning of EUR 19 million in the nine months ended September 30, 2012. The net release in the nine months ended September 30, 2013 was due to the release of an individual loan loss provision in the amount of EUR 7 million. In the nine months ended September 30, 2012, an individual loan had led to a net allocation to loan loss provisions of EUR 19 million. The NPL ratio increased from 1.0% as of September 30, 2012 to 7.9% as of September 30, 2013.

In 2012, net provisioning for impairment losses increased by 31% or EUR 4 million to EUR 18 million compared to EUR 14 million in 2011. This increase was primarily due to higher net allocations to individual loan loss provisions in connection with financial institutions at Group head office. The segment's NPL ratio decreased by 2.4 percentage points to 4.1% as of December 31, 2012.

In 2011, net provisioning for impairment losses was EUR 14 million compared to EUR 31 million in 2010. In 2011, net provisioning for impairment losses primarily related to a financial institution in Denmark and a customer in the Middle East.

Other results

In the nine months ended September 30, 2013, other results decreased by EUR 161 million or 93% to EUR 13 million from EUR 174 million in the nine months ended September 30, 2012. This decrease was primarily due to the sale of the high-quality securities portfolio and other financial instruments in the nine months ended September 30, 2013, which had generated an income of EUR 156 million.

In 2012, other results were an income of EUR 177 million compared to a loss of EUR 4 million in 2011. This positive development was primarily due to income generated by the sale of substantial parts of the high-quality securities portfolio and other financial instruments as part of the measures to achieve the EBA regulatory capital requirements. Additionally, valuation gains on highly liquid securities primarily from Western European banks had a positive effect, resulting from narrowing margins caused by ECB initiatives. These positive developments were partly offset by lower net income from derivatives as a result of close-out payments in connection with the sale of portions of the securities portfolio. Internal hedging transactions, which were initiated to hedge interest rate structure and manage interest rate risk of the securities portfolio, resulted in costs of EUR 57 million in the Group Markets segment, which, however, was offset by a corresponding gain in the Corporate Center segment.

In 2011, other results were a loss of EUR 4 million, compared to an income of EUR 7 million in 2010. This negative development was primarily due to lower net income from derivatives as a result of close-out payments in connection with the sale of parts of the securities portfolio held to maturity, while net income from financial investments remained almost unchanged.

Profit before tax

In the nine months ended September 30, 2013, profit before tax decreased by EUR 130 million or 55% to EUR 108 million from EUR 238 million in the nine months ended September 30, 2012. This decrease was primarily due to one-off gains incurred in the nine months ended September 30, 2012 in connection with the sale of the Group's high-quality securities portfolio.

In 2012, profit before tax decreased by EUR 8 million or 3% to EUR 258 million compared to EUR 266 million in 2011. This decrease was primarily related to lower operating income, which was partly offset by income from the sale of a substantial portion of the high-quality securities portfolio.

In 2011, profit before tax increased by EUR 17 million to EUR 266 million from EUR 249 million in 2010. This increase was primarily due to higher operating income and lower net provisioning for impairment losses, partly offset by higher general administrative expenses.

Income taxes

In the nine months ended September 30, 2013, income taxes decreased by EUR 44 million or 68% to EUR 21 million from EUR 65 million in the nine months ended September 30, 2012. This increase was primarily due to lower profit before tax and a lower effective tax rate, which decreased to 19%.

In 2012, income taxes decreased by EUR 4 million or 5% to EUR 68 million compared to EUR 72 million in 2011. This decrease was due to lower profit before tax as well as a decrease in the effective tax rate to 26%.

In 2011, income taxes increased by EUR 10 million to EUR 72 million from EUR 62 million in 2010. This increase was due to higher profit before tax as well as a 2 percentage point increase in the segment's tax rate to 27%.

Corporate Center

The following table sets forth the Corporate Center segment's results and selected key figures for the nine months ended September 30, 2013 and 2012 as well as for the year ended December 31, 2012 and 2011:

	Nine months ended September 30,			**Year ended December 31,**				
	2013	**% Change**	**2012**	**2012**	**% Change**	**2011**	**% Change**	**2010**
Corporate Center	**(in EUR million, except percentages)**							
	(unaudited)			**(audited, except percentages)**				
Net interest income	651	36	478	501	38	363	25	291
Net fee and commission income	(17)	(42)	(30)	(42)	36	(65)	273	(17)
Net trading income	(2)	(88)	(15)	(36)	n.a.	38	86	20
Other net operating income	94	(14)	109	44	>100	20	(85)	133
Operating income	**726**	**34**	**542**	**467**	**31**	**356**	**(17)**	**426**
General administrative expenses	(242)	4	(233)	(328)	3	(318)	4	(307)
Operating result	**484**	**57**	**309**	**138**	**>100**	**38**	**(68)**	**120**

	Nine months ended September 30,			Year ended December 31,				
	2013	% Change	2012	2012	% Change	2011	% Change	2010
Corporate Center	(in EUR million, except percentages)							
	(unaudited)			(audited, except percentages)				
Net provisioning for impairment losses	(5)	n.a.	3	(1)	n.a.	55	n.a.	0
Other results	(381)	>100	(156)	(537)	>100	(158)	>100.0	(11)
Profit before tax	**98**	**(37)**	**156**	**(400)**	**>100**	**(65)**	**n.a.**	**109**
Income taxes	45	(66)	131	132	>100	24	(87)	183
Profit after tax	**143**	**(50)**	**287**	**(268)**	**>100**	**(40)**	**n.a.**	**292**
Profits attributable to non-controlling interests	(10)	>100	(1)	0	>100	0	(40)	(0)
Consolidated profit	**133**	**(54)**	**286**	**(268)**	**>100**	**(40)**	**n.a.**	**292**
Risk-weighted assets (credit risk)	16.129	(14)	18,783	18,957	(3)	19,596	21	16,129
Assets	34.496	(42)	59,018	47,341	(12)	53,835	64	32,879
	(in percentages; changes shown in percentage points)							
Share of profit before tax	7.2	(2.1)PP	9.4	(32.2)	(27.9)PP	(4.3)	(11.2)PP	6.9
Cost/income ratio	33.3	(9.7)PP	43.1	57.7	(14.9)PP	72.6	0.6PP	71.9
Return on equity before tax	5.7	(3.2)PP	8.8	n.a.	n.a.	n.a.	n.a.	5.3
	(in numbers)							
Business outlets	1	0	1	1	0	1	0	1

Net interest income

In the nine months ended September 30, 2013, net interest income increased by EUR 173 million or 36% to EUR 651 million from EUR 478 million in the nine months ended September 30, 2012. This increase primarily related to intra-Group dividend income and was also driven by higher income from liquidity balancing and lower refinancing costs. Net interest income in the Corporate Center segment was also affected by interest expense in the amount of EUR 41 million (compared to EUR 28 million in the nine months ended September 30, 2012) for the Group's subordinated capital.

In 2012, net interest income increased by EUR 138 million or 38% to EUR 501 million compared to EUR 363 million in 2011. This increase in net interest income was primarily attributable to an increase of the applicable market-based internal financing rate at which Group Units are charged for liquidity costs. This positive effect was partly offset by higher costs for own issues and lower intra-Group dividend income compared to 2011. Net interest income in the Corporate Center segment was also affected by interest expense in the amount of EUR 38 million for subordinated capital (2011: EUR 33 million).

In 2011, net interest income increased by EUR 72 million or 25% to EUR 363 million from EUR 291 million in 2010. This increase was primarily due to an increase in dividend income from Group subsidiaries in other segments by 48%. This effect was partly offset by a net interest loss reported in Group headquarters due to higher liquidity reserves as well as higher capital-raising costs for own issues as issues with lower margins from the years before the financial crisis matured and were replaced with new issues. Income from internal financing within the RBI network remained almost unchanged year-on-year.

Net fee and commission income

In the nine months ended September 30, 2013, net loss from fees and commissions was a loss of EUR 17 million compared to a loss of EUR 30 million in the nine months ended September 30, 2012. This decrease primarily resulted from higher fee and commission income from intra-Group securitization transactions and the acceptance of guarantees.

In 2012, net loss from fees and commissions was EUR 42 million compared to a loss of EUR 65 million in 2011. This improvement was primarily attributable to lower commission payments by Group head office for country risk insurance policies in connection with financing abroad.

In 2011, the net loss from fees and commissions was EUR 65 million compared to a loss of EUR 17 million in 2010. This increase in net loss from fees and commissions was primarily due to commission expenses in relation to own wholesale issues and country risk insurance in connection with financing abroad.

Net trading income

In the nine months ended September 30, 2013, net trading was a loss of EUR 2 million compared to a loss of EUR 15 million in the nine months ended September 30, 2012. This loss primarily related to valuation losses incurred in connection with foreign currencies and interest-rate-based instruments held for management purposes.

In 2012, net trading income decreased by EUR 74 million to a loss of EUR 36 million compared to an income of EUR 38 million in 2011. This negative development was due to valuation losses on foreign currency and interest rate-based financial instruments held for risk management purposes. Additionally, net income from the valuation of cross-currency interest rate swaps which were concluded to hedge the currency exposure of the Group's financing structure, primarily in connection with US dollar transactions, also decreased compared to 2011.

In 2011, net trading income increased by EUR 17 million or 86% to EUR 38 million from EUR 20 million in 2010. This increase was primarily due to income from liquidity management and proprietary trading in the context of balance sheet structure management as well as valuation gains on foreign currency and interest-related financial instruments held for hedging purposes.

Other net operating income

In the nine months ended September 30, 2013, other net operating income decreased by EUR 15 million or 14% to EUR 94 million from EUR 109 million in the nine months ended September 30, 2012. This decrease was associated with intra-Group charges for services rendered by Group head office to other Group segments. The contribution to income made by the Raiffeisen Service Center (back-office services for banks in Austria) remained almost unchanged at EUR 21 million while the contribution of F.J. Elsner Trading GmbH decreased to EUR 1 million compared to EUR 6 million in the nine months ended September 30, 2012.

In 2012, other net operating income increased by EUR 24 million to EUR 44 million compared to EUR 20 million in 2011. This increase related to several smaller expense and income items as well as to a positive contribution of EUR 8 million from commodity trading by F.J. Elsner Trading GmbH, which was included in the Group Markets segment until 2011. The Austrian bank levy amounted to EUR 103 million in 2012, which represented an increase of EUR 21 million compared to 2011.

In 2011, other net operating income decreased by EUR 113 million or 85% to EUR 20 million from EUR 133 million in 2010. This decrease was primarily due to the newly introduced special bank levy in Austria, amounting to EUR 83 million.

General administrative expenses

In the nine months ended September 30, 2013, general administrative expenses increased by EUR 9 million or 4% to EUR 242 million from EUR 233 million in the nine months ended September 30, 2012, primarily due to higher overhead cost.

In 2012, general administrative expenses increased by EUR 111 million or 31% to EUR 467 million compared to EUR 356 million in 2011. This increase was primarily due to lower expenses charged to other Group segments as well as higher IT and office space expenses at Group head office resulting from operational changes.

In 2011, general administrative expenses increased by EUR 11 million or 4% to EUR 318 million from EUR 307 million in 2010. This increase was primarily due to higher expenses in connection with the headquarters of ZUNO, which is located in Vienna.

Net provisioning for impairment losses

Net provisioning for impairment losses plays a minor role in this segment as the Corporate Center is mainly responsible for intragroup services. However, in the third quarter of 2013 net provisions for impairment losses amounted to EUR 5 million, relating to additional provisioning for impairment losses in Group head office. In 2011 provisions for impairment losses of more than EUR 60 million were released, which was largely due to the conversion of a loan into an equity participation. Due to the simultaneous write-down of this equity participation, it had no effect on the segment's results. In 2012, one net allocation for impairment losses in the amount of EUR 1 million was reported.

Other results

In the nine months ended September 30, 2013, other results were a loss of EUR 381 million compared to a loss of EUR 156 million in the nine months ended September 30, 2012. This development was primarily due to valuation losses on own issues in the amount of EUR 139 million as a result of the lower credit spread. Additionally, the valuation of other derivative financial instruments and financial investments also had a negative impact on net income. In the nine months ended September 30, 2012, the buyback of portions of the hybrid capital had resulted in a net gain of EUR 113 million. As in the previous year, the Austrian Bank levy had a negative impact of EUR 77 million on net income.

In 2012, loss from other results increased by EUR 380 million to EUR 537 million compared to EUR 158 million in 2011. This negative development was due to a net loss from financial investments in the amount of EUR 404 million, primarily due to the impairment of Group-internal equity participations. Additionally, valuation losses on own issues (in the amount of EUR 145 million) and other derivatives also had a negative effect on net income. This negative development was partly offset by net income from internal interest rate hedging transactions in the amount of EUR 57 million as well as from a net gain from the repurchase of a portion of hybrid capital, which resulted in net income of EUR 113 million.

In 2011, loss from other results increased by EUR 147 million to EUR 158 million compared to a loss of EUR 11 million in 2010. This negative development was primarily due to a net loss from financial investments of EUR 538 million (compared to an income of EUR 16 million in 2010). This impairment loss primarily related to internal Group equity participations in Network Units in Ukraine, Hungary and Slovenia, which is eliminated at Group level in the course of consolidation. This negative effect was partly offset by net income from derivatives of EUR 382 million (compared to a loss of EUR 34 million in 2010). This income was mainly related to valuation gains on hedging transactions for own issues as a result of lower long-term interest rates (in the amount of EUR 198 million) as well as valuation gains incurred due to increased market volatility in 2011 in connection with the fair value option used for own liabilities (in the amount of EUR 182 million).

Profit before tax

In the nine months ended September 30, 2013, profit before tax decreased by EUR 58 million or 37% to EUR 98 million from EUR 156 million in the nine months ended September 30, 2012. This increase was primarily due to higher net interest income, partly offset by a negative contribution from other results.

In 2012, loss before tax increased by EUR 335 million to EUR 400 million compared to EUR 65 million in 2011. This negative development was primarily attributable to significantly negative valuation results, primarily relating to Group-internal equity participations and own issues.

In 2011, profit before tax decreased by EUR 174 million to a loss of EUR 65 million from a profit of EUR 109 million in 2010. This development was primarily due to lower operating income and a loss from other results, partly offset by a net release of provisions for impairment losses.

Income taxes

In the nine months ended September 30, 2013, income taxes were an income of EUR 45 million compared to an income of EUR 131 million in the nine months ended September 30, 2012. This development was attributable primarily to valuation results reported in this segment, particularly relating to liabilities measured at fair value.

In 2012, income taxes were an income of EUR 132 million compared to an income of EUR 24 million in 2011. This development was primarily attributable to higher loss before tax and the segment's valuation results particularly relating to liabilities measured at fair value.

In 2011, income taxes were an income of EUR 24 million, a decrease of EUR 159 million or 87% compared to an income of EUR 183 million in 2010. This development was primarily due to the high dividend income from equity participations (which is eliminated in the course of consolidation) in this segment, which is not included in the basis of taxation as well as lower deferred taxes, resulting from valuation differences for financial instruments and equity participations between IFRS and the financial statements for tax purposes. In addition, the reduced eligibility of loss carry-forwards decreased the positive tax amount.

Liquidity and capital resources

Sources of funding

The Group's funding activities consist of deposit taking and international wholesale funding. Customer deposits at the level of the Company (corporate customers only) and at the level of the Group's Network Banks (corporate and retail customers) are the Group's dominant source of funding. The remainder of the Group's funding requirements are met through wholesale funding, raised primarily by the Company and selectively by Network Banks, which includes interbank deposits and other amounts owed to credit institutions as well as debt securities issued in the capital markets. As of December 31, 2012, customer deposits represented approximately 58% (EUR 66.3 billion) of the Group's funding, with wholesale funding contributing the remaining 42% (EUR 47.4 billion, thereof EUR 3.9 billion in subordinated capital).

The following table sets forth the sources of funding and loan/deposit ratio of the Group as of September 30, 2013 and as of December 31, 2012, 2011 and 2010:

	As of September 30,		**As of December 31,**					
	2013		**2012**		**2011**		**2010**	
	(unaudited)		**(audited, unless otherwise stated and except percentages)**					
	in EUR million	**in %**	**in EUR million**	**in %**	**in EUR million**	**in %**	**in EUR million**	**in %**
Deposits from banks	**29,617**	**265**	**30,186**	**27**	**37,992**	**31**	**33,659**	**30**
thereof giro and clearing business	5,547	5	3,524	3	2,291	2	2,326	2
thereof money market business	16,936	15	18,276	16	26,924	22	21,168	19
thereof long-term refinancing	7,134	6	8,387	7	8,777	7	10,165	9
Deposits from customers	**67,496**	**60**	**66,297**	**58**	**66,747**	**54**	**57,633**	**52**
thereof sight deposits	30,945	28	30,046	26	27,472	22	23,781	21
thereof time deposits	33,680	30	34,005	30	37,994	31	32,382	29
thereof savings deposits	2,870	3	2,247	2	1,281	1	1,470	1
Debt securities issued	**11,113**	**10**	**13,290**	**12**	**14,367**	**12**	**16,555**	**15**
thereof bonds and notes issued	10,939	10	12,767	11	12,762	10	15,917	14
thereof money market instruments issued	123	0	368	0	829	1	0	0
thereof other debt securities issued	51	0	155	0	776	1	638	1
Subordinated capital	**3,861**	**3**	**3,937**	**3**	**4,151**	**3**	**4,001**	**4**
Total funding (unaudited)	**112,088**	**100**	**113,711**	**100**	**123,257**	**100**	**111,849**	**100**
Loan/deposit ratio[1]		**122.6**		**121.7**		**127.1**		**134.1**

[1] The loan/deposit ratio is calculated without taking into consideration claims and obligations from (reverse) repurchase agreements, securities lending and securities borrowing.

The following table shows the maturity profile of the Group's liabilities and subordinated debt as of December 31, 2012:

	Due at call or without maturity	Up to 3 months	More than 3 months, up to 1 year	More than 1 year, up to 5 years	More than 5 years	Total
	(in EUR million, audited)					
Deposits from banks	3,962	13,094	2,800	7,979	2,351	30,186
Deposits from customers	31,951	17,433	10,857	3,750	2,305	66,297
Debt securities issued	0	2,174	2,071	8,560	485	13,290
Trading liabilities	539	632	676	3,305	3,672	8,824
Subordinated capital	0	12	31	468	3,426	3,937
Sundry liabilities	1,460	905	251	56	35	2,708
Total liabilities	**37,913**	**34,250**	**16,686**	**24,119**	**12,274**	**125,243**

Deposits from customers

The Group's customer deposit base is primarily in CEE, where all retail deposits and a large portion of corporate deposits are generated. As of December 31, 2012, deposits from customers located in Austria amounted to EUR 5,578 million or 8% of total customer deposits while deposits from customers located outside of Austria amounted to EUR 60,719 million or 92% of total customer deposits.

In 2012, deposits from customers decreased by 1% to EUR 66,297 million compared to EUR 66,747 million as of December 31, 2011. While retail deposits increased by EUR 3.9 billion compared to 2011, deposits from corporate customers decreased by 4.1 billion, primarily as a result of lower repo transactions with large corporate customers. The increase in retail customer deposits in 2012 was primarily attributable to the consolidation of Polbank.

In 2011, deposits from customers increased by 16% to an average of EUR 66,747 million compared to average deposits from customers in the amount of EUR 55,654 million in 2010. While deposits from retail customers increased only by EUR 3.4 billion, deposits from corporate customers increased by more than EUR 6.1 billion, primarily due to high liquidity held by large corporates. As of December 31, 2011, retail deposits accounted for 44% of total deposits and corporate deposits for 53%. The increase in customer deposits in 2011 was primarily due to higher deposits in the Czech Republic, Russia and Poland, as the Group actively solicited customer deposits to fund higher loan volumes, particularly in Russia and Poland.

As of December 31, 2012, the Group's loan/deposit ratio was 122% (compared to 127% as of December 31, 2011 and 134% as of December 31, 2010). The decrease in the loan/deposit ratio in 2012 was due to an increase of customer deposits (without taking into consideration claims and obligations from (reverse) repurchase agreements, securities lending and securities borrowing, which are disregarded for the calculation of the loan/deposit ratio) in the amount of EUR 3.2 billion, which exceeded the slight increase in loans and advances to customers. In 2011, the decrease in the loan/deposit ratio was primarily due to higher deposits from customers, particularly in the Czech Republic, Russia and Poland.

Wholesale funding

As a result of the Merger in 2010, the Group significantly improved its access to the money and capital markets, as the Company did not have a rating or banking license prior to the Merger. In 2012, 83% of the wholesale funding was raised by the Group headquarters, while the remaining 17% was raised by the Group's banking subsidiaries.

As of December 31, 2012, interbank and other deposits of credit institutions (EUR 30.2 billion) represented approximately 64% of the Group's wholesale funding, with senior debt securities issued in the capital markets (EUR 12.8 billion) contributing 27% and subordinated capital (EUR 3,937 million) contributing 8%. The remainder (1% of total wholesale funding) was attributable to other liabilities evidenced by paper, such as money market instruments and liabilities arising from own acceptances and promissory notes.

The Group headquarters sources funding primarily through interbank loans, unsecured public senior issues, private placements and structured products and the issuance of subordinated capital instruments, while the Group Units cover the remaining funding requirement primarily through local and international bonds, loans from supranational organizations, standard loans and other instruments, such as structured products.

In 2010 and in the first half of 2011 the interbank lending market improved from the global financial crisis, but in the second half of 2011 the financial crisis and euro zone debt crisis and the economic situation led to a further decrease in confidence among banks and consequently to a tightening of the interbank lending market. In 2012, following significant intervention from central banks and liquidity injections, the funding environment improved significantly. However, in connection with the reduction of excess liquidity the Group also reduced its short-term funding through the interbank market. As a result, interbank deposits of credit institutions decreased by EUR 7.8 billion in 2012 to EUR 30.2 billion. As of September 30, 2013, interbank deposits decreased to EUR 29.6 billion, primarily due to lower short term refinancing requirements. For a discussion of the effects of the financial and economic crisis on wholesale funding and the Group's wholesale funding costs, see "*—Key factors affecting the Group's results of operations—Refinancing sources and costs—Wholesale funding*". As part of its interbank funding activities, RBI benefits from RZB as an important source of funding. As of September 30, 2013, deposits from RZB amounted to EUR 6.5 billion compared to loans and advances to RZB in the amount of EUR 5.6 billion. In order to enhance its long-term funding capabilities, RBI currently has two debt issuance programs in place: a EUR 25 billion German law international debt issuance program, which governs the debt issue activities of the Company for international institutional investors and a EUR 20 billion Austrian law debt issuance program, which governs the debt issue activities of the Company to mainly national institutional investors and retail investors. In addition, for financing with short maturities, RBI also has a Euro-denominated commercial paper/certificate of deposit program in place. As of September 30, 2013, an aggregate principal amount of approximately EUR 11 billion was outstanding under these programs. Moreover, certain of the Network Banks have local debt issuance programs which can also be used for international debt issuance activities, if required.

The Group, particularly some of the Group Units, is also engaged in securitization as a separate source of funding. However, funding volumes from securitizations have so far remained at a low level and as of December 31, 2012 amounted to EUR 0.6 billion or approximately 1% of the Group's total wholesale funding in 2012.

The European Investment Bank (EIB), the EBRD and other supranational institutions are also important long-term funding sources of the Group. As of December 31, 2012, the Group's indebtedness to supranational institutions, mainly long-term funding, was EUR 1.7 billion or 4% of the Group's total wholesale funding. The Group intends to continue collaborating with these supranational institutions in the future.

In February 2012, RBI made use of a long-term refinancing operation initiated by the European Central Bank, drawing down an amount of EUR 500 million, which initially was intended to diversify its funding base. However, in February 2013, the Company repaid this amount in full. The Group has currently no amounts outstanding under long-term refinancing operation of the European Central Bank, except for EUR 45 million, which were drawn down by the Group's Network Unit in Slovenia and are due in January 2015.

While the Group intends to grow its funding from customer deposits in line with its growth in core markets, RBI is also planning to make use of the wholesale funding markets in 2014, and it is expected that the Company and the Network Banks will each provide approximately half of the Group's wholesale funding in 2014. To achieve the Group's target long-term wholesale funding volume for 2014, approximately EUR 6 billion have to be placed in 2014.

Subordinated and participation capital

Subordinated Capital

As of September 30, 2013, the Group had subordinated capital in an aggregate principal amount of EUR 3,861 million outstanding. Thereof, EUR 448 million qualified as hybrid tier 1 capital, EUR 3,108 million were subordinated liabilities and EUR 306 million were recognized as supplementary capital.

In 2003, 2004 and 2006, RZB via special purpose vehicles incorporated in Jersey issued hybrid capital in the aggregate principal amount of EUR 800 million. The issue proceeds were on-lent in the form of supplementary capital (*Ergänzungskapital*) by the Jersey special purpose vehicles to RZB, which as the "superordinated credit institution" (*übergeordnetes Kreditinstitut*) of the RZB credit institution group was entitled to show the hybrid capital in its consolidated accounts. In connection with the Merger, the supplementary capital subscribed by the Jersey special purpose vehicles was transferred to the Company. In order to enable RZB to continue to show the hybrid capital in its consolidated accounts, the Company contractually assumed the obligation toward RZB to make available to RZB own funds in an amount equivalent to the amount of outstanding supplementary capital contributions upon request by RZB if RZB's own funds ratio on a non-consolidated basis would be less than 1 percentage-point above the Austrian legal requirement. In the first quarter of 2012, as part of the measures to achieve the EBA regulatory capital requirement as of June 30, 2012, the Company purchased EUR 359 million in aggregate principal amount of the hybrid capital by way of a tender offer. As of September 30, 2013, an aggregate principal amount of EUR 441 million remained outstanding.

In addition, the Group has outstanding several subordinated capital instruments in an aggregate principal amount of EUR 3,097 million, which generally qualify as tier 2 capital. Most of these instruments were issued under the Company's debt issuance program. While most of these instruments are denominated in euro, the Company issued two subordinated capital instruments in October 2012 and May 2013 with a principal amount of CHF 250 million each. In October 2012, the Company completed an exchange offer for EUR 290 million aggregate principal amount of existing subordinated fixed to floating rate notes due October 2015 against issuance of new fixed rate reset notes with an initial interest rate of 5.875% in order to extend the maturity profile of the Group's subordinated capital and its regulatory eligibility. In October 2013, the Company issued EUR 500 million of supplementary capital (tier 2 eligible), which was priced at an interest rate of 6%. In December 2013, the Company accepted offers to exchange EUR 233 million of subordinated notes issued by RZB (and transferred to the Company in the course of the Merger) for new subordinated notes issued by the Company with an initial coupon of 5.163%.

Participation Capital

In 2008 and 2009, RZB issued the Participation Capital 2008/2009 (*Raiffeisen-Partizipationskapital 2008/2009*) in the aggregate principal amount of EUR 2,500 million of which EUR 1,750 million were subscribed by the Republic of Austria in connection with financial market support measures under the Act on the Stabilisation of the Financial Market (*Finanzmarktstabilitätsgesetz*). The Participation Capital 2008/2009 was transferred to the Company in connection with the Merger.

The Participation Capital 2008/2009 provides for a preferred dividend entitlement to be paid from the Company's annual profit (after allocation to or movements in reserves) before any distributions to the Company's shareholders can be made. The dividend entitlement amounts to 8% per annum of the outstanding nominal amount for business years until and including 2013, and increases by 50 basis points for each of 2014 and 2015, by 75 basis points for 2016 and by 100 basis points for each following business year, up to a maximum of 12 months-Euribor plus 10% per annum. Dividends on Participation Capital 2008/2009 may be paid only to the extent of the Company's profit for the preceding business year as reported in the Company's unconsolidated financial statements prepared in accordance with Austrian GAAP. If the Company reports a loss in any year, no participation dividend payment will be made for that year, and missed dividend payments will not accumulate and will not be payable in any future period. The dividend paid on the participation capital in any year may be less than the stated rate to the extent the Company's reported profit is less than the amount required to pay the dividend on the participation capital or to the extent the Company's pari passu securities reduce the amount of profit available to pay the dividend on the participation capital.

The Participation Capital 2008/2009 may be repaid in whole or part in compliance with legal requirements at par or, from 2019, at 150% of its principal amount, provided that and to the extent such increased amount is covered by a corresponding increase in the value of the Company. On June 8, 2011, the annual General Meeting authorized the Company's management to redeem the Participation Capital 2008/2009 within five years. Pursuant to an agreement with the Republic of Austria in the context of the issuance of the Participation Capital 2008/2009, the Company, among others, is obliged to use best efforts to grant loans in a certain amount to the Austrian economy, to refrain from distorting competition by offering unusual conditions or engaging in aggressive competitive activities, to pursue a sustainable business policy as well as to comply with reporting and disclosure obligations. In case of violations of these obligations, the Republic of Austria may impose fines.

The Participation Capital 2008/2009 qualifies as tier 1 capital under the Basel II regime. Under the Basel III regime, for purposes of calculating core tier 1 capital the Participation Capital 2008/2009 will be fully recognized until the end of 2017. For purposes of the calculation of common equity tier 1 capital under the Basel III regime (fully phased in), the Participation Capital 2008/2009 will not be recognized.

The Company intends to redeem the entire Participation Capital 2008/2009 in 2014. The Company intends to use the net proceeds from this Offering to redeem the Participation Capital 2008/2009, subject to regulatory and Supervisory Board approval, in full or in part (for the timing of such redemption see "*Business–Strategic priorities–Strengthen capital position and redeem outstanding participation capital*").

Capital adequacy

The Company is a subsidiary of RZB and has banking subsidiaries in a number of jurisdictions. It is therefore subject to bank regulatory requirements on several levels.

As part of the RZB "credit institution group" as defined by the Banking Act, which is subject to Austrian banking regulation on a consolidated basis on the entire credit institution group level, the Company is indirectly affected by Austrian banking regulations and is required to monitor the development of the Group's regulatory capital and capital requirements. Additionally, the Company, on an individual basis, is subject to legal total own funds regulations in Austria. Additionally, the Group's subsidiaries are subject to the relevant capital adequacy requirements and banking regulations in the various jurisdictions of the Network Banks.

See "*Banking Regulation and Supervision*" for a detailed description of banking regulations and capital adequacy requirements and how they affect the Group, as well as for a description of the respective terms used in this prospectus. The Group's regulatory capital and capital ratios will increase as a result of this Offering. Please refer to "*Capitalization*" for a description of the effects of the Offering on the Group's capitalization.

The Group is not subject to regulatory capital requirement provisions on a consolidated basis because it is part of the RZB credit institution group. The data contained in the following table is prepared for information purposes only on the basis of the assumption that the Group itself would qualify as a credit institution group and consequently Austrian legal total own funds requirements would apply to the Group.

Capital adequacy pursuant to the Austrian Banking Act (Basel II)

For illustrative purposes only, the following table shows the components of the Group's consolidated regulatory own funds and capital adequacy ratios by applying the principles specified for banks in accordance with Basel II in the Banking Act as applicable until December 31, 2013 (in particular former § 22 to § 24) as if the Group itself were subject to regulatory capital requirements on a consolidated basis. Reporting of the hybrid capital (also) in RBI's own funds calculations is based on the assumption that the Company is the superordinated credit institution (*übergeordnetes Kreditinstitut*) of the Group and continues to remain a subsidiary of RZB.

In 2012, the determination of eligible own funds in accordance with § 29a of the Austrian Banking Act was changed to international accounting standards (IAS). The comparative figures for the financial years ended December 31, 2011 and 2010 in the table and discussion below are based on a determination of own funds in accordance with the Austrian Banking Act and Austrian GAAP and have not been adjusted. Figures for 2010 and 2011 are therefore not directly comparable to figures for subsequent periods.

The following table sets out the own funds of the Group as of September 30, 2013 as well as December 31, 2012, 2011 and 2010:

	For the nine months ended September 30,	**For the year ended December 30,**		
	2013	**2012**	**2011**[1]	**2010**[1]
		(in EUR million)		
	(unaudited)	**(audited)**		
Paid-in capital	5,669	5,669	4,933	4,914
Earned capital	2,947	3,071	3,031	2,958
Non-controlling interests	448	848	1,171	1,003
Hybrid tier 1 capital	441	441	800	800
Intangible fixed assets	(708)	(750)	(501)	(469)
Tier 1 capital	**8,797**	**9,279**	**9,434**	**9,206**
Deductions from core capital	(14)	(14)	(19)	(15)
Tier 1 capital (after deductions)	**8,783**	**9,265**	**9,415**	**9,191**
Supplementary capital according to § 23(1) 5 BWG	0	34	599	600
Provision excess of internal rating approach provisions	229	226	234	231
Hidden reserves	10	0	0	55
Long-term subordinated capital	2,970	3,080	2,536	2,480
Additional own funds (tier 2 capital)	**3,209**	**3,340**	**3,368**	**3,366**
Deduction items: participations, securitizations	(14)	(14)	(19)	(15)
Eligible additional own funds (after deductions)	**3,194**	**3,326**	**3,349**	**3,351**
Deduction items: insurance companies	0	(8)	(7)	(4)
Tier 2 capital available to be redesignated as tier 3 capital	277	302	100	69
Total own funds	**12,254**	**12,885**	**12,858**	**12,608**
Total own funds requirement	**6,617**	**6,626**	**7,624**	**7,585**
Excess own funds	5,637	6,260	5,234	5,023
		in percentages		
Excess cover ratio	85.2	94.5	68.6	66.2
Core tier 1 ratio, total risk	10.1	10.7	9.0	8.9
Tier 1 ratio, credit risk	12.9	13.6	12.2	12.2
Tier 1 ratio, total risk	10.6	11.2	9.9	9.7
Own funds ratio	14.8	15.6	13.5	13.3

[1] Own funds calculations for the financial years ended December 31, 2011 and 2010 are based on a determination of own funds in accordance with the Austrian Banking Act and Austrian GAAP and have not been adjusted to reflect the change in 2012, pursuant to which the determination of eligible own funds in accordance with section 29a of the Austrian Banking Act was changed to international accounting standards. As of April 30, 2012, when eligible own funds were for the first time determined based on international accounting standards (IAS), this change had a positive impact on the Group's eligible own funds in the amount of EUR 497 million.

Source: Consolidated Financial Statements and internal data.

As of September 30, 2013, the Group's total own funds amounted to EUR 12,254 million, compared to EUR 12,885 million as of December 31, 2012. The decrease was primarily due to lower non-controlling interests, which decreased due to the acquisition of such non-controlling interests by the Group as these are not eligible as tier 1 capital under Basel III. Of the total own funds as of September 30, 2013, EUR 8,797 million was tier 1 capital and additional own funds (tier 2 capital) amounted to EUR 3,209 million compared to EUR 3,340 million as of December 31, 2012.

As of December 31, 2012, the Group's total own funds amounted to EUR 12,885 million, compared to EUR 12,858 million as of December 31, 2011. The increase was primarily due to retained profit for the financial year 2012. Of the total own funds as of December 31, 2012, EUR 9,279 million was tier 1 capital. The tier 1 capital decreased by EUR 155 million, primarily owing to the acquisition of non-controlling interests in the amount of EUR 426 million, a repurchase of hybrid capital by way of tender offer (decrease of EUR 359 million) and higher intangible fixed assets (increase of EUR 249 million). As of December 31, 2012, additional own funds were EUR 3,340 million, compared to EUR 3,368 million as of December 31, 2011. Additional own funds as of December 31, 2012 consisted of long-term subordinated capital in the amount of EUR 3,080 million, supplementary capital in the amount of EUR 34 million and the provision excess of internal rating approach-positions in the amount of EUR 226 million. The tier 2 capital available to be redesignated as tier 3 capital was EUR 302 million (compared to EUR 100 million as of December 31, 2011). The Polbank Acquisition had a negative impact on the Group's tier 1 capital in the amount of EUR 205 million.

As of December 31, 2011, the Group's total own funds amounted to EUR 12,858 million, compared to EUR 12,608 million as of December 31, 2010. The increase was primarily due to retained profit for the financial year 2011. Of the total own funds as of December 31, 2011, EUR 9,434 million was tier 1 capital. The tier 1 capital increased by EUR 228 million, primarily owing to an increase in earned capital (increase of EUR 73 million) and non-controlling interests (increase of EUR 168 million). This increase was primarily due to profit for the financial year 2011 after deduction of the dividend. The depreciation of in particular the Belarusian rouble, the Hungarian forint and the Polish zloty against the euro had a negative impact on equity. As of December 31, 2011, additional own funds were EUR 3,368 million, compared to EUR 3,366 million as of December 31, 2010. Additional own funds as of December 31, 2011 consisted of long-term subordinated capital in the amount of EUR 2,536 million, supplementary capital in the amount of EUR 599 million and the provision excess of internal rating approach-positions in the amount of EUR 234 million. Hidden revaluation reserves released in 2011 through the income statement increased core capital by EUR 55 million. The tier 2 capital available to be redesignated as tier 3 capital was EUR 100 million (compared to EUR 69 million as of December 31, 2010).

As of December 31, 2012, the Group's total own funds exceeded the total own funds requirement (as calculated below) by EUR 6,260 million or 94.5% (excess cover ratio). The tier 1 ratio, based on credit risk, increased from 12.2% as of December 31, 2011 to 13.6% as of December 31, 2012. Based on total risk, the core tier 1 ratio, total risk increased from 9.0% as of December 31, 2011 to 10.7% as of December 31, 2012 and the tier 1 ratio increased from 9.9% as of December 31, 2011 to 11.2% as of December 31, 2012. The own funds ratio improved from 13.5% as of December 31, 2011 to 15.6% as of December 31, 2012.

The following table sets out the calculation of the Group's total own funds requirement as of September 30, 2013 as well as December 31, 2012, 2011 and 2010:

	For the nine months ended September 30,	**For the year ended December 30,**		
	2013	**2012**	**2011**	**2010**
		(in EUR million)		
	(unaudited)	**(audited)**		
Risk-weighted assets according to § 22 BWG	68,132	68,136	77,150	75,601
of which 8% minimum own funds for the credit risk according to §§ 22a to 22h BWG	5,451	5,451	6,172	6,048
Standardized approach	2,401	2,439	3,056	2,974
Internal rating approach	3,049	3,012	3,116	3,074
Settlement risk	0	0	0	0
Own funds requirement for position risk in bonds, equities and commodities	287	273	520	327
Own funds requirement for open currency positions	62	56	140	386
Own funds requirement for operational risk	817	845	792	824
Total own funds requirement	**6,617**	**6,626**	**7,624**	**7,585**

Source: Consolidated Financial Statements and internal data.

As of September 30, 2013, the total own funds requirement was EUR 6,617 million. Thereof, 82% related to the own funds requirement for credit risk, which remained stable at EUR 5,451 million compared to December 31, 2012 despite the acquisition of a loan portfolio with a nominal value of

EUR 731 million from Österreichische Volksbanken-Aktiengesellschaft, as a result of which risk-weighted assets increased by EUR 518 million. The requirement for market risks increased by EUR 14 million to EUR 287 million and the requirement for open currency positions increased by EUR 6 million to EUR 62 million. The requirement for operational risks decreased by EUR 28 million to EUR 817 million.

As of December 31, 2012, the total own funds requirement was EUR 6,626 million. Thereof, 82% related to the own funds requirement for credit risk, which decreased by EUR 721 million to EUR 5,451 million. The requirements calculated under the standard and the internal ratings approaches decreased by EUR 617 million and EUR 104 million, respectively. The requirement for market risks decreased by EUR 247 million to EUR 273 million and the requirement for open currency positions decreased by EUR 84 million to EUR 56 million. The requirement for operational risks increased by EUR 54 million to EUR 845 million. The lower own funds requirement was primarily due to measures implemented by the Group to achieve EBA capital ratio requirements. Among others, these measures included a capital clean up as a result of which the Group significantly reduced non-core assets with a focus on market risk positions and sold substantial parts of its high-quality securities portfolio. Additionally, an update of the Group's internal rating model also had a positive impact on the total own funds requirement. These positive factors were partly offset by the first time consolidation of Polbank.

In the Central Europe segment, credit risk-weighted assets increased by 2% to EUR 22.0 billion as of December 31, 2012, compared to EUR 21.5 billion as of December 31, 2011. In Southeastern Europe, credit risk-weighted assets decreased by 19% to EUR 13.2 billion as of December 31, 2012, compared to EUR 16.3 billion as of December 31, 2011. In Russia, credit risk-weighted assets decreased by 3% to EUR 10.2 billion as of December 31, 2012, compared to EUR 10.5 billion as of December 31, 2011. In CIS Other, credit risk-weighted assets decreased by 6% to EUR 5.1 billion as of December 31, 2012, compared to EUR 5.5 billion as of December 31, 2011.

As of December 31, 2011, the total own funds requirement was EUR 7,624 million. Thereof, 81% related to the own funds requirement for credit risk, which increased by EUR 124 million to EUR 6,172 million. The requirements calculated under the standard and the internal ratings approaches increased by EUR 82 million and EUR 42 million, respectively. The requirement for market risks increased by EUR 193 million to EUR 520 million, while the requirement for open currency positions decreased by EUR 246 million to EUR 140 million. The requirement for operational risks decreased by EUR 32 million to EUR 792 million.

In the Central Europe segment, credit risk-weighted assets decreased by 6% to EUR 21.5 billion as of December 31, 2011, compared to EUR 22.9 billion as of December 31, 2010. In Southeastern Europe, credit risk-weighted assets decreased by 2% to EUR 16.3 billion as of December 31, 2011, compared to EUR 16.7 billion as of December 31, 2010. In Russia, credit risk-weighted assets increased by 21% to EUR 10.5 billion as of December 31, 2011, compared to EUR 8.7 billion as of December 31, 2010. In CIS Other, credit risk-weighted assets decreased by 3% to EUR 5.5 billion as of December 31, 2011, compared to EUR 5.7 billion as of December 31, 2010.

Capital adequacy pursuant to Basel III

The rules implementing Basel III (see "*Banking Regulation and Supervision Basel III, the Capital Requirements Directive IV (CRD IV) and the Capital Requirements Regulation (CRR)*") will have a significant impact on the Group's core tier 1 ratio, total risk and capital requirements in general. In particular, the Basel III requirements, as implemented by CRD IV are being gradually phased in since January 1, 2014 until 2023 and will adversely affect the Group's core tier 1 capital (then common equity tier 1 capital) particularly due to the different treatment of (i) core capital in Network Units with non-controlling interests, (ii) the Participation Capital 2008/2009 issued by the Company, which will no longer qualify as common equity tier 1 capital from 2018 onwards and (iii) risk-weighted assets, which are expected to increase due to stricter rules for the calculation of counterparty credit risk and the risk weighting of unlisted derivatives.

Pursuant to supervisory guidance issued by the Austrian regulators in March 2012, the so-called Austrian finish, RZB, RBI's parent institutions, has been required to fully implement the quantitative and qualitative, fully phased in Basel III rules in respect of common tier 1 equity (minimum requirement of 4.5% plus a capital conservation buffer of 2.5%) on a consolidated level, with the exception that the Participation Capital 2008/2009 may be fully included in the capital base.

The Company estimates that, based on the fully phased-in Basel III rules, the Group's common equity tier 1 ratio as of September 30, 2013 would have amounted to 6.5% (9.4% when including the Participation Capital 2008/2009 pursuant to the Austrian finish). Based on the fully phased-in Basel III rules and further adjusted for assumed net proceeds from this Offering in the amount of EUR 2,908 million (see "*Use of Proceeds*"), the Group's common equity tier 1 ratio as of September 30, 2013 would have amounted to 9.9%.

Contingent liabilities and commitments

The Group has contingent liabilities from guarantees, credit guarantees, letters of credit and loan commitments recognized at face value. Guarantees are used in situations in which the Group guarantees payment to the creditor to fulfill the obligation of a third party. Irrevocable credit lines must be reported when a credit risk may occur. These include commitments to provide loans, to purchase securities or to provide guarantees and acceptances. Loan loss provisions for contingent liabilities and irrevocable loan commitments are reported under provisions for liabilities and charges.

The following table sets forth the Group's contingent liabilities and commitments as of September 30, 2013 and December 31, 2012, 2011 and 2010:

	As of September 30,	**As of December 31,**		
	2013	**2012**	**2011**	**2010**
		(in EUR million)		
	(unaudited)	**(audited)**		
Contingent liabilities	**11,661**	**11,707**	**13,280**	**11,856**
thereof acceptances and endorsements	22	38	44	32
thereof credit guarantees	6,488	6,507	7,418	6,662
thereof other guarantees	2,519	2,375	2,699	2,267
thereof letters of credit (documentary business)	2,495	2,733	3,072	2,876
thereof other contingent liabilities	138	54	48	19
Irrevocable credit lines and stand-by facilities	**11,168**	**10,609**	**12,625**	**11,992**
thereof up to 1 year	3,643	3,971	4,843	4,547
thereof more than 1 year	7,524	6,638	7,782	7,446

Source: Consolidated Financial Statements and internal data.

The following table sets out revocable credit lines issued by the Group which are not regarded as contingent liabilities as of September 30, 2013 and December 31, 2012, 2011 and 2010:

	As of September 30,	**As of December 31,**		
	2013	**2012**	**2011**	**2010**
		(in EUR million)		
	(unaudited)	**(audited)**		
Revocable credit lines	**16,121**	**16,224**	**14,848**	**11,756**
thereof up to 1 year	11,678	11,382	11,966	9,687
thereof more than 1 year	3,552	3,626	2,882	2,069
thereof without maturity	891	1,216	n.a.	n.a.

The Company is a member of Raiffeisen-Kundengarantiegemeinschaft Österreich. The members of this association have a contractual obligation to guarantee jointly the punctual fulfillment of an insolvent association member's commitments arising from customer deposits. The amount guaranteed by each association member is limited its individual capacities, which are measured on the basis of its freely available reserves in accordance with the pertinent provisions of Austrian banking regulations.

Recent developments

The Ukrainian, Hungarian and Slovenian markets are under RBI's special review:The market environment in Hungary continues to be particularly difficult. Intended measures in Hungary involve selective portfolio reductions, a strong focus on collection and work-out and a further reduction in staff and branches. RBI is also re-scaling its activities in Slovenia to focus on those segments where it can generate value, such as multi-national customers and high net worth individuals, accompanied by a substantial reduction of assets and employees. An asset quality review and stress tests were conducted by the Bank of Slovenia. Raiffeisen Banka d.d., Slovenia, was also subject to such exercise, the result of which was the necessity for RBI to provide a recapitalization amount of EUR 40 million to Raiffeisen Banka d.d. in the fourth quarter of 2013. Furthermore, RBI conducted a capital increase of its Hungarian subsidiary in an amount of EUR 55 million in the fourth quarter of 2013. As part of its ongoing strategic review of underperforming and sub-scale operations, RBI is currently evaluating a possible sale of its Ukrainian, Hungarian and Slovenian operations. Over the last few weeks, RBI carefully reviewed the offers it received for its Hungarian subsidiary, Raiffeisen Bank Zrt. After comprehensively reviewing the last offer, RBI decided, at present, not to pursue the sale of the Hungarian subsidiary under the current conditions. In addition, RBI has received indications of interest for its Ukrainian business and the Group has been granting access to the business's data to certain potential bidders to allow them to conduct a due diligence (please see "*Risk Factors—Risks affecting the Group's business—In response to the challenging regulatory and market environment, RBI may continue to down-scale its business and dispose of assets outside its strategic focus. Any such disposals would involve risks and could have a material adverse effect on the Group"*).

In September 2013, RBI announced that it has revised its financial outlook regarding the net provisioning requirement for the 2013 financial year and expects such requirement to increase from EUR 1,009 million in the financial year 2012 to between EUR 1,100 and EUR 1,200 million in the financial year 2013. RBI expects loans and advances to customers and net interest margins for 2013 to remain at the previous year's level and general administrative expenses to be at or slightly above 2012 levels.

Outlook

For 2014, RBI expects loans and advances to customers to remain stable or to increase slightly. The risk provisioning level is expected to remain at the 2013 level (however, results may be impacted by the asset quality review process*;* see *"Risk Factors—Legal and Regulatory Risks—The Group is subject to stress testing and is expected to be subject to external asset quality reviews*). In September 2013, RBI announced the plan to implement a cost reduction program aimed at achieving cost savings of approximately EUR 450 million over a three year period until financial year 2016 through a combination of a reduction of the absolute level of costs and a containment of cost inflation. The target is for the Group's financial year 2016 nominal cost base (in absolute terms) to be at 2012 levels, despite an annual inflation rate which is estimated across all regions to be on average approximately 3% (see "*—Key factors affecting the Group's results of operations Implementation of cost management and efficiency measures*"). Based on this cost reduction program, RBI aims to achieve a cost/income ratio of between 50 and 55% by 2016.

However, these plans and expectations are subject to the development of the markets where RBI operates and other uncertainties (see in this connection "*Risk factors—Risks affecting the Group's business*"), and although reflecting the present views of the Company, reliance on forward looking statements must be limited as a matter of generality (see "*Forward Looking Statements*").

MARKET OVERVIEW

The following section contains an overview of the macroeconomic development, the banking market and the competitive environment in the Group's core markets Austria and CEE, with CEE countries grouped in accordance with the Group's geographic segmentation: Central Europe ("CE") (the Czech Republic, Hungary, Poland, Slovakia and Slovenia); South Eastern Europe ("SEE") (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania and Serbia); Russia; and CIS Other (Belarus and Ukraine). See "*Risk Factors—The markets in which the Group operates were adversely affected by both the global financial crisis and the euro zone debt crisis and continue to be subject to the risk of prolonged challenging economic and financing conditions.*"

This section presents actual numbers, estimates and forecasts of GDP growth, inflation and unemployment rates in the CEE region and the euro zone. In light of the ongoing financial crisis and euro zone debt crisis, GDP growth, inflation and unemployment rates have been exceptionally volatile in the recent past and estimates and forecasts have been revised frequently and significantly to take account of these developments. Accordingly, actual GDP growth, inflation and unemployment rates may differ materially from the estimates and forecasts presented in this section and therefore investors should not place undue reliance on these estimates and forecasts.

Unless stated otherwise, macroeconomic data presented in this section are derived from statistical information published by local sources (statistical offices, central banks etc.) and Raiffeisen Research.

Market environment in CEE

With a population of approximately 312 million and an overall real GDP of approximately EUR 2,763 billion in 2012, CEE is a large and diverse region that has experienced high levels of economic growth of approximately 4.3% on average over the past decade, i.e. from 2001 to 2012 (*Source: Raiffeisen Research*).

During the global financial and economic crisis, the CEE region suffered from a significant decrease in its gross domestic product, which fell by 6.2% in 2009 (*Source: Raiffeisen Research*). The economic situation in CEE was particularly affected by the financial sector suffering from the sudden drop in liquidity in the aftermath of the collapse of Lehman Brothers in September 2008. As a result, in the course of the global financial and economic crisis, non-performing loans increased substantially, in particular due to currency depreciation combined with high unhedged foreign currency borrowings, the severity of the economic recession and the related increase in bankruptcies and unemployment as well as a significant decline in real estate prices.

Since then the economic situation in the CEE region has shown signs of slow recovery, which was disrupted again in 2012 in particular as a result of the impact of the euro zone sovereign debt crisis. Overall, the CEE economies depend on the economic development of the euro zone as an important source of demand for exports, as domestic demand remains subdued. Particularly the CE and SEE regions are dependent on the euro zone, while the CIS region with the important Russian market is significantly less dependent.

In the CEE region, GDP grew by 2.2% in real terms in 2012 and is expected to grow by 1.1% in 2013. For 2014, an average GDP growth rate of 1.8% is expected.

The following table sets out real GDP growth rates in the CEE region and the euro zone for the years 2010 to 2012, real GDP growth estimates for 2013 and real GDP growth forecasts for 2014 and 2015.

	2010	2011	2012	2013(e)	2014(f)	2015(f)
			(in %)			
CE	3.1	3.2	0.6	0.5	2.3	2.6
SEE	(0.5)	1.8	0.0	1.7	1.7	2.4
Russia	4.5	4.3	3.4	1.5	1.7	2.0
CIS Other	5.1	5.2	0.5	(0.5)	0.5	1.6
CEE (CE+SEE+Russia +CIS Other)	**3.7**	**3.8**	**2.2**	**1.1**	**1.8**	**2.2**
Euro zone	1.9	1.6	(0.6)	(0.4)	1.5	2.0

Sources: Raiffeisen Research, national statistical offices, ECB.

For 2013-2015 Raiffeisen Research forecasts an average annual real GDP growth of 1.8% for CE, 1.9% for SEE, 1.7% for Russia and 0.6% for CIS Other. This compares to forecast average annual real GDP growth for the same period of 1.4% for Austria and 1.0% for the euro zone as a whole.

In terms of growth and profits, the banking sectors in the CEE region continued to outperform the euro zone. Total 2012 loan growth in CEE in EUR-terms was 14.8%.Total 2010-2012 real loan growth in CEE was 21.8%, compared to real loan growth of -4.5% for the euro zone over the same period of time. Banks in CEE continue to benefit from growth opportunities and margins that are significantly higher than in the euro zone. The average return on equity in the CEE banking sector was 16.0% in 2012, while in the euro zone the average return on equity just turned positive. The level of financial intermediation in CEE, either measured as asset-to-GDP or loan-to-GDP ratio, is still significantly lower than in the euro zone. Although financial intermediation levels in CEE have increased over the last decade, they remained relatively stable since the beginning of the financial crisis, including in 2012. In most CEE countries other than Russia (where the asset-to-GDP and loan-to-GDP ratio increased by 3 to 5 percentage points from 2010 to 2012) the banking sector expansion was matching nominal GDP increases in recent years, as current developments in the real economy influence the banking sector performance stronger than in the years before the crisis (where asset-to-GDP or loan-to-GDP ratios increased substantially and the elasticity between GDP and banking sector growth was well above a ratio of 1.5). Nevertheless, the more or less flat asset-to-GDP ratios in CEE still translated into a cumulative 2011 and 2012 nominal asset growth of approximately 24% (in EUR-terms; +28% in local currency terms). At the same time, cumulative 2011 and 2012 asset growth in the euro zone was -2.8%.

The following table sets out the development of banking assets and total loans, each expressed as a percentage of GDP as well as real GDP growth rates in the CEE region and the euro zone for the years 2010 to 2012:

CEE	2012	2011	2010
Banking assets (in % of GDP)	85	83	81
Total loans (in % of GDP)	49	48	47
Real GDP growth (in %)	2.2	3.8	3.7
Euro zone			
Banking assets (in % of GDP)	279	284	281
Total loans (in % of GDP)	130	131	134
Real GDP growth (in %)	(0.6)	1.6	1.9

Sources: Raiffeisen Research, national statistical offices, ECB.

Since the beginning of 2010, the sovereign debt crisis in the euro zone has been and still remains one of the main concerns for the European banking sector as well as for the CEE countries. Key concerns are the risk of capital outflow from CEE banks owned by Western banks from peripheral euro zone countries, which could result in a credit shortening in the affected CEE economies, and the negative impact of the euro zone sovereign debt crisis on CEE economies via trade and investment links. However, European policymakers have implemented strategies to contain public debt and fiscal deficits in the EU member states. Financial markets have calmed considerably since mid-2012 as a result of various crisis measures implemented by the EU to stabilize the sovereign bond markets of peripheral euro zone countries.

Central Europe

CE comprises the most developed countries in the CEE region, i.e. countries that joined the European Union in 2004, Poland, Hungary, the Czech Republic, Slovenia and Slovakia, the latter two also being euro zone members. Compared to the rest of the CEE region, these economies exhibit the highest GDP per capita, the smallest state share and also the highest share of foreign investors in the industrial and banking sectors as well as the largest degree of financial intermediation.

In 2009, all CE countries except for Poland went into recession with an average GDP decline of 1.8%. In 2010, the real GDP recovered due to rise in export demand and the CE region was able to profit from this. However, in 2012 there was renewed economical weakening due to the economic slowdown in the euro zone. After a GDP growth of 3.2% year-on-year in 2011, it declined to 0.6% in 2012 and is likely to remain weak at 0.5% in 2013. Researchers expect a decent improvement in the euro zone in 2014 and a GDP growth in CE of around 2.3% in 2014 year-on-year (*Source: Raiffeisen Research*).

The following table sets out the development of banking assets and total loans, each expressed as a percentage of GDP as well as real GDP growth rates in the CE region for the years 2010 to 2012:

	2012	**2011**	**2010**
Banking assets (in % of GDP)	98	102	97
Total loans (in % of GDP)	55	57	55
Real GDP growth (in %)	0.6	3.2	3.1

The following table sets out key data on the macroeconomic environment and the Group's competitive position in CE as of, and for the year ended, December 31, 2012; unless otherwise stated*;* credit ratings refer to the foreign currency long-term sovereign rating of the respective country:

Country	**RBI market share by total loans**	**RBI market position by total loans**	**Nominal GDP in EUR billion**	**Budget balance (% of GDP)**	**Public debt (% of GDP)**	**Credit rating (as of the date of this prospectus)**		
						Moody's	**Standard & Poor's**	**Fitch**
Czech Republic	6.10%[1]	5[1]	153	(4.4)	46.2	A1 stable	AA- stable	A+ stable
Hungary	9.40%	5	97	(1.9)	79.2	Ba1 negative	BB negative	BB+ stable
Poland	4.63%[1]	8[1]	382	(3.9)	55.6	A2 stable	A- stable	A- positive
Slovakia	16.93%[1]	3[1]	71	(4.4)	52.2	A2 negative	A stable	A+ stable
Slovenia	3.34%[1]	10[1]	35	(3.8)	54.0	Ba1 negative	A- stable	BBB- neg.

[1] First quarter 2013.

Source: Raiffeisen Research, national statistical offices, Bloomberg.

The following table sets out real GDP growth, inflation and unemployment rates for the CE countries in which RBI has operations, for the years 2010 to 2012, estimates for 2013 and forecasts for the years 2014 and 2015:

	2010	**2011**	**2012**	**2013(e)**	**2014(f)**	**2015(f)**
			(in %)			
Czech Republic						
Real GDP growth	2.3	1.8	(0.9)	(1.3)	2.3	2.4
Inflation rate	1.5	1.9	3.3	1.4	1.3	2.0
Unemployment rate	7.0	6.7	6.8	7.6	7.3	7.2
Hungary						
Real GDP growth	1.3	1.6	(1.7)	0.7	1.5	1.5
Inflation rate	4.9	3.9	5.7	1.7	1.4	3.3
Unemployment rate	11.1	11.0	10.9	10.5	9.7	9.3
Poland						
Real GDP growth	3.9	4.5	1.9	1.4	2.9	3.0
Inflation rate	2.6	4.3	3.7	1.0	2.0	2.5
Unemployment rate	12.1	12.4	12.8	13.6	13.1	12.7
Slovakia						
Real GDP growth	4.4	3.0	1.8	0.9	2.2	3.0
Inflation rate	1.0	3.9	3.6	1.4	0.7	2.7
Unemployment rate	14.4	13.4	13.9	14.3	13.8	13.5
Slovenia						
Real GDP growth	1.2	0.6	(2.3)	(2.0)	(0.5)	1.5

	2010	2011	2012	2013(e)	2014(f)	2015(f)
	(in %)					
Inflation rate	1.8	1.8	2.6	1.8	1.8	2.0
Unemployment rate	7.3	8.2	8.9	10.5	10.5	10.0

Source: Raiffeisen Research, national statistical offices.

Southeastern Europe

SEE comprises Bulgaria and Romania, which joined the European Union in 2007, Croatia, which joined the EU on July 1, 2013, as well as Serbia, Bosnia and Herzegovina, Albania and Kosovo. The SEE segment is the most heterogeneous area in CEE, both economically and with regard to EU integration.

Most recently Albania was not granted EU candidate status, in spite of the official recommendation by the European Parliament. The EU foreign minister Council recognized and encouraged the efforts of the new government to establish the rule of law and implementation of new reforms. However, sceptical Member States caused the Council to postpone the candidate status granting to Albania until June 2014. In contrast, the start of negotiation talks for Serbia's EU integration is scheduled for January 2014.

In contrast to the CE countries, the economy in most SEE countries was not immediately affected by the global financial and economic crisis in 2008 as real GDP in the region increased by 5.9%. However, in 2009 the impact of the global crisis was severe and resulted in a decrease of real GDP by 5.4% in the SEE countries. In 2010, average real GDP of the SEE region contracted by approximately 0.5%. Thus, the economic recovery in SEE is slower compared to the CE region, but has gained pace in 2011, with a real GDP growth of 1.8%. In 2012 GDP growth stagnated, but in 2013 the SEE region is expected to reach a GDP growth of 1.7% year-on-year.

SEE governments are committed to fiscal discipline and have therefore limited room to stimulate the economy. The slowdown in the euro zone adversely affected economic growth in SEE, and in the case of Croatia even caused a recession. The situation in the euro zone also has negative effects on the still weak investments in SEE. Restrictive lending, declining remittances and unemployment weaken consumer spending.

The following table sets out the development of banking assets and total loans, each expressed as a percentage of GDP as well as real GDP growth rates in the SEE region for the years 2010 to 2012:

	2012	2011	2010
Banking assets (in % of GDP)	86	84	86
Total loans (in % of GDP)	54	53	54
Real GDP growth (in %)	0.0	1.8	(0.5)

Source: Raiffeisen Research, national statistical offices.

The following table sets out key data on the macroeconomic environment and the Group's competitive position in SEE as of, and for the year ended, December 31, 2012; unless otherwise stated; credit ratings refer to the foreign currency long-term sovereign rating of the respective country:

Country	RBI market share by total loans	RBI market position by total loans	Nominal GDP in EUR billion	Budget balance (% of GDP)	Public debt (% of GDP)	Credit rating (as of the date of this prospectus)		
						Moody's	Standard & Poor's	Fitch
Albania	22.10%(1)	1(1)	10	(3.4)	61.5	B1 stable	B+ neg.	n.a.
Bosnia and Herzegovina	15.68%	2	13	(2.0)	39.7	B3 stable	B stable	n.a.
Bulgaria	9.04%(1)	4(1)	40	(0.5)	18.5	Baa2 stable	BBB neg.	BBB- stable
Croatia	8.79%(1)	5(1)	44	(5.0)	55.5	Ba1 stable	BB+ neg.	BBB- stable
Kosovo	25.90%(1)	2(1)	5	(2.7)	18.0	n.a.	n.a.	n.a.

Country	RBI market share by total loans	RBI market position by total loans	Nominal GDP in EUR billion	Budget balance (% of GDP)	Public debt (% of GDP)	Credit rating (as of the date of this prospectus)		
						Moody's	Standard & Poor's	Fitch
Romania	7.51%[1]	3[1]	132	(3.0)	37.9	Baa3 neg.	BB+ stable	BBB- stable
Serbia	6.88%[1]	5[1]	30	(6.4)	59.7	B1 stable	BB- neg.	BB- neg.

[1] First quarter 2013.

Source: Raiffeisen Research, national statistical offices, rating agencies' websites.

The following table sets out real GDP growth, inflation and unemployment rates for the SEE countries in which RBI is active, for the years 2010 to 2012, estimates and forecasts for the years 2014 and 2015:

	2010	2011	2012	2013(e)	2014(f)	2015(f)
	(in %)					
Albania						
Real GDP growth	3.9	3.1	1.6	1.7	2.0	3.0
Inflation rate	4.0	3.5	2.0	2.0	2.3	2.5
Unemployment rate	13.5	14.0	13.3	13.5	13.6	13.4
Bosnia and Herzegovina						
Real GDP growth	0.7	1.0	(1.1)	1.0	1.5	3.5
Inflation rate	2.1	3.7	2.1	0.2	2.5	2.5
Unemployment rate	27.2	27.6	28.0	28.0	27.5	26.5
Bulgaria						
Real GDP growth	0.4	1.8	0.8	0.8	2.0	3.5
Inflation rate	2.4	4.2	3.0	1.2	2.2	3.5
Unemployment rate	10.2	11.3	12.3	12.9	12.6	12.1
Croatia						
Real GDP growth	(2.3)	0.0	(2.0)	(1.0)	0.0	1.0
Inflation rate	1.1	2.3	3.4	2.2	1.6	2.0
Unemployment rate	17.4	18.0	19.1	20.3	21.0	20.6
Kosovo						
Real GDP growth	3.9	4.0	3.0	3.0	3.0	4.0
Inflation rate	3.5	7.3	2.5	2.0	1.5	2.5
Unemployment rate	45.1	41.4	44.8	30.5	30.5	31.0
Romania						
Real GDP growth	(1.1)	2.3	0.7	2.7	2.3	2.5
Inflation rate	6.1	5.8	3.3	4.0	2.1	3.3
Unemployment rate	7.3	7.4	7.0	7.3	7.2	7.1
Serbia						
Real GDP growth	1.0	1.6	(1.7)	2.2	1.0	2.0
Inflation rate	6.3	11.3	7.8	8.1	5.5	5.5
Unemployment rate	19.2	23.0	26.0	26.0	24.5	23.0

Source: Raiffeisen Research, national statistical offices.

Russia

The Russian economy and banking sector is by far the largest individual market in CEE. Almost five years after the financial crisis, Russia's economy has recovered from its deep slump. Unemployment has fallen to record lows. High oil prices in both 2011 and 2012 contributed to substantial revenue increases for the state budget. Russia possesses one of the best fiscal metrics in the world – a balanced budget and very limited government debt. There has also been progress in macroeconomic management: monetary policy is transitioning to a free floating rouble and inflation targeting, while a new fiscal rule reduces the scope of discretionary spending of oil revenues, further enhancing fiscal buffers. As a result of the easing of foreign investment restrictions in domestic bonds equities, the Russian financial markets became more attractive.

At the same time, the continued failure to diversify the economy – with two thirds of exports and almost half of federal budget revenues related to oil and gas – keeps Russia highly susceptible to movements in commodity prices. Russia runs a double-digit non-oil fiscal deficit (fiscal balance excluding oil and gas revenues) of more than twice the 4.7% of GDP which the IMF recommends. In addition, a bad business climate and widespread corruption restrain private sector investments. Without continuously rising energy prices, Russia is in danger of falling into a low growth route of less than half of pre-crisis average growth rates.

After a weak 2013, policymakers disagree on the right remedy to support the economy, but pressures to loosen policies have risen. Given the strong commitment to the new fiscal rule, a significant fiscal expansion is not the expected main scenario. Instead, measured cuts in key rates have become likely as soon as the inflation rate decreases. Statements by the central bank point to a more accommodative monetary policy. Nevertheless, a GDP growth of only 1.3-1.5% is expected in 2013 (after a GDP growth of 3.4% in 2012 and 4.3% in 2011). Without significant improvement in external (rising commodity prices) or internal (higher investment/economic modernisation) factors the growth outlook for the medium term looks comparatively low as well and could reach GDP growth of only 1.7% to 2.0% per year in 2014 and 2015 respectively.

During the recent years of post-crisis recovery, Russia's banking sector outpaced all its major CEE peers in terms of growth. This development continued in 2012, with nominal loan growth rates in local currency-terms remaining in high double-digit territory, matched (and supported) by a healthy deposit growth of 15% year-on-year. Additionally, retail deposits with banks outperformed, with a 20% year-on-year increase for the second year in a row. Profitability remained positive and net interest margins stayed higher than elsewhere in CEE. However, the market trends in terms of growth and margin rates started to show signs of cooling down in 2012. Both growth and profitability are expected to remain positive in 2013, but to return to more conservative levels, in light of high rates of consumer lending in Russia over the past two years the modest economic growth in the second half of 2012. The availability of international capital for Russian borrowers may also have added to decreasing loan growth momentum. Moreover, new regulatory measures to avoid a sharp increase of credit risks will impose additional limits to the very strong loan growth of 2011 and 2012.

The major driver for lending and asset growth in 2012 remained the build-up of retail banking. Banks were competing for private depositors' money, and at the same time expanding their retail and consumer lending facilities. Loans to households climbed by 45% year-on-year in 2012, following a 32% year-on-year increase in 2011. By contrast, the corporate lending growth rate lagged behind, and was up 17.7% year-on-year in 2012 (22% year-on-year in 2011). The pace of retail lending is expected to decrease from its levels in 2011 and 2012, and reduce profitability ratios. A possible rise in funding costs and potentially increasing cost of credit risk could be among suppressing factors. As the Russian central bank has already started and intends to continue implementing the Basel III capital requirements domestically, higher capital requirements may also adversely impact growth and profitability.

The following table sets out the development of banking assets and total loans, each expressed as a percentage of GDP as well as real GDP growth rates in Russia for the years 2010 to 2012:

	2012	2011	2010
Banking assets (in % of GDP)	79.4	74.6	73
Total loans (in % of GDP)	44.4	41.7	39.2
Real GDP growth (in %)	3.4	4.3	4.5

Source: Raiffeisen Research, national statistical offices.

The following table presents key data on the macroeconomic environment and the Group's competitive position in Russia as of, and for the year ended, December 31, 2012; credit ratings refer to the foreign currency long-term sovereign rating of the respective country:

Country	RBI market share by total loans	RBI market position by total loans	Nominal GDP in EUR billion	Budget balance (% of GDP)	Public debt (% of GDP)	Credit rating		
						Moody's	Standard & Poor's	Fitch
Russia	1.42%[1]	10*[1]	1.567	+0.4	10.5	Baa1 stable	BBB stable	BBB stable

[1] First quarter 2013.

Source: Raiffeisen Research, national statistical offices, rating agencies' websites.*Banks comprising VTB group are counted as a single bank – VTB, VTB-24 and Bank of Moscow.

The following table sets out real GDP growth, inflation and unemployment rates for Russia for the years 2010 to 2012, estimates for 2013 and forecasts for the years 2014 and 2015:

	2010	2011	2012	2013(e)	2014(f)	2015(f)
			(in %)			
Russia						
Real GDP growth	4.5	4.3	3.4	1.5	1.7	2.0
Inflation rate	6.9	8.5	5.1	6.8	5.5	5.4
Unemployment rate	7.5	6.6	5.7	5.8	6.0	6.0

Source: Raiffeisen Research.

CIS Other

CIS Other comprises Ukraine and Belarus. The following table presents the development of banking assets and total loans, each expressed as a percentage of GDP as well as real GDP growth rates in CIS Other for the years 2010 to 2012:

	2012	2011	2010
Banking assets (in % of GDP)	76	84	84
Total loans (in % of GDP)	53	59	63
Real GDP growth (in %)	0.5	5.2	5.1

Source: Raiffeisen Research, national statistical offices.

The following table sets out key data on the macroeconomic environment and the Group's competitive position in CIS as of, and for the year ended, December 31, 2012; credit ratings refer to the foreign currency long-term sovereign rating of the respective country:

Country	RBI market share by total loans	RBI market position by total loans	Nominal GDP in EUR billion	Budget balance (% of GDP)	Public debt (% of GDP)	Credit rating Moody's	Credit rating Standard & Poor's	Credit rating Fitch
Belarus	4.90%[(1)]	6[(1)]	49	+0.5	31.5	B3 negative	B- stable	n.a.
Ukraine	4.18%[(1)]	4[(1)]	136	(5.5)	36.8	Caa1 RuR[(2)]	B- negative	B- negative

(1) First quarter 2013.

(2) Rating under review for downgrade.

Source: Raiffeisen Research, national statistical offices, rating agencies' websites.

The following table sets out real GDP growth, inflation and unemployment rates for Belarus and the Ukraine for the years 2010 to 2012, estimates for 2013 and forecasts for the years 2014 and 2015:

	2010	2011	2012	2013(e)	2014(f)	2015(f)
			(in %)			
Belarus						
Real GDP growth	7.6	5.3	1.5	1.0	2.0	2.0
Inflation rate	7.7	53.2	59.2	18.0	21.0	20.0
Unemployment rate	0.7	0.8	0.5	1.0	1.0	1.0
Ukraine						
Real GDP growth	4.2	5.2	0.2	(1.0)	0	1.5
Inflation rate	9.4	8.0	0.6	(0.2)	5.0	7.5
Unemployment rate	8.1	7.9	7.7	7.5	7.0	7.0

Source: Raiffeisen Research.

Competitive landscape in CEE

The banking landscape in CEE has been subject to a gradual transformation over the past few years. Western European banking groups with a regional presence in CEE started to actively restructure and adjust their regional presence, driven by economic and market conditions and regulatory changes. These restructurings involved changes in organizational structures and the geographical scope of activities, the strengthening of key market presence, changes in the overall business mix, the involvement into commercial and investment banking, changes in the structure and sources of funding and the overall risk appetite. Some less dedicated players are scaling down their overall CEE presence or are revising their presence in certain business segments, or have even exited the market altogether. These changes offer opportunities for other banks on the asset and funding side as well as in terms of structural repricing opportunities. However, competition in the most attractive and "self-funding" CEE banking markets and business segments may also intensify going forward. While in the past the largest CEE-exposed Western European groups followed an approach of growing in all markets and business segments, they are now focusing on the markets and segments where conditions are most promising. Accordingly, the nature of competition changes as well – from being widespread within CEE, it is now converging to competing over the most promising markets and business segments.

RBI is facing strong competition from international Western European banking groups as well as some stronger local competitors in all business segments in CEE. However, the level of competition varies from country to country and depends on a number of country specific factors, including concentration of local banking markets (e.g. market share of top-five banks), capital resources and management quality of local competitors. In particular, following the global financial and economic crisis, many banks in the CEE region have tried to focus on customer deposits as financing means, which has led to a strong increase in competition and decreasing net interest margins. Raiffeisen Research expects this environment to persist over the coming years (*Source: Raiffeisen Research CEE Banking Sector Report June 2012*).

The following table sets out the number of branches operated by the Group and its most important competitors in the individual countries of the CEE region as of December 31, 2012:

2012	PL	HU	CZ	SK	SL	BG	RO	HR	AL	RS	BH	KO	BY	RU	UA	No. of countries	No. of outlets 2012
Raiffeisen Bank International	416	125	132	163	17	183	527	79	105	85	98	52	100	186	825	17	3,095
UniCredit	1042	122	103	78	35	215	220	141		77	129			109	379	15	2,658
Société Générale	n.a.		399		70	150	915	118	43	101				781		13	2,675
Erste Bank		141	658	297			623	150		68						6	1,937
Intesa Sanpaolo		108		242	54		86	211	31	199	54			76	259	10	1,320
OTP		380		70		381	89	103		51				146	150	9	1,401
KBC		226	322	121		51				57						5	777
Sberbank		53	24	41	12			31		26	46		36	18,947	208	11	19,465

Source: Internal data, Raiffeisen Research 2012, data published by the various competitors in their annual reports and on their websites.

The commitment of Western European banks in CEE to the region has remained strong in recent years. The aggregated CEE exposure (consolidated foreign claims) of Western European banks remained more or less flat in recent years, even though some of them substantially reduced other international activities. By year-end 2012, the aggregate CEE exposure of the most important actors in the region (Austrian, Italian and French banking groups, representing approximately 50% of the total regional exposure of European banks or 45% of global cross-border CEE exposure) was more or less at the absolute level reached in 2009. In contrast, other Western European banks reduced CEE exposures by moderate 5% to 6% between 2009 and 2012, with some banks reducing their exposure substantially, by 10% to 20%. More general restructuring needs of some banks in Germany, Belgium or Greece obviously had an impact on CEE as well. Given stronger cuts in the CEE region by other Western European banks, the relative share of Austrian, Italian and French banks in the total CEE cross-border exposure of Western European banks even increased slightly in recent years (from 47.5% in 2009 to 49% in 2012). In contrast, the market share of German, Belgian and Greek banks in the total CEE cross-border exposure of Western European banks decreased from 30% to around 25% in recent years.

In CE, the banking sector in most countries is already dominated by international banking groups and there are only few state banks left that might eventually be privatized. Moreover, the market concentration in terms of top-five banks and the overall number of banks operating in CE is already relatively high. In SEE, Western European banks have dominated the consolidation process and hold leading positions in the segment's local markets. In many markets in SEE, Greek banks continue to hold significant market positions. The ongoing crisis has increased the pressure to fight for deposits to reduce the parent funding from Greece significantly.

Russia's banking landscape continues to be dominated by large state-controlled banks. Sberbank, VTB, Gazprombank and the commercial banks within the VEB group accounted for 53% of total banking assets as of year end 2012. In the raking, these banks are followed by the top foreign-owned banks, although the market share of foreign-owned banks in Russia posted a notable decline over the past 12 to 18 months to just below 8%. The group of the largest private locally-owned banks more or less keeps its competitive position, although shifts are significant within the group itself.

In Ukraine, the ownership structure of the major banks is diverse. Among the top ten competitors, only the largest bank, Privatbank, is owned by local shareholders. The next two largest lenders, Ukreximbank and Oschadbank, are state-owned. As of October 1, 2013, four of the top ten institutions were foreign-owned, with Russian banks having become increasingly active in the country. While on average foreign-ownership ratios in CEE experienced a modest reduction in recent years, Ukraine emerged at the top of this trend with a decrease of almost 20 percentage points since 2008, as well as several outright market exits of European banks from Ukraine (e.g. Commerzbank, Erste or Swedbank).

Market environment in Austria

Austria is one of the wealthiest countries in the world, with GDP per capita of EUR 36,359 in 2012. Austria's real GDP contracted by 3.8% in 2009 as a result of the global financial and economic crisis. In 2010 and 2011, the output loss was more than offset as real GDP grew by 1.8% and 2.8%, respectively. In the course of 2012, real growth considerably slowed down, as gross fixed capital formation and consumption contributed negatively to overall GDP growth. Yet in the second half of 2013, business cycle dynamics recovered again. While in 2012 and part of 2013, external trade made up negative effects from domestic demand, gross fixed capital formation and (private and public) consumption started to support economic activity noticeably in the course of 2013. At the same time, the growth contribution of external trade declined. This trend, i.e. a strengthening of domestic demand combined with less reliance on external trade, is expected to continue in 2014 and 2015. The overall growth trend is expected to continue in 2014. Real GDP growth is forecasted at 0.3% for 2013, followed by 1.5% in 2014 and 2.3% in 2015.

The following table presents the development of certain key indicators for the Austrian economy for the years 2010 to 2012:

	2012	2011	2010
Real GDP growth (in %)	0.9	2.8	1.8
Household consumption (real, in %)	0.5	0.8	2.0
Gross fixed capital formation (real, in %)	1.6	8.5	(1.4)
Consumer prices (average increase, in %)	2.6	3.6	1.7
General budget balance (in % of GDP)	(2.5)	(2.5)	(4.5)
Export of goods and services (in EUR billion)	175.59	171.47	155.09
Import of goods and services (in EUR billion)	165.72	162.52	142.63
Public debt (in % of GDP)	74.0	72.8	72.3

Source: Statistik Austria, Eurostat, Raiffeisen Research.

The following table sets out real GDP growth, inflation and unemployment rates for Austria for the years 2010 to 2012, estimates for 2013 and forecasts for the years 2014 and 2015.

	2010	2011	2012	2013(e)	2014(f)	2015(f)
			(in %)			
Real GDP growth	1.8	2.8	0.9	0.3	1.5	2.3
Inflation rate	1.7	3.6	2.6	2.1	1.8	1.8

	2010	2011	2012	2013(e)	2014(f)	2015(f)
			(in %)			
Unemployment rate	4.4	4.2	4.4	4.8	4.8	4.5

Source: Raiffeisen Research.

Competitive landscape in Austria

The Austrian banking market is mainly composed of private, savings and state mortgage banks as well as credit cooperatives and loan associations. According to the OeNB, as of September 30, 2013, there were a total of 799 banks in Austria (*Source: OeNB (http://oenb.at/isaweb/report.do?lang=DE-&report=3.1.2)*). As the Group generally does not engage in retail banking in Austria, the Austrian retail banking system is not discussed in detail in this prospectus.

The Austrian commercial banking market is highly competitive, with substantial pricing pressure among the various players and relatively high operating cost levels. As a result, profitability levels are relatively low in the Austrian market, and, in addition, the growth prospects are rather limited for the future as the penetration level is already relatively high.

The cost-income ratio in the Austrian banking sector increased slightly from 63.2% in December 2012 to 65.5% in June 2013 (*Source: OeNB, Financial Stability Report 26 (December 2013), page 33*).

In terms of the Austrian banking sector's return on equity (on the basis of unconsolidated results), the financial years 2008 and 2009 were characterized by relatively low returns of 3.0% and 0.1%, respectively, primarily due to the effects of the financial and economic crisis. Due to the economic recovery in 2010, the return on equity of Austrian banks on the basis of unconsolidated results increased to 5.8% in this year, but decreased to 1.6% in 2011. In 2012, the return on equity improved again to 4.3% (*Source: OeNB, Financial Stability Report 26 (December 2013)*).

The development of assets of Austrian banks on the basis of unconsolidated results was characterized by a steady decline from EUR 1,069 billion in 2008 to EUR 1,029 billion in 2009 and EUR 979 billion in 2010, but showed an increase to EUR 1.014 billion in 2011. In 2012 assets of Austrian banks decreased to EUR 982 billion and as of September 2013 to EUR 946 billion (*Source: OeNB, Financial Stability Report 26 (December 2013)*).

BUSINESS

Overview

RBI is a universal banking group offering a comprehensive range of banking and financial products as well as services to retail and corporate customers, financial institutions and public sector entities. RBI focuses its business on its core markets CEE and Austria. In CEE, the Group operates a network of universal banks, leasing companies and other financial service providers in 16 countries (in 15 of which it operates Network Banks). Since the Merger, RBI has also been providing commercial and investment banking services to Austrian and international corporate clients and multinationals. The Group also has long-standing operations in Asia, including China and Singapore, to take advantage of selected business opportunities, primarily with existing clients, which require specific financing solutions. As one of the largest pan-CEE banking groups, RBI's nearly 59,000 employees serve more than 14 million customers through more than 3,000 business outlets (data as of September 30, 2013).

The Group's products and services include loans, deposits, payment and account services, credit and debit cards, leasing, asset management, insurance products, export and project financing, cash management, foreign exchange and fixed income products as well as investment banking services and related products. While RBI's CEE business covers both retail and corporate customers, RBI's business in Austria and other countries outside CEE services corporate clients (medium and large-sized corporates and financial institutions), with a particular focus on clients that offer cross-selling opportunities in CEE. As of, and for the nine months ended, September 30, 2013, approximately 84% of operating income and 73% of risk-weighted assets (credit risk) were related to CEE.

As of September 30, 2013, RBI had total assets of approximately EUR 131 billion. Consolidated profit (after taxes and less profit attributable to non-controlling interests) totaled EUR 725 million for the year ended December 31, 2012 and EUR 411 million for the nine months ended September 30, 2013. Return on equity before tax amounted to 9.7% for the year ended December 31, 2012 and to 8.6% for the nine months ended September 30, 2013. The following table presents selected financial, operating and macroeconomic information as of, and for the nine months ended, September 30, 2013, split according to the Group's geographic core markets:

	CE	SEE	Russia	CIS Other	Austria
RBI total credit exposure to customers in EUR million[(1)(2)]	45,897	24,575	20,563	7,887	28,099[(3)]
RBI outlets[(1)]	805	1,121	192	919	3
GDP in EUR billion	698	256	1,104	239	284
Population (annual average) in thousand	66,197	47,746	140,089	71,720	8,417
Level of banking intermediation[(4)]	95%	87%	72%	86%	345%

(1) The operating information does not include the Group's business allocated to the Group Markets and Group Corporates segments, unless located in Austria.

(2) According to the borrower's home country.

(3) "Austria" includes the two functional segments Group Corporates and Group Markets and the minor external credit exposure volumes of the segment Corporate Center, all as described in more detail under the heading "Segments" below.

(4) Total banking assets as a percentage of GDP.

Source: Consolidated Financial Statements and Raiffeisen Research.

The Company's shares have been listed on the Vienna Stock Exchange since 2005. The Company's majority shareholder is RZB, which, prior to the Offering, indirectly holds approximately 78.5% of the Company's share capital.

Competitive strengths

Leading bank in CEE region with strong brand recognition

RBI was one of the first Western European banks to build a pan-CEE presence after the markets opened up for foreign investment, giving it the benefit of long-standing relationships with clients in the region.

RBI's leading market position is demonstrated by its top five ranking by customer loan volume in 12 CEE countries (source: Local central bank data).

GDP growth in the CEE region is forecast to be 1.5, 0.3 and 0.2 percentage points higher than the euro zone average in the years 2013, 2014 and 2015 (according to Raiffeisen Research). Based on the significant potential for banking intermediation to converge to the Western European average, banking asset growth in the CEE region is expected to outperform nominal GDP growth. Through its widespread coverage of the CEE region, RBI believes that it will continue to benefit from the region's long term structural growth potential whilst avoiding overexposure to adverse developments in any particular market.

Especially in Russia and Poland the Company has a strong competitive position. After the merger with Polbank, RBI in Poland ranks number eight in terms of customer loans as of the first quarter, 2013 (according to local central bank data). In Russia, RBI is the third largest foreign owned private bank in terms of assets and the number ten in terms of customer loans (according to local central bank data). In both economies, with a total of 182 million inhabitants, GDP growth is forecast to exceed the euro zone average of 1.5% for 2014 (Russia: 1.7%, Poland: 2.9%) according to Raiffeisen Research.

The Raiffeisen brand is well established and recognized in the CEE region. With more than 3,000 outlets RBI operates one of the largest distribution networks in CEE countries with a total population of approximately 313 million people. The Group's local client coverage approach, combined with high Group-wide service standards and its highly recognized brand, ensure customer loyalty and retention.

Established track record of profitable and diversified business model

RBI's diversified business model, which targets markets with different economic cycles and in different stages of development, provides a basis for stability in times of financial crisis. RBI has been profitable and paid dividends every year since RBI's initial public offering in 2005. By applying experience gained in more mature markets, the Group is able to take advantage of profit generation potential across the CEE region, ahead of competition with only a local presence.

Diversification is demonstrated by the fact that no single country exposure (not taking into account Austria) exceeds 16% of the Group's credit risk-weighted assets (as of September 30, 2013). Retail customers provide access to a more sustainable local deposit base and the corporate customer business typically produces higher revenue income with a lower cost base. The Group's focus on the resilient retail and corporate segments is evidenced by the relatively small contribution of the Group Markets segment (which contains most of the Group's securities and trading business) to the Group's consolidated operating result (less than 10% of the operating result in 2012 and in the first nine months of 2013).

Universal bank with comprehensive product platform

RBI is a fully integrated universal bank with a comprehensive product portfolio covering both corporate banking (including commercial banking products, like investment, project and acquisition finance, export finance, cash management, foreign exchange and capital markets products as well as investment banking services like equity and debt capital markets and M&A advisory) and retail banking (asset and wealth management, credit and debit cards, insurance distribution and, online banking products).

Given its product expertise as a leading corporate bank in Austria, RBI is well positioned to meet the increasingly complex financial services requirements of corporate customers in CEE. RBI's product expertise and the ability to adapt products to local market requirements offer the potential to take advantage of cross-selling opportunities and capture an additional share of revenues from its clients across CEE. The Group aims to further leverage its product knowledge by establishing organizational hubs for certain investment banking products.

The quality of the Group's comprehensive platform has been recognized by numerous awards, including: "Best Bank in CEE" by Global Finance magazine, awarded from 2005 to 2013; "The Best

Bank in Central and Eastern Europe" by Euromoney, awarded for the seventh time in 2012, as well as "Best Bank in CEE & CIS" awarded by EMEA Finance magazine for the fifth consecutive year in 2013. Furthermore, The Banker named RBI "Bank of the Year" in CEE and in Austria in 2012.

Strategic priorities

Focus on six most attractive CEE markets (including Austria)

The Group conducted a strategic review to benchmark the various CEE markets in which it is present based on a number of criteria, including market size and growth potential, RBI's own market position, contribution to Group profitability and strength of customer relationships. Russia, Poland, the Czech Republic, Slovakia, Romania and Austria were identified as the most attractive markets based on these criteria.

- Russia is not only the largest market in the CEE region, it has also demonstrated resilient economic fundamentals in recent years and continues to offer strong growth potential. RBI has an excellent franchise in major centres, which enables it to make a significant contribution to the Group's bottom line. RBI aims to maintain a solid position in corporate banking and grow in the retail segment.

- Poland is the most attractive market in the CE region given its size, overall level of development and improving economic prospects. RBI's strategy is to draw upon an integrated platform and extensive nationwide sales network, developed through organic growth and the Polbank acquisition, to profitably serve retail business customers.

- The Czech Republic benefits from a relatively low risk banking environment and an attractive combination of private income levels and customer base. RBI plans to focus on growth in the areas of corporate, small enterprise and affluent banking.

- Slovakia is a profitable banking market that offers further upside potential from increasing financial intermediation as customer needs develop. RBI aims to build on its leading footprint and to further rollout its new sales channel.

- Given its overall size and growth potential, Romania is the most promising market in the SEE region. Through its acquisition of a well established and profitable retail portfolio in Romania, RBI has been able to develop and consolidate a strong competitive position and profitable operations in this market. RBI plans to build upon this strong market position and extensive distribution network.

- RBI's home market Austria is attractive for the Group due to the stable economy and long established relationships it has with mid and large corporates, particularly customers with a CEE focus. These clients benefit from an integrated service offering across products and geographies.

Increased management attention, strategic focus and resource commitment will enable RBI to improve its competitive position in these focus markets.

RBI will focus on the bottom line results and strategic contribution of each of the remaining markets, and will continue to review underperforming and sub-scale operations on an ongoing basis.

Reduce costs and increase profitability

A number of peers implemented cost reduction programs as early as 2010, as economic conditions in the CEE region worsened, whereas RBI's operating costs between 2009 and 2012 increased faster than the peer average.

Addressing the cost issue is one step towards achieving RBI's medium-term pre-tax Return on Equity target of 15%. To this end, RBI engaged external consultants to explore areas for cost rationalization and developed a cost savings program.

The program targets cost savings in the form of both an absolute reduction of the cost base and the offsetting of cost inflation. RBI has identified a total savings potential of approximately EUR 450 million by 2016, which would result in the nominal cost base remaining stable at the level of 2012. The company aims to achieve a cost/income ratio of between 50% and 55% by 2016.

The key initiatives that will be implemented relate to:

- External spend optimization, including leveraging of procurement synergies, contract and vendor review and demand reduction;

- Shared service centers and operations, including expanding shared service centers and improving efficiency in operations;

- IT optimization, including consolidating data centers, standardizing IT infrastructure and improving efficiency of application maintenance;

- Distribution network review, including reviewing the branch network and expanding alternative sales channels;

- Premises review, including optimizing the premises portfolio and facility management;

- Product and business line review, including assessing the product portfolio and reducing business complexity.

Strengthen capital position and redeem outstanding participation capital

Given the future regulatory treatment and deteriorating economics of its Participation Capital 2008/2009, RBI intends to redeem the Participation Capital 2008/2009. The Company intends to use the net proceeds from the Offering to redeem the Participation Capital 2008/2009 in full or in part. The timing of the redemption of the Participation Capital 2008/2009 depends on the regulatory approval (which the Company expects to obtain in the short term based on preliminary discussions with the regulator), the approval of the Supervisory Board and the issuance of additional tier 1 capital. The Group intends to redeem the Participation Capital 2008/2009 subscribed by the Republic of Austria upon regulatory and Supervisory Board approval and expects to redeem any remaining parts of the Participation Capital 2008/2009 still within 2014. Residual amounts for redemption of the Participation Capital 2008/2009 would reduce the Company's free reserves accordingly. In addition RBI is continuously evaluating the implementation of incremental capital strengthening measures. Such measures may for example include a country by country review targeting a reduction of risk-weighted assets and the reallocation of risk-weighted assets to focus markets. Through the Offering and additional capital strengthening measures the RBI aims to reach a 10% common equity tier 1 ratio on a Basel III fully phased-in basis within 12 to 18 months of the transaction.

Segments

The Group's operations are divided into seven reporting segments: Four geographic segments (Central Europe, Southeastern Europe, Russia and CIS other) focus on traditional banking business, and provide loan and lease financing to corporate and retail customers in the CEE region, while two functional segments (Group Corporates and Group Markets) focus on corporate customers in Austria and the rest of the world outside CEE, as well as on financial institutions, institutional and sovereign customers and capital markets products and to a limited extent on proprietary trading; the Corporate Center segment comprises the Group's headquarters function.

Central Europe (CE)

The Central Europe segment comprises the five countries that joined the European Union in 2004: the Czech Republic, Hungary, Poland, Slovenia and Slovakia. Slovenia and Slovakia also joined the euro zone, in 2007 and 2009, respectively. The Group is represented in each of the countries by a bank, by one or more leasing companies and by other financial service providers.

Generally, RBI positions itself as leading universal bank in the CE region and continuously extends the range of premium and private banking services. However, because economic conditions differ between the countries of this segment, RBI's business focus varies by country. RBI's corporate and retail product offerings reflect the maturity of the Central European financial sector, which is more advanced than in other regions in which the Group operates. Accordingly, the focus is on less capital intensive, higher value added products, such as asset management, advisory, insurance distribution and treasury flow products, alongside basic banking products such as loans, current accounts and deposits.

Central Europe is the largest of the Group's geographic segments in terms of total assets. Despite the difficult situations in Hungary and Slovenia the segment has been profitable over the past years and contributed 9.4% of the Group's profit before tax as of September 30, 2013. The following table presents selected financial and operating information for the Central Europe segment as of and for the nine months ended September 30, 2013 and the years ended December 31, 2012, 2011 and 2010:

	As at / nine months ended September 30,	As at / Year ended December 31,		
	2013	2012	2011	2010
	(unaudited)	(audited unless otherwise stated)		
	(in EUR million, except % and number of outlets)			
Central Europe				
Total assets	38,353	40,787	34,852	33,928
Credit risk-weighted assets (unaudited)	21,175	21,958	21,510	22,886
Average equity	3,251	3,038	2,740	2,583
Profit before tax	127	53	33	269
Return on equity before tax	5.2%	1.7%	1.2%	10.4%
Number of outlets (unaudited)	805	853	552	555

Source: Consolidated Financial Statements and internal data.

The following table presents selected financial and operating information for the Central Europe segment, broken down by country, as of and for the nine months ended September 30, 2013:

	Total Assets	Risk-weighted assets (credit)	Profit before tax	Return on average equity before tax	Number of outlets
	(in EUR million)			(in %)	
Czech Republic	8,274	5,567	82	15.9	130
Hungary	6,270	5,424	(78)		124
Poland	12,708	11,157	45	4.2	371
Slovakia	9,769	5,994	106	14.9	163
Slovenia	1,339	799	(29)		17

Source: Internal data.

In Hungary, RBI has adapted the business model of the local subsidiary to the difficult market environment in the country. As part of this process the corporate customer business has been focusing on international and export-oriented customers as well as on domestic small and medium-sized enterprises. RBI has also been deemphasizing its retail customer business by streamlining its sales network. Lending (particularly in foreign currencies) is defensively oriented, while the main focus for affluent retail customers is on deposit business. RBI is also in the process of streamlining its organizational set up in Hungary, including cost and process optimization, the creation of a central operation, back office, and call center business.

In Poland, RBI acquired a 70% interest in Polbank EFG ("Polbank"), the Polish branch of EFG Eurobank Ergasias S.A. ("Eurobank EFG") on April 30, 2011, and, after the subsequent exercise of a put option by the seller, acquired the remaining 30% interest on October 15, 2012 (the "Polbank Acquisition"). Polbank was merged into Raiffeisen Bank Polska S.A. as of December 31, 2012. The merged bank operates under the brand "Raiffeisen Polbank" and the related rebranding was completed in January 2013. The aggregate purchase price for the acquisition, all of which was paid in cash and which still remains subject to final purchase price adjustments, amounted to EUR 637.5 million.

At the time of initial consolidation (May 1, 2012), Polbank had a network of approximately 327 business outlets, 3,065 employees and served more than 700,000 customers; its total loans amounted to approximately EUR 4.8 billion (source: Annual Report 2012). As of March 31, 2013, the combined Raiffeisen Bank Polska S.A. is the eighth-largest bank in Poland based on customer loan volume. Given its local significance, RBI communicated to the Polish supervisory authorities its intention to list a minority stake in the range of 15% to 25% of Raiffeisen Bank Polska S.A. shares by the middle of 2016 and, in addition, to consider a secondary listing of RBI by the middle of 2018, both with the Warsaw Stock Exchange.

While Raiffeisen Bank Polska focused primarily on corporate customers prior to its merger with Polbank, Polbank focused on the retail market. As a result of the acquisition, retail business represented approximately 68% and corporate business approximately 32% of loans and advances to customers in Poland as of December 31, 2012, compared to 38% retail business and 62% corporate business as of December 31, 2011. RBI seeks to leverage Polbank's local network to distribute products, particularly savings and investment products, to retail as well as SME customers. In addition, in Poland RBI plans to strengthen the credit card and insurance business, making use of cross-selling to the existing customer base. RBI is also in the process of integrating Polbank into its existing operations and optimizing structures and processes, including the distribution network, to derive synergies from the acquisition. In connection with the rebranding of Polbank, RBI repriced certain of the products.

The operations in Slovenia are currently rescaled, by reducing risk-weighted assets, and the business model is adapted to the difficult market environment by shifting the focus from large corporate business to business with small enterprises and retail customers.

Southeastern Europe (SEE)

The Southeastern Europe segment comprises Albania, Bosnia and Herzegovina, Croatia, Kosovo, Moldova and Serbia, as well as Bulgaria and Romania. Bulgaria and Romania joined the European Union on January 1, 2007, Croatia joined on July 1, 2013 and Serbia has candidate status. The Group owns banks and separate leasing companies as well as other financial institutions in each of the countries, except for Moldova, where RBI only owns a leasing company which, due to its close economic ties to Romania, is managed out of the Romanian subsidiary bank and, consequently, is included as part of Romania. Generally, business origination in this region is dominated by a selective underwriting approach with focus on generating sustainable business with primary customer relationships. Only the bank in Romania is currently pursuing a targeted growth approach which was recently also supported by a small portfolio acquisition. The Group has agreed to acquire a retail loan portfolio of Citibank Romania with more than 100,000 customers and the equivalent of more than EUR 90 million in gross assets (as of December 31, 2012). Following local competition authorities' approval the closing occurred on July 1, 2013. The focus in SEE is on cost efficiency, including centralization of services and process optimization to enhance productivity.

Southeastern Europe contributed 18.2% of the Group's profit before tax and was the segment with the highest number of business outlets (as of September 30, 2013). The following table presents selected financial and operating information for the Southeastern Europe segment as of and for the nine months ended September 30, 2013 and the years ended December 31, 2012, 2011 and 2010:

	As at / nine months ended September 30,	As at / Year ended December 31,		
	2013	2012	2011	2010
	(unaudited)	(audited unless otherwise stated)		
	(in EUR million, except % and number of outlets)			
Southeastern Europe				
Total assets	21,358	21,346	22,827	22,697
Credit risk-weighted assets (unaudited)	12,833	13,169	16,325	16,698
Average equity	2,034	2,059	2,009	1,942
Profit before tax	246	303	351	305
Return on equity before tax	16.1%	14.7%	17.5%	15.7%
Number of outlets (unaudited)	1,121	1,129	1,161	1,167

Source: Consolidated Financial Statements and internal data.

The following table presents selected financial and operating information for the Southeastern Europe segment, broken down by country, as of and for the nine months ended September 30, 2013:

	Total Assets	Risk-weighted assets (credit)	Profit before tax	Return on average equity before tax	Number of outlets
	(in EUR million)			(in %)	
Albania	2,161	1,481	33	23.6	105
Bosnia and Herzegovina	2,013	1,718	29	16	98
Bulgaria	3,409	2,762	6	1.7	178
Croatia	4,948	3,660	37	6.9	76
Kosovo	654	4,548	14	20.9	51
Romania	6,315	5,172	81	20.1	529
Serbia	1,862	1,667	45	13.3	84

Source: Internal data.

Russia

The Russia segment comprises the Group's assets and business activities in the Russian Federation, where RBI is represented through its wholly owned banking subsidiary ZAO Raiffeisenbank. In Russia, RBI is the tenth-largest bank in terms of customer loan volume and the third largest foreign bank operating in Russia according to central bank data (as of December 31, 2012). Corporate business represented approximately 64% and retail business approximately 36% of loans and advances to customers in the country. In addition, RBI also offers leasing products to its Russian clients through a leasing company.

RBI's strategic focus in Russia is to make use of its market position as a leading international bank with a particular emphasis on affluent customers, capitalizing on its strong existing network, in particular through by offering increasingly sophisticated financial services, such as investment banking and the sale of treasury and cash management products. RBI is also seeking to strengthen its relationships with core corporate clients by positioning the bank as an underwriter of fixed income products in the local ruble as well as in the Eurobond market.

In the nine months ended September 30, 2013, Russia was the Group's segment with the highest return on equity before tax (41.8%) and contributed 37.5% of the Group's profit before tax. The following table presents selected financial and operating information for the Russia segment as of and for the nine months ended September 30, 2013 and the years ended December 31, 2012, 2011 and 2010:

	As at / nine months ended September 30,	As at / Year ended December 31,		
	2013	2012	2011	2010
	(unaudited)	(audited unless otherwise stated)		
	(in EUR million, except % and number of outlets)			
Russia				
Total assets	15,796	15,635	14,218	12,178
Credit risk-weighted assets (unaudited)	10,226	10,243	10,517	8,692

	As at / nine months ended September 30,	As at / Year ended December 31,		
	2013	2012	2011	2010
	(unaudited)	(audited unless otherwise stated)		
	(in EUR million, except % and number of outlets)			
Russia				
Average equity	1,614	1,528	1,275	1,079
Profit before tax	507	599	434	267
Return on equity before tax	41.8%	39.2%	34.0%	24.7%
Number of outlets (unaudited)	192	186	191	198

Source: Consolidated Financial Statements and internal data.

CIS Other

The CIS Other segment comprises RBI's activities carried out by its bank and leasing subsidiaries in the Commonwealth of Independent States excluding Russia, i.e., Belarus, Ukraine and Kazakhstan. The Group has banks, leasing companies and other financial service companies in Belarus and Ukraine, where it continues to pursue the strategy of providing a full range of universal banking services via a nationwide network. In Kazakhstan, the Group is present only with a leasing company.

Banking penetration and consolidation in the markets in the CIS Other segment is not yet as advanced as in other regions in CEE. As a consequence, management considers this region to have the potential to benefit from economic recovery in the medium to long term. However, the Group is aware that the region's risk profile requires significant attention to risk and capital management as well as to the economic development of the markets in this segment. The Group's operations in Ukraine have been undergoing a number of efficiency and cost-improvement measures in the recent past, including the centralization measures of major cost and service functions, some of which are still ongoing.

Besides the provision of basic banking products such as deposits, loans, current accounts and cash management, the Group aims at cross- and upselling to core customers via credit cards, personal loans and insurance. Sector-wise RBI's focus in countries of CIS Other segment is on medium sized companies in the agricultural sector and export-driven heavy industry. As a result of the region's higher risk profile, RBI follows particularly stringent risk policies and restrictive underwriting and lending standards and seeks to operate the local banks mostly based on their strong primary deposit base.

As of, and for the nine months ended September 30, 2013, CIS Other contributed 11.0% of the Group's profit before tax and reported a return on equity before tax of 23.6%. The following table presents selected financial and operating information for the CIS Other segment as of and for the nine months ended September 30, 2013 and the years ended December 31, 2012, 2011 and 2010:

	As at / nine months ended September 30,	As at / Year ended December 31,		
	2013	2012	2011	2010
	(unaudited)	(audited unless otherwise stated)		
	(in EUR million, except % and number of outlets)			
CIS Other				
Total assets	5,981	6,324	6,761	7,131
Credit risk-weighted assets (unaudited)	5,229	5,148	5,490	5,671
Average equity	839	791	699	664
Profit before tax	149	108	106	89
Return on equity before tax	23.6%	13.7%	15.1%	13.4%
Number of outlets (unaudited)	919	926	1,011	1,028

Source: Consolidated Financial Statements and internal data.

The following table presents selected financial and operating information for the CIS Other segment, broken down by country, as of and for the nine months ended September 30, 2013:

	Total Assets	Risk-weighted assets (credit)	Profit before tax	Return on average equity before tax	Number of outlets
	(in EUR million)			(in %)	
Belarus	1,450	1,471	54	37.1%	100
Ukraine	4,495	4,504	91	15.3%	818

Source: Internal data.

Group Corporates

The Group Corporates segment covers commercial and investment banking business carried out by the Issuer's operations in its Vienna headquarters with Austrian and international corporate customers, including CEE multinationals. The segment also includes the corporate customer business conducted at the China, Malaysia, Malta, Singapore and Hong Kong branches and the lending subsidiary RB International Finance (USA), all of which provide a selection of products for niche market customers.

The Group Corporates segment's product range includes global corporate banking products such as investment and export financing, acquisition financing and project and structured finance and cash management.

RBI's strategic priority in this segment is to continually develop its extensive and fully integrated service and sales model through group-wide account planning by offering tailor-made solutions for large corporate customers and to exploit cross selling opportunities with the Group's local operations in other countries. The Group Corporates segment has a distribution emphasis on funding- and capital-light products, such as the placement of corporate bonds or the sale of treasury or cash management products. The Group Corporates segment also serves as a central hub for commercial banking and manages the customer relationship with respect to investment banking products offered across the Group's Network. The segment has continuously improved its customer penetration through the implementation of Group-wide client account planning designed to ensure extensive and fully integrated servicing of prime corporate customers.

The following table presents selected financial and operating information for the Group Corporates segment as of and for the nine months ended September 30, 2013 and the years ended December 31, 2012, 2011 and 2010:

	As at / nine months ended September 30,	As at / Year ended December 31,		
	2013	2012	2011	2010
	(unaudited)	(audited unless otherwise stated)		
	(in EUR million, except % and number of outlets)			
Group Corporates				
Total assets	21,667	18,996	22,843	23,478
Credit risk-weighted assets (unaudited)	13,510	13,151	15,733	15,645
Average equity	1,808	1,770	1,667	1,594
Profit before tax	117	319	374	295
Return on equity before tax	8.6%	18.0%	22.4%	18.5%
Number of outlets (unaudited)	9	8	8	8

Source: Consolidated Financial Statements and internal data.

Group Markets

The Group Markets segment primarily covers capital markets & investment banking activities as well as business with institutional and sovereign clients of the Issuer and its branches as well as RCB. Markets & investment banking business of the Network Banks is shown in the respective geographic segments.

As part of its capital markets operations, RBI generates income from currency and securities trading and interest-based transactions executed for its customers, from investment banking services, which are provided by both the Issuer and RCB, and supported by conservative and customer-oriented trading activities carried out in the Issuer's headquarters in Vienna and in its London and Singapore branches. From the Vienna headquarters, the Group Markets segment also covers institutional clients and sovereign customers. The strategic focus is on capital-light products (such as trade finance, cash management and custody), equity and debt capital market products as well as M&A advisory activities. Group Markets has successfully rolled out asset-based finance as new business line complementing the segment's investment banking services. Furthermore, the focus is on increasing the share of business with non-banking financial institutions by strengthening client coverage with fixed income products and solutions.

The Group Markets segment also includes private banking, carried out through Kathrein Privatbank Aktiengesellschaft, which advises on wealth and asset management for private banking clients and provides advisory services for foundations.

The following table presents selected financial and operating information for the Group Markets segment as of and for the nine months ended September 30, 2013 and the years ended December 31, 2012, 2011 and 2010:

	As at / nine months ended September 30,	As at / Year ended December 31,		
	2013	2012	2011	2010
	(unaudited)	(audited unless otherwise stated)		
	(in EUR million, except % and number of outlets)			
Group Markets				
Total assets	20,778	20,243	25,732	27,218
Credit risk-weighted assets (unaudited)	3,610	3,323	5,129	5,273
Average equity	652	1,052	1,363	1,614
Profit before tax	108	258	266	249
Return on equity before tax	22.1%	24.6%	19.5%	15.4%
Number of outlets (unaudited)	4	3	4	4

Source: Consolidated Financial Statements and internal data.

Corporate Center

The Corporate Center segment encompasses all the services as well as the oversight function provided by Group headquarters in various divisions to realize the Group's overall strategy. For the purpose of reporting comparable figures, net income from these activities is included under the Corporate Center segment. This segment also includes liquidity management and balance sheet structure management linked to securities trading, as well as net income from the equity investment portfolio. In addition, the Corporate Center segment covers net income from intra-Group financing carried out by Group headquarters and the Maltese subsidiary (whose business with external customers is included in the Group Corporates segment). Net income from certain customers for which members of the Management Board are directly responsible, is also shown in this segment. Net income from holding companies and other companies not directly allocated to any other segment, as well as interest expenses linked to the Group's refinancing using hybrid equity instruments, are also included in this segment. Net income from treasury and balance sheet structure management controlling is also included in this segment.

	As at / nine months ended September 30,	As at / Year ended December 31,		
	2013	2012	2011	2010
	(unaudited)	(audited unless otherwise stated)		
	(in EUR million, except % and number of outlets)			
Corporate Center				
Total assets	34,496	47,341	53,835	32,879
Credit risk-weighted assets (unaudited)	16,129	18,957	19,596	16,129
Average equity	2,301	2,403	1,918	2,043
Profit/loss before tax	98	(399)	(65)	109
Return on equity before tax	5.7%	-	-	5.3
Number of outlets (unaudited)	1	1	1	1

Source: Consolidated Financial Statements and internal data.

Rating

Ratings of the Company

The Company has been assigned the following ratings by Moody's, Standard & Poor's and Fitch:

	Long term rating[1]	Outlook	Short term rating[1]	Stand alone rating[1]	Outlook
Moody's	A2	Negative	P-1	D+	Stable
Standard & Poor's	A	Negative	A-1	bbb+	n.a.
Fitch	A	Stable	F1	bbb	n.a.

[1] A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time.

Source: Moody's, Standard & Poor's, Fitch.

Ratings of Network Banks

The ratings assigned to the Network Banks are as follows:

Network Bank/Country	Rating agency	Long term rating[1]	Outlook	Short term rating[1]	Standalone rating [1]	Outlook
Tatra banka a.s., Slovakia	Moody's	A3	negative	P-2	C-	negative
Raiffeisen Bank S.A., Romania	Moody's	Ba1	stable	NP	D-	stable
ZAO Raiffeisenbank, Russia	Moody's	Baa3	stable	P-3	D+	stable
	Standard & Poor's	BBB	Stable	A-2	bb+	n.a.
	Fitch	BBB+	Stable	F2	bbb-	n.a.
Raiffeisen Bank Aval JSC, Ukraine	Moody's	Caa2	RuR down[2]	NP	E	stable
Raiffeisenbank (Bulgaria) EAD, Bulgaria	Moody's	Baa1	Stable	NP	D-	Stable

[1] A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time.

[2] Rating under review for downgrade.

Source: Moody's, Standard & Poor's, Fitch.

Material contracts

In the ordinary course of its business, the Group enters into a variety of contracts with various other entities. Except for the Participation Capital 2008/2009, the Group has not entered into any material contracts outside the ordinary course of its business within the past two years. The Participation Capital 2008/2009 is described under "*Operating and Financial Review-Liquidity and capital resources-Subordinated and participation capital*".

Legal and administrative proceedings

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

The following is a description of the most significant proceedings and work-out cases in which the Group is currently involved. Except as disclosed below and elsewhere (in particular under "*Risk factors*") in this prospectus, and based on the Group's current assessment of the facts and legal implication, there were no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this prospectus, which may have, or have had in the recent past, significant effects on the financial position or profitability of the Company or the Group.

Civil Proceedings

A tendency towards a more aggressive behavior by customers and consumer protection associations in the context of legal disputes in relation to consumer protection was observed in CEE countries. For example, on July 4, 2013, based on a claim brought by a consumer rights protection association, the Zagreb Commercial Court issued a judgment against several Croatian banking subsidiaries of European banks, including RBI's Croatian Network Bank Raiffeisenbank Austria d.d. ("Raiffeisenbank Austria"), finding that the banks violated Croatian consumer protection laws and the Croatian civil code in connection with Swiss franc-linked loans extended to retail customers between 2004 and 2008. According to the judgment, the banks used dishonest and unfair business practices and illegal contractual clauses in linking the loans' principal amounts to Swiss francs and by providing for variable interest rates that may be unilaterally reset by the respective banks without sufficiently informing customers of all parameters. The judgment requires Raiffeisenbank Austria to offer affected customers to amend their loan agreements to adjust the principal amount of the respective loan linked to Swiss franc to the Croatian kuna at the exchange rate of the respective disbursement date and to reset the respective interest rate on the loans to the rate in effect at the time the loan was extended, which interest rate shall prevail until new transparent interest rate reset mechanisms are in place. Raiffeisenbank Austria believes that the claims underlying the judgment are unfounded and, like other defendants, has appealed the judgment on procedural and substantive grounds. Although Raiffeisenbank Austria believes that the judgment is unlikely to be upheld in full on appeal, it is currently not possible to predict the outcome of the appellate proceedings. If the judgment were to be upheld in full or in part, the financial impact on Raiffeisenbank Austria, and therefore on RBI, could be significant: As of September 30, 2013, approximately EUR 306 million in principal amount of loans covered by the judgment were outstanding. Raiffeisenbank Austria estimates that, if it were to offer borrowers under these loans to amend their loan agreements as mandated by the Commercial Court's judgment (and assuming all offers were accepted), this may result in loan losses in the mid to upper two digit million-euro-range, and adversely impact net interest income in the mid single digit million-euro-range annually (with the adverse impact decreasing over time, as affected loans are being repaid). In addition, if the Commercial Court's judgment were upheld on appeal, borrowers who had previously made payments on loans covered by the judgment could sue for repayment of overpaid principal and interest (and default interest), subject to a five year statute of limitations. Loans repaid during the five-year period preceding the date of the judgment amounted to approximately EUR 882 million. Raiffeisenbank Austria estimates that, if all borrowers under these loans were to reclaim successfully overpaid amounts in application of the terms of the judgment, the maximum financial impact on Raiffeisenbank Austria would be in the mid to upper EUR 100 million range. There is also a risk that, on the basis of the Commercial Court's judgment, other customers of Raiffeisenbank Austria may seek to invalidate variable interest rate clauses in loan agreements not covered by the judgment.

Various claims for the repayment of deducted loan account maintenance fees have been filed against RBI's Russian Network Bank ZAO Raiffeisenbank by a number of its clients, based on a decision of an arbitration court in Russia in 2009. Claims amounting to approximately RUR 81 million are pending (approximately EUR 1.8 million based on the Central Bank exchange rate on January 20, 2013 of EUR 1/RUR 45.5). The total amount of commissions paid by clients since April 2010 amounts to approximately EUR 26 million. Due to the fact that all retail commissions have been cancelled and are no longer charged by ZAO Raiffeisenbank and given that the statute of limitations under the Civil Code of Russia is three years and has already expired for the majority of possible claims, ZAO Raiffeisenbank currently believes that it is not likely that actual losses related to potential claims will materialize in the full amount.

Prior to the Merger, a claim was filed against RZB and Raiffeisen Investment AG ("RIAG") in New York State Court, which was later moved to New York Federal Court. The claimant alleged that RBI, in its capacity as universal successor to RZB, had unlawfully paid USD 150,000 on a bid bond and that RIAG had been involved in a fraud committed by the Serbian privatization agency resulting in a damage of USD 31 to 52 million. According to the defendants' and Issuer's assessment, the claim is unfounded and unlikely to succeed.

In August 2011, a U.S. company filed a lawsuit against FJ Elsner Trading Gesellschaft m.b.H. ("FJ Elsner"), a commodities trader and wholly-owned subsidiary of the Company with the Commercial Court of Vienna. The claimant alleged that FJ Elsner delivered steelcoils that did not satisfy the agreed quality requirements. The claimant claims damages in an amount of USD 41.9 million and requests a declaratory judgment that FJ Elsner will have to hold it harmless from any third-party claims resulting from the delivery of the steelcoils. In the hearing on October 11, 2013 the Commercial Court in Vienna has dismissed the claim. FJ Elsner is waiting for the executed copy of the judgement. The claimant indicated that it will file an appeal against the judgement.

FJ Elsner is also defendant in three other lawsuits arising from its ordinary course of business. The respective claims currently filed against FJ Elsner amount to an aggregate of approximately EUR 9.5 million. FJ Elsner has indicated to RBI that it expects an overall success rate of substantially less than 50% in favor of the claimants.

In June 2012, a client of Tatra banka, a.s, RBI's Network Bank in Slovakia, filed a petition for compensation of damage and lost profits in the amount of approximately EUR 71 million. The lawsuit relates to credit facility agreements entered into between Tatra banka, a.s and the client. The client claims that Tatra banka, a.s breached its contractual obligations by refusing to execute payment orders from the client's accounts without cause and not extending the maturity of facilities despite a previous promise to do so, which led to non-payment of the client's obligations towards its business partners and the termination of the client's business activities. The legal proceedings were interrupted due to the insolvency of the claimant, but have been continued upon request of the bankruptcy administrator. According to Tatra banka, a.s' assessment the claim is likely to be dismissed.

Particularly in connection with its lending activities, the Group is from time to time subject to claims from insolvency administrators or similar persons or authorities, seeking to recover assets of insolvent borrowers. Among other such claims, in February 2012, a claim was submitted to RZB and RBI in which it was alleged that a borrower made a voluntary repayment under a syndicated loan agreement to RZB and/or RBI in the amount of EUR 75 million prior to its maturity date. The borrower became insolvent and it is now claimed that RZB and/or RBI has to repay a part of this amount, namely EUR 25 million.

In 2011, a client of Raiffeisenbank Austria, d.d., filed a claim for damages in the amount of approximately EUR 23.6 million with a Croatian court and alleged that damages have been caused by an unjustified termination of a loan. However, according to Raiffeisenbank Austria, d.d.'s assessment the claim is likely to be dismissed.

Raiffeisen Bank Zrt, as many other banks in Hungary, is involved in a number of lawsuits with respect to foreign currency loan agreements in which claimants seek declaratory judgments that such contracts are void. As of December 31, 2013, the aggregate value of claims relating to pending foreign currency loan related lawsuits against Raiffeisen Bank Zrt amounted to approximately EUR 16.4 million (based on the EUR/HUF exchange rate as of December 31, 2013). Based on guidelines recently issued by the Supreme Court, Raiffeisen Bank Zrt believes that the claims are unlikely to succeed in full. However, it is currently not possible to predict the outcome of the proceedings and the legal and financial consequences of declaratory judgments in favor of the claimants. The Company anticipates that the outcome of the foreign currency loan agreement related lawsuits in Hungary will, to a significant extent, be affected by the interpreting decision of the Constitutional Court on the unconstitutional quality of certain contractual terms, which is expected for the second quarter of 2014, and the ruling of the European Court of Justice in respect of the unilateral modification clauses of foreign currency loan contracts, expected for April 2014. These rulings may have an impact not only on the active claims but on Raiffeisen Bank Zrt's entire foreign currency loan portfolio.

Regulatory Matters

In November 2011, the Hungarian Competition Office ("HCO") launched a competition supervision proceeding against various financial institutions, including Raiffeisen Bank Zrt, and claims that the banks have offered products with higher interest rates and have limited the access to lower interest rate products in connection with the Hungarian home protection law's early repayments of foreign currency loans and therefore unfairly manipulated competition. In November 2013, the HCO issued its final decision and levied a fine on Raiffeisen Bank Zrt. in the amount of HUF 583 million (approximately EUR 2 million). The decision has been appealed by Raiffeisen Bank Zrt at the Metropolitan Court of Hungary. The final decision in the case is expected within two years.

Furthermore, in April 2012 the HCO launched a competition supervision proceeding against the Banking Association and Institute for Training and Consulting in Banking (*Bankárképző*). The HCO alleges that the establishment and the maintenance of the interbank database (*BankAdat*) being regularly updated by banks and containing partly non-public data may qualify as an information cartel. The database was available free of charge and contained quarterly updated data about the member banks and their performance uploaded by the banks themselves. Since 2000 and until recently, the data uploaded were accessible on principle reciprocity basis (banks uploading data could see equivalent types of data uploaded by other banks). In October 2012, the HCO extended the ongoing proceeding to all participating commercial banks and financial institutions, including Raiffeisen Bank Zrt. According to a notice published by the HCO on the setting of fines in antitrust cases, the legal maximum amount of fines is 10% of the relevant net turnover; the relevant net turnover of Raiffeisen Bank Zrt. in the relevant year of 2012 amounted to about HUF 20,017 million. However, in assessing fines, the HCO considers a number of factors, such as the impediment to effective competition, the impact of the infringement on the market or the bank's general attitude in the infringement, so that actual fines can fall short of the statutory maximum.

The Antimonopoly Office of Slovakia carried out a dawn raid at the premises of RBI's Network Bank Tatra banka, a.s. and certain other banks in Slovakia in relation to the suspicion of exchange of sensitive information and coordination of behaviour in the setting of charges for private individuals, which would constitute a breach of Slovak national as well as European competition law. A decision on whether any proceeding against Tatra banka, a.s. will be opened or not has not yet been taken by the Antimonopoly Office of Slovakia. The maximum possible fine may reach 10% of the turnover of Tatra banka, a.s., which - based on the figures for 2012 - would amount to approximately EUR 72 million.

Procedures launched against board members of RBI by the Austrian Financial Market Authority (FMA)

In the course of the administrative penal procedure, the FMA imposed a fine of EUR 120,000 against all members of the former board of management of RBI's predecessor Raiffeisen International, three of which are currently members of the management board of RBI, which was confirmed by the appeal decision of the independent administrative panel (UVS, *Unabhängiger Verwaltungssenat*) in October 2012. The FMA accused the board members that preparations pertaining to the Merger of RZB and RI had not been made public in time via an ad-hoc release and the FMA as well as the Vienna Stock Exchange had not been informed in time prior to this ad-hoc release. The affected board members have lodged a complaint at the Austrian Higher Administrative Court (*Verwaltungsgerichtshof*) as a court of last instance in December 2012.

Investments

The following table shows the Group's investments for the first nine months of 2013 and the years 2012, 2011 and 2010:

	Nine months ended September 30,	Year ended December 31,		
	2013	2012	2011	2010
		(in EUR million)		
	(unaudited)	(audited)		
Tangible fixed assets	173	330	365	415
Intangible fixed assets	124	201	216	203
Total	**297**	**531**	**580**	**619**

Source: Consolidated Financial Statements.

Investment in tangible fixed assets amounted to EUR 330 million in 2012 (EUR 365 million in 2011 and EUR 415 million in 2010) and related primarily to land and buildings used by the Group for own purposes amounting to EUR 138 million in 2012 (EUR 102 million in 2011 and 39 million in 2010) and office furniture, equipment and other tangible fixed assets amounting to EUR 130 million in 2012 (EUR 141 million in 2011 and 171 million in 2010).

Investments in intangible fixed assets amounted to EUR 201 million in 2012 (EUR 216 million in 2011 and EUR 203 million in 2010) and related primarily to software (EUR 183 million in 2012, EUR 201 million in 2011 and EUR 183 million in 2010).

Assets

Tangible fixed assets

The book value of the Group's real estate and other fixed tangible assets as of September 30, 2013 and December 31, 2012, 2011 and 2010 is as follows:

	As of September 30,	As of December 31,		
	2013	2012	2011	2010
		(in EUR million)		
	(unaudited)	(audited)		
Land and buildings used by the Group for own purpose	703	722	610	554
Other land and buildings (investment property)	203	150	121	113
Office furniture, equipment and other tangible fixed assets	425	429	449	507
Leased assets (operating lease)	300	296	332	280
Total	**1,631**	**1,597**	**1,511**	**1,454**

Source: Consolidated Financial Statements.

RBI separately discloses land and buildings that the Group uses to conduct its operations (i.e. headquarters, other office buildings and branches) and investment property which is held to generate rental income or for capital appreciation, which however is not significant as it is not a core business for the Group. The fair value of the investment properties totaled EUR 150 million as of December 31, 2012 (EUR 121 million as of December 31, 2011 and EUR 113 million as of December 31, 2010), the sharp increase being primarily due to purchases in Russia in connection with credit collateral.

The Group pursues a regional and country specific real estate strategy which considers local aspects or specific aspects of the respective unit. Some subsidiaries, especially those that were acquired or purchased rather than established by RBI, own the buildings in which they operate. However, most subsidiaries rent their headquarters and outlets. The management headquarters of RBI are located in Vienna. RBI rents the premises from RZB Group companies on arm's-length terms.

Aside from real property and buildings, the Group's material fixed assets consist of furniture and office equipment as well as other tangible fixed assets.

All fixed assets which were acquired for the purpose of operating leasing are disclosed under the item 'leased assets'. This business is only regionally relevant due to market circumstances; the bulk of operating leasing business is carried out in Croatia and the Czech Republic.

The Group is not aware of any environmental issues that might affect its utilization of the tangible fixed assets.

Intangible fixed assets

The Group's intangible fixed assets comprise goodwill, acquired and developed software and other intangible fixed assets such as trademarks, brands and licenses.

The book value of the Group's intangible fixed assets as of September 30, 2013 and December 31, 2012, 2011 and 2010 is as follows:

	As of September 30,	As of December 31,		
	2013	2012	2011	2010
		(in EUR million)		
	(unaudited)	(audited)		
Goodwill	551	558	408	614
Software	516	566	531	480
Other intangible fixed assets	191	198	126	126
Total	**1,259**	**1,321**	**1,066**	**1,220**

Source: Consolidated Financial Statements.

Goodwill is mostly composed of goodwill resulting from business combinations in Network Units in Russia, Poland, Albania and the Czech Republic. The material goodwill resulted from the acquisitions of the Russian ZAO Raiffeisenbank, the Raiffeisen Polbank, the Albanian Raiffeisen Bank Sh.a. and the Czech Raiffeisenbank a.s. The carrying amount of goodwill as basis for the impairment test was allocated to the following cash generating units, whereby changes in the carrying amounts are entirely attributable to currency differences:

	As of September 30,	As of December 31,		
	2013	2012	2011	2010
		(in EUR million)		
	(unaudited)	(audited)		
ZAO Raiffeisenbank, Moscow	245	266	257	263
Raiffeisen Bank Polska, Warsaw	195	175	0	0
Raiffeisen Bank Sh.a., Tirane	50	51	53	53
Raiffeisenbank a.s., Prague	40	41	40	42
Raiffeisen Bank Aval JSC, Kiev	0	0	29	221
Ukrainian Processing Center PJSC, Kiev	15	15	15	15
Other	6	10	14	20
Total	**551**	**558**	**408**	**614**

Source: Consolidated Financial Statements, internal data.

The significant increase in the Group's goodwill in 2012 was entirely attributable to the Polbank Acquisition (goodwill of EUR 175 million), partly offset by impairments in other Group units, particularly in the Ukrainian Raiffeisen Bank Aval JSC, for which goodwill was written off completely over 2011 and 2012.

The item software comprised acquired software amounting to EUR 486 million and developed software amounting to EUR 80 million as of December 31, 2012.

Other intangible fixed assets, among others, include trademarks, brands and licenses. The ability to use the Raiffeisen brand throughout CEE is important to the Group's overall strategy. The Group has a license agreement with RZB allowing it to use the Raiffeisen brand for the Company and its subsidiaries. An annual fee is paid for the agreement.

Information technology

The Group's IT systems are designed to support its business strategy and to achieve defined business goals. IT expenses amounted to EUR 258 million in 2012. RBI aims to have a professional and service-oriented IT function that supports the development and profitability of the business across the Group. Generally, the Group's IT function is decentralized, other than certain core applications and headquarter oriented systems. RBI's priorities in 2013 include integration efforts in Poland as well as further upgrades of the IT landscape both at the local level and the group level (data warehouse). Local level efforts are based on increasing regulatory requirements including developments in the risk area and include upgrades on core banking and satellite systems in individual units.

IT security

The Group's security framework is based on the ISO 17799 standard (Code of Practice for Information Security Management). The main pillar of the framework is the Group network security policy, which defines a minimum standard for security controls that must be implemented by all subsidiaries. This Group-wide standard is often exceeded by the local security policies. Through performing periodic security checks, especially for firewalls, RBI supervises compliance with Group security standards.

Shared services and outsourcing

With a view to improving profitability, the Group increasingly relies on shared services, in particular in the areas of card processing and SWIFT transactions. The Group's card processing activities in CEE are centralized in two card-processing centers in Bratislava and Kiev. A Group-wide application platform for issuing cards and managing and processing card transactions is in the process of being implemented. The centralized Raiffeisen International services & payments unit ("CRISP"), established in Romania in 2007 for processing international payment transfers, in particular SWIFT transactions, and other back-office activities for the Group, functions as a SWIFT hub and checks transactions for irregularities on a centralized basis. Today, all but one (Ukraine) Network Banks are connected to CRISP. In addition, work is under way to centralize software for reconciliation of nostro accounts maintained for clearing entries in payment transfers involving other banks and for inquiries into interbank and corporate customer transactions.

The Group has not outsourced any material IT services to third parties. Certain payment transaction and related services are provided by RBI's subsidiary RSC Raiffeisen Daten Service Center GmbH ("RSC"). RSC, among other things, provides support in connection with payment transactions and data processing and information technology services. In line with regulatory requirements, it does not provide services requiring a license as credit institution. In addition, the Group relies on Raiffeisen Informatik GmbH ("RIZ") which is part of RBG in connection with certain data management services. RIZ is, among other things, engaged in establishing and operating processing centers, providing and procuring services using data processing systems and organizing training sessions within the Raiffeisen sector.

Employees

As of September 30, 2013, the Group had 58,772 full-time equivalent employees, compared to 60,084 full-time equivalent employees as of December 31, 2012 and 59,261 full-time equivalent employees as of December 31, 2011. The increase in 2012 was primarily attributable to the Polbank Acquisition and first time consolidation in 2011.

The average number of staff employed during the nine months ended September 30, 2013 and the financial years 2012, 2011 and 2010 (full-time equivalents) was as follows:

Employees (full-time equivalents)	For the nine months ended September 30, 2013	For the year ended December 31, 2012	2011	2010
Group total	**59,296**	**60,924**	**60,021**	**59,188**
thereof salaried employees	58,432	59,981	59,046	58,148
thereof wage earners	864	943	975	1,040
thereof Austria	2,658	2,665	2,709	2,637
thereof foreign	56,638	58,259	57,312	56,551

Source: Consolidated Financial Statements.

The management pays close attention to human resources and employee relations. As a result, the Group considers its relations with its employees to be good.

The Group emphasizes training and the development of its workforce. The programs offered range from executive development initiatives for board members and leadership training programs for Group Unit managers to technical training for various functions, e.g., on topics such as lean management and operations, risk management, affluent customers and corruption prevention, whereby the Group makes increasing use of e-learning methods.

As to the Group’s incentives program for certain executives, see “*Management and Corporate Governance—Share incentive program*”.

RISK MANAGEMENT

Unless stated otherwise, data presented in the tables of this risk management section are derived from the Consolidated Financial Statements.

Risk management is important for the Group's business. In order to identify, measure and manage risks the Group has implemented a comprehensive risk management system and continues to develop it. Risk management constitutes an integrated part of RBI's overall bank management. In particular, in addition to legal and regulatory requirements, it takes into account the nature, scale, and complexity of the business activities and the resulting risks. RBI's risk management seeks to control the exposure to and ensure professional management of all material risks.

Risk Management Principles

RBI has in place a system of risk management principles and procedures for measuring and monitoring risk, with the aim of controlling and managing material risks at all banks and specialist companies in the Group. These principles and policies are determined by the Management Board of RBI and include:

- Integrated risk management: Credit, country, market, liquidity, participation and operational risks are managed as main risks throughout the Group. For this purpose, risks are measured, limited, aggregated, and compared to available risk coverage capital.

- Uniform methodologies: RBI applies uniform risk measurement and risk limitation methods across the Group in order to ensure a consistent and coherent approach to risk management. This is efficient for the implementation of risk management methods and is the basis for consistent overall bank management across all countries and business segments of RBI.

- Continuous planning: Risk strategies and risk capital are reviewed and approved in the course of the annual budgeting and planning process, whereby special attention is also paid to risk concentrations.

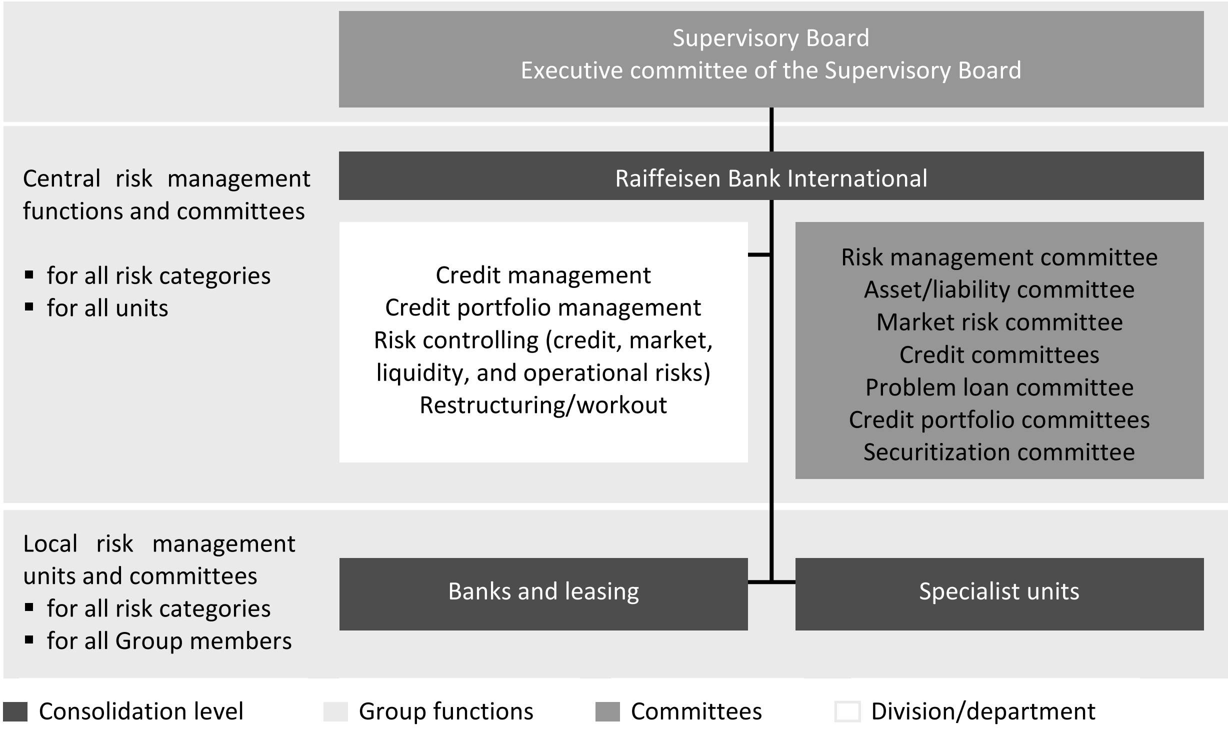
- Independent control: Business operations and risk management/risk controlling activities are clearly separated both functionally and in terms of staffing.

- Ex ante and ex post control: Risks are taken into consideration consistently both in selling RBI's products and in risk-adjusted performance measurement in order to conduct the business generally under risk-return considerations and to avoid incentives for taking high risks.

Individual risk management units of the Group develop detailed risk strategies on the basis of the Group's general principles, specifying risk targets and standards. The overall risk strategy is derived from the Group's business strategy and adds risk-relevant aspects relating to the planned business structure and strategic development. These aspects include structural limits and capital ratio targets which have to be met in the budgeting process and in the Group's business decisions. More specific targets for individual risk categories are set in detailed risk strategies. The credit risk strategy of RBI, for instance, sets credit portfolio limits for individual countries and segments and defines the credit approval authority for limit applications.

Organization of risk management

The following chart provides an overview of the structure of the Group's risk management organization:


Supervisory Board
Executive committee of the Supervisory Board
Central risk management functions and committees
▪ for all risk categories
▪ for all units
Raiffeisen Bank International
Credit management
Credit portfolio management
Risk controlling (credit, market, liquidity, and operational risks)
Restructuring/workout
Risk management committee
Asset/liability committee
Market risk committee
Credit committees
Problem loan committee
Credit portfolio committees
Securitization committee
Local risk management units and committees
▪ for all risk categories
▪ for all Group members
Banks and leasing
Specialist units
Consolidation level
Group functions
Committees
Division/department

The Management Board of the Company is responsible for the proper organization and ongoing development of risk management. It decides which procedures are to be employed for identifying, measuring, and monitoring risks, and makes steering decisions according to the created risk reports and analyses. The Management Board is supported in implementing these tasks by independent risk management units and appointed committees. At RZB and the Company, all organizational units for risk management and risk controlling report directly to the Chief Risk Officer (CRO) and are therefore separated from risk taking units.

Risk management functions are performed on different levels in the Group. The Company develops and implements the relevant concepts in coordination with RZB as superordinated credit institution (central institution) of the RZB Group and in cooperation with its subsidiaries. The central risk management functions are responsible for the Group-wide implementation of risk management processes. In particular, they establish common risk management principles and set business-specific standards, tools, and practices for all Group entities.

In addition to the central risk management, local risk management units exist in RBI's different units. They implement the risk policies for specific risk types and take active steering decisions within the approved risk budgets. For this purpose, they monitor risks using standardized measurement tools and report to central risk management units through defined reporting interfaces.

The central risk controlling division, which consists of senior management, assumes the independent risk controlling function required by banking law. Amongst others, this division is responsible for developing the Group-wide framework for overall bank risk management (integrating all risk types) and preparing independent reports on the risk profile for the Management Board and the heads of individual business units. It also measures required risk coverage capital for different business units and calculates the utilization of the allocated risk capital budgets in the internal capital adequacy framework.

Risk committees

The risk management committee chaired by the CRO is responsible for ongoing development and implementation of methods and parameters for risk quantification models and for refining steering instruments. The committee also regularly analyses the Group's risk situation with respect to internal capital adequacy and the corresponding risk limits. It approves risk management and controlling activities (such as the allocation of risk capital) and advises the Management Board in these matters.

The market risk committee, which is chaired by the CRO, controls market risks of trading and banking book transactions of RBI and establishes corresponding limits and processes. In particular, it relies on profit and loss reports, the amount of risks taken and the limit utilization, as well as the results from scenario analyses and stress tests for market risk controlling.

The credit committees are staffed by front office and back office representatives and according to customer segment (corporate customers, financial institutions and sovereigns, and retail customers) and are chaired by the CRO. They decide upon the specific lending criteria for different customer segments and countries and approve credit decisions according to the credit approval authority (depending on rating and exposure size).

The group asset/liability committee assesses and manages balance sheet and liquidity risks and is chaired by the chief financial officer. In this context it plays an important role for the Group's long term funding planning and the hedging of structural risk positions.

The credit portfolio committees define the credit portfolio strategies for different customer segments and are chaired by the CRO. In these committees, representatives from business and risk management divisions analyze the risks and opportunities of various customer segments (e.g. industries, countries, retail products). Based on this analysis, credit portfolio management develops lending policies and sets limits steering the future credit portfolio.

The securitization committee, chaired by the CRO, is responsible for the approval of all securitization investments according to the credit approval authority (depending on the rating and exposure size). The committee is staffed by front office and back office representatives.

Quality assurance and auditing

Quality assurance with respect to risk management refers to ensuring the integrity, soundness, and accuracy of processes, models, calculations, and data sources. This is designed to ensure that the Group adheres to all legal requirements and that it can achieve the highest standards in risk management related operations.

All these aspects are coordinated by the central division Organization & Internal Control System, which continuously analyses the internal control system and keeps it up to date. If actions are necessary for addressing any deficiencies, this division is also responsible for tracking their implementation.

The internal audit division is responsible for the periodic assessment of business processes and contributes considerably to securing and improving them. It sends its reports directly to the Management Board of RBI, which discusses them on a regular basis in their board meetings.

The Compliance Office is responsible for all issues concerning compliance with legal requirements. It is supplementary to, while being an integral part of, the internal control system and is responsible for preventing any shortcomings in daily operations.

Overall bank risk management

Maintaining an adequate level of capital is a core objective of risk management at RBI. Capital requirements are monitored regularly based on the actual risk level, which is measured by internal models, taking into account the materiality of risks for choosing appropriate models. This capital adequacy framework incorporates both capital requirements from a regulatory point of view (sustainability and going concern perspective) and from an economic point of view (target rating perspective).

Objective	Description of risk	Measurement technique	Confidence level
Target rating perspective	Risk of not being able to satisfy claims of the Group's senior debt holders	Unexpected losses on an annual basis (economic capital) must not exceed the present value of equity and subordinated liabilities	99.95% as derived from the target rating
Going concern perspective	Risk of not meeting the regulatory capital requirement	Risk-taking capacity (projected earnings plus capital exceeding regulatory requirements) must not fall below the annualized Value-at-Risk ("VaR") of the Group	95% reflecting the owners' willingness to inject additional own funds
Sustainability perspective	Risk of falling short of a sustainable core capital ratio over a full business cycle	Capital and loss projection for the three-year planning period based on a severe macroeconomic downturn scenario	70-90% based on the management decision that the Group might be required to temporarily reduce risks or raise additional core capital

This concept for overall bank risk management also satisfies the requirement for an internal capital adequacy assessment process (ICAAP) as required by Basel II (second pillar) regulations and defined in § 39a of the Banking Act. The full ICAAP process of RBI is audited during the supervisory review process for RZB Group Credit Institutions by the Austrian Financial Markets Authority on an annual basis.

Target rating perspective

Risks in the target rating perspective are measured as economic capital, which provides a risk measure that is comparable across all types of risks. It is calculated as the sum of unexpected losses incurred by reporting units and resulting from various risk categories (credit including country risk, market, participation, and operational risk). In addition, a general buffer for other risks not explicitly quantified is added on a Group level.

RBI uses a confidence level of 99.95% for calculating unexpected losses for a 1 year horizon. This confidence level is based on the probability of default implied by the Group's target rating. The purpose of calculating economic capital is to determine the amount of capital that would be required for servicing the claims of customers and creditors even in the case of such an extremely rare event.

Economic capital shows that following the Polbank Acquisition credit risk relating to retail customers and credit risk relating to corporate customers are the Group's dominant risk categories. In addition to the Polbank Acquisition, the reduction in the share of credit risk relating to corporate customers in 2012 was also driven by methodological changes, as RBI introduced a sophisticated simulation model in the beginning of 2012. This portfolio model takes into account risk concentration on a country, industry and single name level. Due to the considerable diversification of the Group's corporate credit portfolio, economic capital attributable to credit risk relating to corporate customers, decreased. In 2012, credit risk relating to retail customers represented 26% of total risk (compared to 21% in 2011 and 22% in 2010), and credit risks in total accounted for 66% of economic capital. Market risk accounted for 9% of economic capital, and operational risk and the general risk buffer for other risks each accounted for 8% and 5% of economic capital, respectively.

The following table summarizes the risk contribution of individual risk types to economic capital:

	As of September 30,	As of December 31,		
	2013	2012	2011	2010
	(unaudited, in %)	(audited, in %)		
Credit risk total	66	66	75	70
thereof: Credit risk private individuals	26	26	21	22
thereof: Credit risk corporate customers	27	26	39	34
thereof: Credit risk sovereigns	10	10	8	8
thereof: Credit risk financial institutions	3	3	6	6
Market risk	8	9	7	9
Operational risk	9	8	9	9
Liquidity risk	3	2	-	-
Participation risk	2	2	0	0
Other tangible fixed assets	4	4	-	-

	As of September 30,	As of December 31,		
	2013	2012	2011	2010
	(unaudited, in %)	(audited, in %)		
Macroeconomic risk	3	4	-	-
Country risk	-	-	-	3
Risk buffer	5	5	9	9
Total	**100**	**100**	**100**	**100**

Source: Consolidated Financial Statements and internal data.

In the regional breakdown of economic capital as of December 31, 2012, the largest share was allocated to reporting units located in Central Europe. About 37% of economic capital is allocated there, which can be attributed mostly to the network units in Poland, the Czech Republic and Slovakia due to their high credit exposures.

As of September 30, 2013, the largest share (35%) of economic capital was allocated to reporting units in the Central Europe segment.

The following table provides an overview of the regional allocation of the Group's economic capital for the nine months ended September 30, 2013 as well as for the years ended December 31, 2012, 2011 and 2010 according to the location of the relevant reporting units.

	As of September 30,	As of December 31,		
	2013	2012	2011	2010
	(unaudited, in %)	(audited, in %)		
Central Europe	35	37	27	24
Austria	20	19	24	24
Southeastern Europe	18	19	18	20
Russia	16	13	12	10
CIS other	8	9	6	11
Rest of the world	3	3	4	3
Risk buffer and diversification effects of risk types(1)	0	0	9	9
Total	**100**	**100**	**100**	**100**

(1) Figures for the years ended December 31, 2011 and 2010 were adjusted to reflect a risk buffer as a separate line item. Beginning with the financial year 2012, the risk buffer is directly allocated to the geographic regions and no longer shown in a separate line item.

Source: Consolidated Financial Statements and internal data.

The overall risk amount is compared to internal capital, which mainly comprises equity and subordinated capital. It serves as a cushion for servicing claims of senior debtors if losses are incurred. Total utilization of available risk capital (the ratio of economic capital to internal capital) was 74% at December 31, 2012 (2011: 63%, 2010: 74%).

Economic capital is an important instrument in overall bank risk management and is used by the Group for allocating risk budgets. Economic capital budgets are allocated to business segments during the annual budgeting process and are complemented for day-to-day management by volume, sensitivity, or VaR limits. In RBI this sort of planning is done on a revolving basis for the subsequent three years and incorporates the future development of economic capital as well as available internal capital. Economic capital thus influences the plans for future lending activities and the overall limit for taking market risks.

Risk-adjusted performance measurement also is based on economic capital. The profitability of business units is set in relation to the amount of economic capital attributed to these units (risk-adjusted return on risk-adjusted capital) which yields a comparable performance measure for all business units of the Group. This measure is used in turn as a key figure for overall bank management, for future capital allocations to business units, and influences performance-oriented compensation of the Group's executive management (see "*Management and corporate governance—Management Board—Management Board compensation*").

Going concern perspective

In addition to the economic capital measurement, internal capital adequacy also is assessed with a focus on the business continuity of the Group on a going concern basis. Under this approach, risks are compared to risk taking capacity with a focus on regulatory capital and minimum capital requirements.

Accordingly, risk taking capacity is calculated as the amount of the Group's expected profits, expected risk costs, and the excess of own funds (in each case subject to certain limits). The resulting capital amount is compared to the Group's overall VaR (including expected losses). Quantitative models used in the calculation are mostly comparable to the target rating perspective (albeit on a lower 95% confidence level). This approach is designed to ensure adequate regulatory capitalization (going concern) with the given probability.

In this process, regulatory capital requirements are calculated on Group level according to Austrian regulations. Any additional local regulatory capital requirements for individual reporting units can be met by adequate structural balance sheet measures. Internal targets for regulatory capital ratios are intentionally set higher than the legal minimum, in order to be able to fulfill regulatory capital requirements at all times and to account for other risks, which are not considered in the regulatory requirements.

Sustainability perspective

The main goal of the sustainability perspective is to ensure that RBI can maintain a sufficiently high core tier 1 ratio, total risk for the three year planning period even in a severe macroeconomic downturn scenario. This analysis of the sustainability perspective is based on a multi-year macroeconomic stress test where hypothetical market developments in a severe but realistic economic downturn scenario are simulated. The risk parameters considered are amongst others: interest rates, foreign exchange rates and securities prices, changes in default probabilities and rating migrations in the credit portfolio.

The main focus of this integrated stress test is the resulting core capital ratio for a multi-year period. The minimum amount of core tier 1 capital is thus determined by the magnitude of the potential economic downturn. In this analysis the need for net allocations to provisioning for impairment losses, potential procyclical effects that increase minimum regulatory capital requirements, the impact of foreign exchange fluctuations as well as other valuation and earnings effects resulting from the downturn scenario are incorporated.

This perspective thus also complements traditional risk measurement based on the VaR concept, which is in general based on historical data. Therefore it can incorporate exceptional market situations that have not been observed in the past and it is possible to estimate the potential impact of such developments. The stress test also allows for analyzing risk concentrations (e.g. individual items, industries, or geographical regions) and gives insight into the profitability, liquidity situation, and solvency under extreme situations.

EU-wide stress testing

The Group has participated, directly and indirectly, in stress testing initiated by European authorities in the aftermath of the financial crisis.

In 2010, the portfolio of RBI was analyzed as part of the RZB Group, which participated in stress tests initiated by the Committee of European Banking Supervisors ("CEBS"), with the cooperation of the national financial supervisory authority. This stress test was based on year-end 2009 data and two-year scenarios. More than 90 European banks participated in the stress tests. The results were published at the end of July 2010. RZB clearly passed this test, showing capitalization well above the recommended minimum ratio even in a simulated continuing crisis. This was despite the fact that the risk scenarios used for the Austrian banks, developed specially by OeNB, were significantly more rigorous than the original CEBS scenarios.

In 2011, RBI participated in an EU-wide stress test initiated by the EBA and involving national financial supervisory authorities. The 2011 stress test, in which 91 banks participated, was focused on the maintenance of a scenario-based core tier 1 ratio, total risk of at least 5%. The stress scenarios were determined on the basis of a two-year forecast period, that is for 2011 and 2012. RZB passed the stress test according to a publication of EBA dated July 15, 2011.

In 2012, RBI, as part of the RZB Group, participated in an EU-wide stress test by the EBA, which was based on data as of June 30, 2012 and required participating credit institutions to comply with a core tier 1 ratio (pursuant to the EBA definition) of at least 9%. At 10% without taking into consideration retained earnings, the RZB Group exceeded the EBA requirement by 1%.

ECB – Asset Quality Review and stress tests

The ECB announced in October 2013 that it would commence a comprehensive assessment, including stress tests and an asset quality review, of certain large European banks, including RBI. The findings from this assessment, expected to be released by the ECB before it will assume bank supervisory functions in November 2014, may result in recommendations for additional supervisory measures and corrective actions affecting RBI and the banking environment generally. It is not yet possible to assess the impact of such measures, if any, on RBI or on the treatment of its capital instruments (see also "*Risk factors—Legal and regulatory risks—The Group is subject to stress testing and is expected to be subject to external asset quality reviews*").

Credit risk

Credit risk within RBI stems mainly from default risks that arise from business with retail and corporate customers, other banks and financial institutions and sovereign borrowers. Default risk is defined as the risk that a customer will not be able to fulfill contractual financial obligations. Migration risks (caused by deteriorations in customers' creditworthiness), concentration risks of creditors, risks in credit risk mitigation techniques, and country risk are also considered.

Credit risk is by far the most important risk category in RBI (see "*—Overall bank risk management—Target rating perspective*"). The Group analyses and monitors credit risk both on an individual loan and customer-by-customer basis as well as on a portfolio basis. Credit risk management and lending decisions are based on the respective credit risk policies, credit risk manuals, and the corresponding tools and processes which have been developed for this purpose.

The internal control system for credit risks includes different types of monitoring measures, which are tightly integrated into the work flow – from the customer's initial credit application, to RBI's credit approval, and finally to the repayment of the loan.

Limit application process

All lending transactions in the non-retail customer segments have to pass a limit application process. In addition to new lending, this process also applies to increases in existing limits, extensions, overdrafts, and if changes in the risk profile of a borrower occur (e.g. with respect to the financial situation of the borrower, the terms and conditions, or collateral) compared to the time the original lending decision was made. In addition it is used when setting counterparty limits in treasury and investment banking operations, other credit limits, and for equity participations.

Credit decisions are made within the context of a hierarchical competence authority scheme depending on the type and volume of a loan. The approval of the business and the credit risk management divisions is required for all individual limit decisions or when performing regular rating renewals. If the individual decision-making parties disagree, the potential transaction will have to be decided upon by the next decision-making level.

The entire limit application process is based on defined uniform principles and rules. Account management of multinational customers, who do business simultaneously with more than one member of RBI, is supported by the global account management system.

The limit application process in the retail segment is more highly automated due to the high number of applications and lower exposure amount. Limit applications often are assessed and approved in central processing centers based on credit score cards. This process is facilitated by the respective IT system for retail customers in the Group.

Credit portfolio management

Credit portfolio management in RBI is based on, among other things, the Group's credit portfolio strategy. This strategy limits the maximum exposure by country, industry or product type and is designed to prevent undesired risk concentrations. In addition, the Group continuously analyses the long-term potential of different markets to allow for an early strategic repositioning of future lending activities.

The following table reconciles balance sheet items (bank and trading book positions) with the total credit exposure according to Basel II, which is used in portfolio management. It includes on-and off-balance sheet exposures before the application of credit conversion factors. It is not reduced by risk-weighting and does not take into account the effects of credit risk mitigation, such as guarantees and physical collateral, although such effects are considered in the internal assessment of credit risks. The total credit exposure is used – if not explicitly stated otherwise – for showing exposures in all subsequent charts in this "Risk Management" section. Due to a different scope of consolidation, different classification and presentation of exposure volumes, the Group's internal portfolio management figures presented in this section differ from the figures according to the Group's external financial reporting, which is based on IFRS and presented below.

	As of September 30,	**As of December 31,**	
	2013	**2012**	**2011**
		(in EUR million)	
	(unaudited)	**(audited)**	
Cash reserve	3,148	4,272	9,348
Loans and advances to banks	21,589	22,323	25,748
Loans and advances to customers	82,431	83,343	81,576
Trading assets	7,853	9,813	10,617
Derivatives	961	1,405	1,405
Financial investments	13,167	12,741	15,837
Other assets	285	217	240
Contingent liabilities	11,661	11,707	13,280
Commitments	11,168	10,609	12,625
Revocable credit lines	16,121	16,224	14,848
Description differences	(2,649)	(2,558)	1,177
Total	**165,734**	**170,097**	**186,700**

A more detailed credit portfolio analysis is based on individual customer ratings. Ratings are performed separately for different asset classes using internal risk classification models and estimates (rating and scoring models), which are validated based on historical experience. Default probabilities assigned to individual rating categories are estimated for each asset class separately. In other words the default probability of the same ordinal rating category (e.g. corporates 1.5, financial institutions A3, and sovereigns A3) is not the same for the various asset classes.

Rating models in the main non-retail asset classes – corporates, financial institutions, and sovereigns – are the same in all reporting units and provide for ten credit rating categories. Country specific scorecards are developed for retail asset classes based on uniform Group standards. Customer rating, as well as validation is supported by specific software tools (e.g. for business valuation, rating and default database).

Credit portfolio – Corporates

The internal rating model for corporates takes into account qualitative factors as well as several business and performance figures (e.g. interest cover, EBT margin, EBTDA margin, equity ratio, return on assets, debt amortization period), which are tailored to the various industries and financial reporting standards.

The following table provides a breakdown of the total credit exposure according to the internal rating of corporates (large corporates and small business). In the overall assessment of credit risk, collateral and recovery rates are also taken into account:

		As of September 30,	**As of December 31,**		
		2013	**2012**	**2011**	**2010**
			(in EUR million)		
		(unaudited)	**(audited)**		
0.5	Minimal risk	1,138	1,186	1,266	1,171
1.0	Excellent credit standing	8,035	8,439	7,900	7,643
1.5	Very good credit standing	9,606	8,983	8,939	7,729
2.0	Good credit standing	12,129	12,419	12,746	9,960
2.5	Sound credit standing	11,857	11,746	15,630	11,206
3.0	Acceptable credit standing	12,300	12,451	14,552	12,314
3.5	Marginal credit standing	10,617	11,276	12,506	13,183
4.0	Weak credit standing/sub-standard	5,158	5,223	6,384	7,664
4.5	Very weak credit standing/doubtful	3,250	3,361	3,803	4,282
5.0	Default (according to Basel II definition)	5,284	4,926	4,610	4,287
NR	Not rated	1,417	887	831	1,472
	Total	**80,793**	**80,896**	**89,166**	**80,911**

As of September 30, 2013, the Group's total credit exposure for corporate customers amounted to EUR 80,793 million, a decrease of EUR 103 million compared to December 31, 2012. The share of loans with increased credit risk or even weaker credit profiles decreased slightly from 24.6% to 23.5%. This development was driven by rating upgrades of existing customers as well as an active credit portfolio management, which is designed to direct credit growth particularly to economically stable markets such as Russia. Additionally, due to higher lending standards new loans are extended mainly to customers with good credit ratings. At EUR 5,284 million, the share of loans in default (rating 5.0) was 6.5% of the total credit exposure as of September 30, 2013.

As of December 31, 2012, the Group's total credit exposure to corporates amounted to EUR 80,896 million, which represented a decrease of EUR 8,270 million compared to December 31, 2011. This decrease was primarily attributable to a lower exposure in the Group Corporates segment, which was primarily due to a lower exposure towards corporates in Far East and in Austria as a result of a declining credit business in Austria and in China and decreasing guarantee volumes in Austria. While exposure increased in the good rating grades (1.0 and 1.5), declines occurred in all other rating categories with the exception of the default category. This development was driven by rating upgrades of existing customers as well as an active credit portfolio management, which is designed to direct credit growth particularly to economically stable markets such as Russia. Additionally, due to higher lending standards new loans are extended mainly to customers with good credit ratings. The share of exposure in default (rating 5.0) increased from 5.2% as of December 31, 2011 to 6.2% as of December 31, 2012, primarily due to increases in the Central Europe segment.

Total credit exposure to corporates amounted to EUR 89,166 million as of December 31, 2011, which was an increase of 8,255 million compared to December 31, 2010. The increase was primarily due to increases in the higher rating categories (ratings 0.5-3.0), in which exposure increased by EUR 11,010 million on an aggregated level. At the same time exposure in the lowest rating grades (ratings 3.5-4.5) declined in total by EUR 2,436 million. This development was driven by rating upgrades of existing customers as well as an active credit portfolio management, which is designed to direct credit growth particularly to economically stable markets such as Russia and Asia. Additionally, due to higher lending standards new loans are extended mainly to customers with good credit ratings. The share of credit exposure in default (rating 5.0) decreased slightly by 0.1 percentage points from December 31, 2010 to

December 31, 2011. The share of credit exposure in default in total credit exposure was particularly high in the SEE and CIS Other segments, primarily due to increases in the Central Europe segment.

Beginning with the fourth quarter of 2013, the Group is expanding its rating categories for corporate customers from the existing 10 rating categories (nine for performing loans and one for defaulted loans) to 28 rating categories. These are divided in the nine existing rating categories (with unchanged category names), each broken down in three sublevels from A to C, as well as the defaulted loans rating category. This more granular rating approach with more rating categories allows for a more detailed categorization of the Group's loan portfolio.

The following table provides a breakdown of the credit risk exposure for corporate customers by regions (data as of September 30, 2013 also includes credit risk exposure for project finance):

	As of September 30,		As of December 31,					
	2013	Share	2012	Share	2011	Share	2010	Share
	(in EUR million, except percentages)							
	(unaudited)		(audited)					
Central Europe	21,565	24.2%	17,986	22.2%	18,649	20.9%	18,411	22.8%
Austria	17,008	19.1%	15,536	19.2%	17,215	19.3%	16,332	20.2%
Russia	11,845	13.3%	10,237	12.7%	10,796	12.1%	9,615	11.9%
Southeastern Europe	11,026	12.4%	10,370	12.8%	11,230	12.6%	11,330	14.0%
Western Europe	10,672	12.0%	10,343	12.8%	11,658	13.1%	10,912	13.5%
Asia/Far East	6,273	7.0%	6,888	8.5%	8,547	9.6%	5,690	7.0%
CIS Other	4,129	4.6%	3,682	4.6%	4,094	4.6%	4,398	5.4%
Other	6,750	7.6%	5,852	7.0%	6,976	7.8%	4,223	5.2%
Total	**89,268**	**100.0%**	**80,896**	**100.0%**	**89,166**	**100.0%**	**80,911**	**100.0%**

The following table provides a breakdown of the credit risk exposure for corporate customers and project finance by industries:

	As of September 30,		As of December 31,					
	2013	Share	2012	Share	2011	Share	2010	Share
	(in EUR million, except percentages)							
	(unaudited)		(audited)					
Wholesale and retail trade	21,805	24.4%	21,051	23.6%	23,672	24.2%	20,892	24.0%
Manufacturing	18,950	21.2%	18,580	20.8%	21,157	21.7%	19,553	22.4%
Real estate	10,032	11.2%	9,838	11.0%	10,418	10.7%	12,387	14.2%
Financial intermediation	8,467	9.5%	9,623	10.8%	9,301	9.5%	6,833	7.8%
Construction	6,416	7.2%	6,787	7.6%	7,324	7.5%	4,907	5.6%
Transport, storage and communication	4,141	4.6%	3,747	4.2%	3,681	3.8%	4,799	5.5%
Other industries	19,457	21.8%	19,691	22.0%	22,080	22.6%	17,739	20.4%
Total	**89,268**	**100.0%**	**89,317**	**100.0%**	**97,632**	**100.0%**	**87,110**	**100.0%**

Credit portfolio – Project finance

The rating model for project finance has five different grades. The exposure from project finance is shown in the table below. Project ratings take into account both individual default probabilities and collateral provided.

		As of September 30,	As of December 31,		
		2013	2012	2011	2010
		(in EUR million)			
		(unaudited)	(audited)		
6.1	Excellent project risk profile – very low risk	3,032	3,734	2,847	2,460
6.2	Good project risk profile – low risk	2,943	2,523	3,265	2,035
6.3	Acceptable project risk profile – average risk	1,491	1,241	1,241	912
6.4	Poor project risk profile – high risk	491	391	676	370
6.5	Default	512	503	419	365
NR	Not rated	6	29	18	57
	Total	**8,475**	**8,421**	**8,466**	**6,199**

As of September 30, 2013, the credit exposure in project finance amounted to EUR 8,475 million, which represents an increase of 1% compared to December 31, 2012. This increase primarily related to medium rating classes 6.2 to 6.4 while the excellent credit risk rating grade decreased by 19%. Rating class 6.5 (default) remained stable at EUR 512 million (compared to EUR 503 million as of December 31, 2012).

In 2012, the credit exposure in project finance decreased by 1%, compared to the year ended December 31, 2011 and thereby remained relatively stable. The most significant increase was in rating class 6.1 with an increase of EUR 887 million, while the exposure from rating class 6.2 decreased by EUR 742 million.

In 2011, the credit exposure in project finance increased by 37%, compared to the year ended December 31, 2010. The continuous rise in project finance was primarily due to the reclassification of customers, whose credit standing was originally evaluated based on the rating model for corporates. The most significant increase was in rating class 6.1 with an increase of EUR 387 million, mainly in the Group Corporates segment, and in rating class 6.2 with an increase of EUR 1,230 million, mainly in the Central Europe segment.

Credit portfolio – retail customers

Retail customers are subdivided into private individuals and SME. For retail customers, a two-tier scoring system is used – consisting of the initial and ad-hoc scoring based on customer data and behavioral scoring based on account data. The table below provides a breakdown of the total retail credit exposure of RBI:

	As of September 30,	**As of December 31,**		
	2013	**2012**	**2011**	**2010**
		(in EUR million)		
	(unaudited)	**(audited)**		
Retail – Private individuals	26,544	25,856	20,778	20,301
Retail – SME	3,237	3,278	2,568	2,687
Total	**29,781**	**29,134**	**23,346**	**22,989**
hereof non-performing loans	3,035	3,052	2,452	2,399
hereof individual loan loss provision	1,727	1,678	1,499	1,308
hereof portfolio based loan loss provision	491	572	275	353

As of September 30, 2013, the total credit exposure to retail customers was EUR 29,781 million, an increase of EUR 647 million compared to December 31, 2012. This increase was primarily due to higher loan volumes in Russia (increase of the Group's credit exposure to retail customers by EUR 913 million). Credit exposure to retail customers in Central Europe decreased by EUR 456 million, primarily due to lower loan volumes to private individuals in Poland.

In 2012, the total credit exposure to retail customers increased from EUR 23,346 million as of December 31, 2011 to EUR 29,134 million as of December 31, 2012. Credit exposure to retail customers increased particularly in the Central Europe segment, primarily due to the Polbank Acquisition, and the Russia segment, primarily due to higher consumer loans. Credit exposure to retail customers, however, declined in the Southeastern Europe and CIS Other segments.

In 2011, the total credit exposure to retail customers increased from EUR 22,989 million as of December 31, 2010 to EUR 23,346 million as of December 31, 2011. Credit exposure to retail customers increased in the Southeastern Europe, Russia and Group Markets segments, partly offset by decreases in the Central Europe and CIS Other segments. The decrease in CIS Other was partly currency-based due to the devaluation of the Belarusian rouble. In the Central Europe segment, the drop was due to the political and economic situation in Hungary.

The following table shows the Group's total retail credit exposure by product group:

	As of September 30,	As of December 31,		
	2013	2012	2011	2010
	(in EUR million)			
	(unaudited)	(audited)		
Mortgage loans	15,649	14,667	10,679	11,309
Personal loans	5,838	6,580	5,708	5,218
Car loans	2,245	2,457	2,149	2,056
Overdraft	2,003	2,290	1,754	1,923
Credit cards	2,414	1,806	2,036	1,635
SME Financing	1,632	1,334	1,020	848
Total	**29,781**	**29,134**	**23,346**	**22,989**

Source: Consolidated Financial Statements and internal data.

For a segmental break-down of total retail credit exposure by product group, see note 44 to the audited annual consolidated financial statements as of and for the year ended December 31, 2012 incorporated by reference in this prospectus.

The following table shows the share of foreign currency loans in the Group's retail portfolios. The internal risk assessment has usually been stricter at loan distribution and – in several countries – also takes into account the customers' matching foreign currency income.

	As of September 30,		As of December 31,			
	2013	Share	2012	Share	2011	Share
	(in EUR million, except percentages)					
	(unaudited)		(audited)			
Swiss franc	4,685	47%	5,110	49%	2,903	37%
Euro	4,076	41%	4,054	39%	3,322	42%
USD	997	10%	1,199	11%	1,445	18%
Other foreign currencies	109	1%	141	1%	187	2%
Loans in foreign currencies	**9,867**	**100%**	**10,504**	**100%**	**7,857**	**100%**

The increase in foreign currency loans in 2012 was primarily due to the Polbank Acquisition as a result of which loans denominated in foreign currencies increased by EUR 2,647 million. In the nine months ended September 30, 2013 foreign currency loan volumes decreased by EUR 637 million to EUR 9,867 million and the share of foreign currency loans in the Group's total retail portfolio decreased to 33% (compared to 36% as of December 31, 2012 and 35% as of December 31, 2011).

For a break-down of foreign currency loan exposure by Group segment, see note 44 to the audited annual consolidated financial statements as of and for the year ended December 31, 2012 incorporated by reference in this prospectus.

Credit portfolio – financial institutions

The financial institutions asset class mainly consists of credit exposures to banks and securities firms. The internal rating model for financial institutions is based on a peer-group approach that takes into account both qualitative and quantitative criteria. The final rating for financial institutions is capped by the country rating of the respective home country.

The following table shows the total credit exposure by internal rating for financial institutions. Due to the small number of customers (or number of defaults respectively), default probabilities of individual rating categories in this asset class are estimated based on internal and external data.

		As of September 30,	As of December 31,		
		2013	2012	2011	2010
			(in EUR million)		
		(unaudited)	(audited)		
A1	Excellent credit standing	261	96	85	246
A2	Very good credit standing	997	986	3,409	2,173
A3	Good credit standing	12,799	19,974	24,221	18,251
B1	Sound credit standing	8,576	7,338	5,233	4,498
B2	Average credit standing	2,203	1,782	2,993	3,527
B3	Mediocre credit standing	1,890	1,047	1,277	1,603
B4	Weak credit standing	664	697	621	893
B5	Very weak credit standing	305	330	370	474
C	Doubtful/high default risk	137	157	184	128
D	Default	231	269	352	383
NR	Not rated	21	49	83	185
	Total	**28,085**	**32,725**	**38,830**	**32,360**

As of September 30, 2013, total credit exposure to financial institutions amounted to EUR 28,085million, which represents a decrease of EUR 4,640 million compared to December 31, 2012. This decrease primarily related to lower credit exposure in the A3 rating class (decrease of EUR 7,175 million) due to a contraction in swap and money-market transactions.

In 2012, credit exposure to credit institutions decreased by 16% to EUR 32,725 million. In general this business was entered into mainly with banks with high credit standing (rating A3). At 61% of total exposure this rating class remained most significant despite a decrease in the exposure by EUR 4,247 million compared to 2011. The volume of the average credit class (rating B1 to B3) increased compared to 2011. The volume of exposures in default decreased by EUR 83 million. The most significant decrease occurred in the Group Markets segment due to the sale of distressed assets. The share of unrated financial institutions was below 1% at year-end 2012.

In 2011, credit exposure to credit institutions increased by 20% to EUR 38,830 million. Due to the business policy of RBI, credits and loans to non-Raiffeisen sector members and financial institutions dropped continuously. The growth therefore mainly resulted from the extension of short-term positions and repo business (from risk point of view fully collateralized). In general this business was entered into with banks with high credit standing (rating A3) and led to an increase in the share of this rating class by 6 percentage points to 62.4% of the total credit exposure. The volume of the average credit class (rating B1 to B3) remained almost unchanged compared to 2010, when it stood at a level of EUR 9,628 million or 33.6%. The volume of exposures in default decreased by EUR 31 million. The most significant increase occurred in the Group Markets segment in the Middle East. The share of unrated financial institutions was below 1% at year-end 2011.

Part of this credit exposure is held against financial institutions that have a shareholder relationship with RBI. Due to the multi-layered structure of RBG, exposure resulting from liquidity management within RBG is shown in this asset class as well. Such exposures are mainly reflected in rating category A3. Bilateral netting-agreements and joint risk monitoring systems are used as risk mitigation techniques by the Group.

Derivatives, money market instruments, time deposits, repurchase agreements, sight deposits, and bonds are the main product categories in this asset class. The following table sets out the Group's total credit exposure to banks broken down by products as of September 30, 2013 and December 31, 2012, 2011 and 2010:

	As of September 30,		As of December 31,					
	2013	Share	2012	Share	2011	Share	2010	Share
			(in EUR million, except percentage)					
	(unaudited)		(audited)					
Derivatives	7,626	27.2%	12,124	37.0%	12,464	32.1%	6,308	19.5%
Money market	7,851	28.0%	9,444	28.9%	13,127	33.8%	11,302	34.9%
Repo	5,923	21.1%	4,737	14.5%	2,681	6.9%	590	1.8%
Loans	2,982	10.6%	3,580	10.9%	4,984	12.8%	5,011	15.5%
Bonds	2,972	10.6%	2,162	6.6%	4,450	11.5%	6,166	19.1%
Other	729	2.6%	678	2.1%	1,123	2.9%	2,984	9.2%
Total	**28,085**	**100.0%**	**32,725**	**100.0%**	**38,830**	**100.0%**	**32,360**	**100.0%**

These exposures typically have high collateralization levels (e.g. in repo transactions or through netting-agreements).

In 2011 and 2012, RBI pursued its strategy of reducing the unsecured exposure in this asset class. Accordingly, in 2011 and 2012, new business in this asset class mainly related to repurchase agreements, counterparty credit exposure from derivatives and short-term money market deposits. Credit business with other financial institutions in the Raiffeisen Banking Group participating in a joint risk monitoring system is not restricted.

Credit exposure – Sovereigns

The sovereigns asset class includes the Group's credit exposure to central governments, central banks, and regional municipalities as well as other public sector entities. The table below provides a breakdown of the credit exposure to sovereigns (including central banks) by internal rating. Since defaults in this asset class have historically been very rare, default probabilities are estimated using full data sets provided by external rating agencies.

		As of September 30,	**As of December 31,**		
		2013	**2012**	**2011**	**2010**
			(in EUR million)		
		(unaudited)	**(audited)**		
A1	Excellent credit standing	1,497	1,561	9,567	8,386
A2	Very good credit standing	1,701	793	465	624
A3	Good credit standing	3,148	3,861	4,519	3,927
B1	Sound credit standing	2,633	2,730	1,785	1,640
B2	Average credit standing	1,294	1,272	758	1,399
B3	Mediocre credit standing	3,455	3,415	5,513	5,951
B4	Weak credit standing	3,436	3,795	2,254	2,097
B5	Very weak credit standing	1,395	1,172	1,659	1,692
C	Doubtful/high default risk	5	232	156	0
D	Default	36	83	139	60
NR	Not rated	1	7	77	79
	Total	**18,601**	**18,921**	**26,893**	**25,855**

As of September 30, 2013, the credit exposure to sovereigns was EUR 18,601 million, which represents a decrease of EUR 320 million or 2% compared to December 31, 2012. The decrease in rating class A1 (excellent credit standing) by EUR 64 million was attributable to a decrease of deposits with the Austrian National Bank (decrease of EUR 668 million) which was only partly offset by a portfolio increase of Austrian state bonds (increase of EUR 554 million).

The rating classes A3 (good credit standing) to B3 (mediocre credit standing) accounted for 57% of total credit exposure to sovereigns. This exposure mainly relates to deposits of Group units in Central and Southeastern Europe at their local central banks, which are mandatory for meeting the respective minimum reserve requirements or used to manage excess liquidity on a short-term basis. Loans in the lower rating classes (C and D rating) decreased significantly, primarily due to a rating improvement in Belarus and the debt conversion to regional governments in Hungary.

As of December 31, 2012, the credit exposure to sovereigns was EUR 18,921 million, which represented a significant decrease compared to 2011. The share of the credit exposure with the best rating grade (A1) decreased by 27 percentage points, due to a reduction of deposits at the Austrian National Bank and a decrease of the portfolio of Austrian government bonds. The medium rating grades (A3 to B3) form 59.5% of the portfolio. The high exposure in these rating categories mainly results from deposits of network banks at local central banks in Central Europe and Southeastern Europe, which were mandatory for meeting the respective minimum reserve requirements or used in order to manage excess liquidity on a short-term basis and therefore are intrinsically linked to the banking business in these countries. The exposure in rating class B4 increased by EUR 1,541 million compared to the previous year, at EUR 3,795 million or 20.1%. This increase was primarily due to the rating deterioration of the Hungarian Central Bank. The exposure increase in rating class C was due to higher sovereign exposure in Belarus.

As of December 31, 2011, the credit exposure to sovereigns was EUR 26,893 million, a slight increase compared to 2010. The share of the credit exposure with the best rating grade (A1) increased by 3 percentage points, due to new securities investments in government bonds. The medium rating grades (A3 to B3) form 46.7% of the portfolio. The high exposure in these rating categories mainly results from deposits of network banks at local central banks in Central Europe and Southeastern Europe, which were mandatory for meeting the respective minimum reserve requirements or used in order to manage excess liquidity on a short-term basis and therefore are intrinsically linked to the banking business in these countries. Compared to 2010, the exposure in rating class B4 increased slightly to EUR 2,253 million or 8.4%. Exposure in the lower credit rating grades (rating C and D) increased due to downward rating migrations of local government financing in Hungary and of the Belarusian sovereign.

The table below provides a breakdown of the credit exposure to sovereigns (including central banks) by products:

	As of September 30,		As of December 31,					
	2013	Share	2012	Share	2011	Share	2010	Share
	(in EUR million, except percentage)							
	(unaudited)		(audited)					
Bonds	12,734	68.5%	12,273	64.9%	13,106	48.7%	15,634	60.5%
Loans	4,764	25.6%	5,312	28.1%	9,023	33.6%	8,039	31.1%
Derivatives	783	4.2%	795	4.2%	1,028	3.8%	980	3.8%
Other	320	1.7%	541	2.9%	3,736	13.9%	1,203	4.7%
Total	**18,601**	**100.0%**	**18,921**	**100.0%**	**26,893**	**100.0%**	**25,855**	**100.0%**

The table below provides a breakdown of non-investment grade public sector exposure by countries:

	As of September 30,		As of December 31,					
	2013	Share	2012	Share	2011	Share	2010	Share
	(in EUR million, except percentage)							
	(unaudited)		(audited)					
Romania	1,769	21.2%	1,808	20.8%	2,000	20.4%	2,243	22.7%
Hungary	1,834	22.0%	2,234	25.7%	1,912	19.5%	2,017	20.4%
Croatia	968	11.6%	1,023	11.7%	1,304	13.3%	1,227	12.4%
Albania	869	10.4%	976	11.2%	1,218	12.4%	1,144	11.6%
Ukraine	678	8.1%	766	8.8%	993	10.1%	1,073	10.9%
Other	2,210	26.5%	1,898	21.8%	2,371	24.2%	2,176	22.0%
Total	**8,329**	**100.0%**	**8,704**	**100.0%**	**9,798**	**100.0%**	**9,879**	**100.0%**

Credit risk mitigation

Collateralization is one of the main strategies and an actively pursued measure for reducing potential credit risks. The value of collateral and the effect of other risk mitigation techniques are determined within each limit application. The risk mitigation effect taken into account is the value that RBI expects to receive when selling the collateral within a reasonable liquidation period. Eligible collateral are defined in the Group's collateral catalogue and evaluation guidelines for collateral. The collateral value is calculated according to specified methods, which include standardized calculation formulas based on market values, predefined minimum discounts, and expert assessments.

Collateral is divided into guarantees and physical collateral. Liens on residential or commercial properties are the main types of collateral used. The following table provides a break-down of collateral types:

	As of December 31,		
	2012	2011	2010
	(in percentage) (audited)		
Mortgages	40	37	39
Pledging of assets and securities	22	22	11
Pledging of other assets	11	12	14
Guarantees	24	26	33
Assignment of receivables	3	3	3
Total	**100**	**100**	**100**

Source: Consolidated Financial Statements and internal data.

The maximum credit risk exposure and the market price (fair value) of collateral are shown in the following tables as of September 30, 2013 and as of December 31, 2012, 2011 and 2010:

	Total credit exposure		Fair value of collateral
September 30, 2013	**Net exposure**	**Commitments/guarantees issued**	
		(in EUR million) (unaudited)	
Banks	21,460	2,135	6,275
Sovereigns	1,633	264	634
Corporate customers – large	47,514	32,355	31,282
Corporate customers – small business	2,828	848	2,275
Retail customers – private individuals	22,217	2,906	14,047
Retail customers – small and medium-sized entities	2,511	393	1,804
Other	122	50	96
Total	**98,286**	**38,950**	**56,412**

Source: Internal data.

	Total credit exposure		Fair value of collateral
December 31, 2012	**Net exposure**	**Commitments/guarantees issued**	
		(in EUR million) (audited)	
Banks	22,166	3,123	8,279
Sovereigns	1,376	200	669
Corporate customers – large	49,377	31,155	34,917
Corporate customers – small business	2,884	858	2,397
Retail customers – private individuals	21,608	2,728	14,085
Retail customers – small and medium-sized entities	2,577	436	1,878
Other	37	40	33
Total	**100,025**	**38,540**	**62,258**

	Total credit exposure		Fair value of collateral
December 31, 2011	**Net exposure**	**Commitments/guarantees issued**	
		(in EUR million) (audited)	
Banks	25,520	2,021	5,293
Sovereigns	1,350	257	275
Corporate customers – large	52,631	34,804	42,004
Corporate customers – small business	3,247	899	2,611
Retail customers – private individuals	17,480	2,402	11,078
Retail customers – small and medium-sized entities	2,042	370	1,425
Other	0	0	0
Total	**102,271**	**40,753**	**62,686**

	Total credit exposure		Fair value of collateral
December 31, 2010	**Net exposure**	**Commitments/guarantees issued**	
		(in EUR million) (audited)	
Banks	21,277	1,926	4,127
Sovereigns	1,492	260	578
Corporate customers – large	46,770	29,939	35,187
Corporate customers – small business	3,421	899	2,683
Retail customers – private individuals	17,131	2,202	11,294
Retail customers – small and medium-sized entities	2,198	347	1,553
Other	144	31	45
Total	**92,434**	**35,604**	**55,468**

Collateral ready to be sold or repledged in the absence of default of the debtor amounted to EUR 25,458 million as of December 31, 2012 (2011: EUR 24,047 million; 2010: EUR 16,820 million).

Default and workout process

The credit portfolio and individual borrowers are subject to constant monitoring. The main purpose of monitoring is to ensure that borrowers comply with the terms and conditions of the contract as well as to keep track of the obligor's economic development. A review is conducted at least once annually in the non-retail asset classes corporates, financial institutions, and sovereigns. This includes a rating review and the re-evaluation of financial and tangible collateral.

Problem loans (where debtors might run into material financial difficulties, or a delayed payment is expected) need special treatment. In non-retail divisions, problem loan committees in the individual reporting units make decisions on problematic exposures. If the need for intensified treatment and workout is identified, problem loans are assigned either to a designated specialist or to a restructuring unit (workout department). Workout units staff are specially trained and generally have extensive experience. They typically handle medium-sized to large cases and are assisted by in-house legal departments and/or by external specialists. Workout units play a decisive role in accounting and analyzing as well as booking provisions for impairment losses (write-offs, value adjustments, provisioning). Their early involvement can help reduce losses resulting from problem loans.

Default and workout standards in the retail area comprise the whole restructuring and collection process for private individuals and small enterprises. A restructuring guideline defines the Group's restructuring framework including uniform strategy, organization, methods, monitoring and controlling. In the collection process customers are classified into three categories 'early', 'late' and 'recovery', for which a standardized customer handling process is defined.

The definition of default and the assessment of the expected recovery value are heavily influenced by the number of days payments are late. The following tables show the amount of overdue – not impaired – credit exposure to banks and customers as of September 30, 2013 and as of December 31, 2012, 2011 and 2010:

	Current	**Overdue**					**Collateral**
September 30, 2013		**Up to 31 days**	**More than 31 days, up to 90 days**	**More than 90 days, up to 180 days**	**More than 181 days, up to 1 year**	**More than 1 year**	**received for assets which are past due**
				(in EUR million) (unaudited)			
Banks	21,435	457	0	0	0	0	0
Sovereigns	1,479	102	29	13	0	657	33
Corporate customers – large	44,061	1,440	295	89	119	25	1,370
Corporate customers – small business	2,432	116	40	3	6	14	145
Retail customers – private individuals	19,366	1,712	357	134	9	25	932
Retail customers – small and medium-sized entities	2,023	235	64	13	6	21	263
Other		30	0	0	0	0	0
Total	**90,795**	**3,607**	**785**	**240**	**141**	**86**	**2,743**

Source: Internal data.

	Current	**Overdue**					**Collateral**
December 31, 2012		**Up to 31 days**	**More than 31 days, up to 90 days**	**More than 90 days, up to 180 days**	**More than 181 days, up to 1 year**	**More than 1 year**	**received for assets which are past due**
				(in EUR million) (audited)			
Banks	22,123	0	0	0	0	0	43
Sovereigns	1,296	32	1	0	0	1	12
Corporate customers – large	45,664	1,593	242	41	82	217	741
Corporate customers – small business	2,478	98	59	7	7	15	146
Retail customers – private individuals	18,959	1,541	336	153	40	281	923
Retail customers – small and medium-sized entities	2,109	233	74	20	19	71	333
Other	0	0	0	0	0	0	0
Total	**92,629**	**3,497**	**711**	**221**	**149**	**584**	**2,199**

December 31, 2011	Current	Overdue					Collateral
		Up to 31 days	More than 31 days, up to 90 days	More than 90 days, up to 180 days	More than 181 days, up to 1 year	More than 1 year	received for assets which are past due
	(in EUR million) (audited)						
Banks	25,511	6	0	0	0	0	0
Sovereigns	1,228	113	2	1	0	0	2
Corporate customers – large	49,266	1,386	385	36	32	70	772
Corporate customers – small business	2,796	139	66	8	6	16	166
Retail customers – private individuals	14,903	1,273	272	127	22	99	791
Retail customers – small and medium-sized entities	1,668	204	48	17	9	11	217
Other	0	0	0	0	0	0	0
Total	**95,373**	**3,121**	**773**	**188**	**70**	**196**	**1,948**

December 31, 2010	Current	Overdue					Collateral
		Up to 31 days	More than 31 days, up to 90 days	More than 90 days, up to 180 days	More than 181 days, up to 1 year	More than 1 year	received for assets which are past due
	(in EUR million) (audited)						
Banks	21,258	0	0	0	0	3	0
Sovereigns	1,469	6	6	0	0	0	0
Corporate customers – large	44,259	1,003	402	17	30	36	697
Corporate customers – small business	2,850	183	92	10	6	17	208
Retail customers – private individuals	14,659	1,447	337	199	39	78	1,328
Retail customers – small and medium-sized entities	1,779	231	63	22	12	15	256
Other	0	0	0	0	0	0	0
Total	**86,275**	**2,870**	**900**	**248**	**88**	**148**	**2,489**

Restructuring of loans

As of December 31, 2012 the carrying amount of loans for which terms were renegotiated in connection with a substantial and immediate loss that would otherwise be past due or impaired amounted to EUR 754 million. Split by asset classes, EUR 142 million is attributable to corporate customers and EUR 612 million to retail customers.

As of December 31, 2011 the carrying amount of loans for which terms were renegotiated in connection with a substantial and immediate loss that would otherwise be past due or impaired amounted to EUR 811 million. Split by asset classes, EUR 317 million is attributable to corporate customers and EUR 493 million to retail customers.

Non-performing loans and provisioning

Default resulting in a non-performing loan is internally defined as the event where a specific debtor is unlikely to pay its credit obligations to RBI, or the debtor is overdue more than 90 days on any material credit obligation. RBI has defined twelve default indicators which are used to identify a default event including the insolvency or similar proceedings of a customer, if an impairment provision has been allocated or a direct write-off has been carried out, if credit risk management has judged a customer account receivable to be not wholly recoverable, or the restructuring unit is considering stepping in to help a company restore its financial soundness.

Within the scope of the Basel II project a Group-wide default database has been created for recording and documenting customer defaults. The database tracks defaults and the reasons for defaults, which makes it suitable for calculating and validating default probabilities.

Provisions for impairment losses are formed on the basis of Group-wide standards according to IFRS accounting principles and cover all identifiable credit risks. In the non-retail segments, problem loan committees from each reporting unit decide on building individual loan loss provisions. In the retail area, provisioning is performed by retail risk departments in individual reporting units. They compute provisions for impairment losses according to defined calculation methodologies on a monthly basis. The provisioning amount is then approved by local accounting departments.

The following tables show the amounts of non-performing loans in the specified asset classes from the Group's balance sheet line items "loans and advances to banks" and "loans and advances to customers" (amounts do not include off-balance sheet positions):

	As of January 1, 2013	**Change in consolidated group**	**Exchange differences**	**Additions**	**Disposals**	**As of September 30, 2013**
			(in EUR million) (unaudited)			
Corporate customers	5,073	(11)	(77)	1,430	(998)	5,416
Retail customers	3,053	(3)	(74)	766	(708)	3,033
Sovereigns	57	0	(1)	15	(42)	28
Total non-banks	8,183	(14)	(153)	2,210	(1,749)	8,478
Banks	202	0	(1)	1	(31)	171
Total	**8,385**	**(14)**	**(154)**	**2,212**	**(1,780)**	**8,649**

	As of January 1, 2012	**Change in consolidated group**	**Exchange differences**	**Additions**	**Disposals**	**As of December 31, 2012**
			(in EUR million) (audited)			
Corporate customers	4,591	77	45	1,685	(1,325)	5,073
Retail customers	2,452	430	50	1,021	(901)	3,053
Sovereigns	12	0	0	46	(1)	57
Total non-banks	**7,056**	**508**	**95**	**2,752**	**(2,227)**	**8,183**
Banks	241	0	(1)	6	(45)	202
Total	**7,297**	**508**	**94**	**2,758**	**(2,272)**	**8,385**

	As of January 1, 2011	**Change in consolidated group**	**Exchange differences**	**Additions**	**Disposals**	**As of December 31, 2011**
			(in EUR million) (audited)			
Corporate customers	4,381	(0)	(88)	1,667	(1,369)	4,591
Retail customers	2,396	(0)	(57)	891	(779)	2,452
Sovereigns	12	0	(0)	4	(4)	12
Total non-banks	**6,790**	**(0)**	**(145)**	**2,562**	**(2,151)**	**7,056**
Banks	268	0	2	97	(126)	241
Total	**7,058**	**(0)**	**(143)**	**2,660**	**(2,277)**	**7,297**

	As of January 1, 2010	**Change in consolidated group**	**Exchange differences**	**Additions**	**Disposals**	**As of December 31, 2010**
			(in EUR million) (audited)			
Corporate customers	2,576	939	125	1,699	(957)	4,381
Retail customers	1,850	5	63	981	(503)	2,396
Sovereigns	16	0	(0)	20	(24)	12
Total non-banks	**4,442**	**944**	**187**	**2,700**	**(1,484)**	**6,790**
Banks	4	573	3	19	(331)	268
Total	**4,447**	**1,517**	**191**	**2,719**	**(1,815)**	**7,058**

The following table shows the outstanding principal amounts in the specified asset classes from balance sheet line items "loans and advances to banks" and "loans and advances to customers" (not including off-balance sheet positions) and the corresponding non-performing loans, collateral provided, and loan loss provisions. For a break-down by Group segments, see note 44 to the audited annual consolidated financial statements for the year ended December 31, 2012, incorporated by reference in this prospectus.

The following table sets out certain data relating to asset quality broken down by customer groups as of September 30, 2013 and December 31, 2012, 2011 and 2010:

	As of September 30,	As of December 31,		
	2013	2012	2011	2010
		(in EUR million, except percentages)		
	(unaudited)	(audited, unless otherwise stated)		
Corporate customers				
Non-performing loans	5,416	5,073	4,591	4,381
of which collateralized (unaudited)	1,944	1,770	1,645	1,539
Impairment losses on loans and advances	3,383	3,223	3,046	2,839
Loans (unaudited)	53,847	55,522	58,925	54,676
NPL ratio	10.1%	9.1%	7.8%	8.0%
NPL coverage ratio	62.0%	63.5%	66.3%	64.8%
Retail customers				
Non-performing loans	3,033	3,053	2,452	2,396
of which collateralized (unaudited)	897	872	999	1,057
Impairment losses on loans and advances	2,218	2,250	1,773	1,661
Loans (unaudited)	26,946	26,435	21,295	20,917
NPL ratio	11.3%	11.5%	11.5%	11.5%
NPL coverage ratio	73.1%	73.7%	72.3%	69.3%
Sovereigns				
Non-performing loans	28	57	12	12
of which collateralized (unaudited)	0	0	1	0
Impairment losses on loans and advances	5	11	6	1
Loans (unaudited)	1,639	1,387	1,356	1,097
NPL ratio	1.7%	4.1%	0.9%	1.1%
NPL coverage ratio	18.2%	19.8%	48.2%	8.2%
Banks				
Non-performing loans	171	202	241	268
of which collateralized (unaudited)	31	43	56	0
Impairment losses on loans and advances	129	158	228	255
Loans (unaudited)	21,589	22,323	25,748	23,378
NPL ratio	0.8%	0.9%	0.9%	1.1%
NPL coverage ratio	75.2%	78.2%	94.3%	95.2%
Total (excluding banks)				
Non-performing loans	8,478	8,183	7,056	6,790
of which collateralized (unaudited)	2,841	2,642	2,645	2,596
Impairment losses on loans and advances (unaudited)	5,606	5,484	4,826	4,501
Loans (unaudited)	82,431	83,343	81,576	75,657
NPL ratio	10.3%	9.8%	8.6%	9.0%
NPL coverage ratio	66.1%	67.0%	68.4%	66.3%

Source: Consolidated Financial Statements and internal data.

The following table summarizes the development of impairment losses on loans and advances and off-balance sheet transactions and shows the underlying balance sheet items:

	As of January 1, 2013	Change in consolidated group	Allocation[1]	Release	Usage[2]	Transfers, Exchange differences	As of September 30, 2013
			(in EUR million) (unaudited)				
Individual loan loss provisions	4,843	(30)	1,288	(507)	(599)	(19)	4,977
Loans and advances to banks	146	(16)	(1)	(4)	(4)	(1)	120
Loans and advances to customers	4,593	(12)	1,255	(451)	(593)	(7)	4,785
Off-balance sheet obligations	105	(2)	34	(52)	(2)	(10)	72
Portfolio-based loan loss provisions	950	0	274	(246)	0	(110)	868
Loans and advances to banks	12	0	0	(3)	0	0	9
Loans and advances to customers	891	0	261	(223)	0	(108)	820
Off-balance sheet obligations	47	0	13	(20)	0	(2)	39
Total	**5,793**	**(30)**	**1562**	**(753)**	**(599)**	**(128)**	**5,845**

[1] Allocation including direct write-downs and income on written down claims.

[2] Usage including direct write-downs and income on written down claims.

	As of January 1, 2012	Change in consolidated group	Allocation(1)	Release	Usage(2)	Transfers, Exchange differences	As of December 31, 2012
				(in EUR million) (audited)			
Individual loan loss provisions	4,441	90	1,750	(568)	(909)	39	4,843
Loans and advances to banks	209	0	2	(6)	(58)	(1)	146
Loans and advances to customers	4,145	90	1,672	(511)	(841)	38	4,593
Off-balance sheet obligations	88	0	75	(52)	(9)	2	105
Portfolio-based loan loss provisions	763	338	361	(525)	0	13	950
Loans and advances to banks	19	0	0	(7)	0	0	12
Loans and advances to customers	681	337	341	(480)	0	12	891
Off-balance sheet obligations	63	1	20	(38)	0	1	47
Total	**5,204**	**428**	**2,111**	**(1,093)**	**(909)**	**52**	**5,793**

(1) Allocation including direct write-downs and income on written down claims.

(2) Usage including direct write-downs and income on written down claims.

	As of January 1, 2011	Change in consolidated group	Allocation(1)	Release	Usage(2)	Transfers, Exchange differences	As of December 31, 2011
				(in EUR million) (audited)			
Individual loan loss provisions	4,000	(0)	1,735	(559)	(654)	(82)	4,441
Loans and advances to banks	237	0	(4)	(4)	(21)	2	209
Loans and advances to customers	3,711	(0)	1,673	(531)	(629)	(78)	4,145
Off-balance sheet obligations	53	0	66	(23)	(3)	(5)	88
Portfolio-based loan loss provisions	888	(0)	281	(385)	0	(20)	763
Loans and advances to banks	18	0	1	(0)	0	0	19
Loans and advances to customers	790	(0)	250	(341)	0	(18)	681
Off-balance sheet obligations	79	0	30	(44)	0	(2)	63
Total	**4,888**	**(0)**	**2,016**	**(944)**	**(654)**	**(102)**	**5,204**

(1) Allocation including direct write-downs and income on written down claims.

(2) Usage including direct write-downs and income on written down claims.

	As of January 1, 2010	Change in consolidated group	Allocation(1)	Release	Usage(2)	Transfers, Exchange differences	As of December 31, 2010
				(in EUR million) (audited)			
Individual loan loss provisions	2,383	983	1,727	(531)	(688)	125	4,000
Loans and advances to banks	3	403	8	(5)	(177)	4	237
Loans and advances to customers	2,355	568	1,665	(507)	(491)	121	3,711
Off-balance sheet obligations	25	12	54	(19)	(19)	33	53
Portfolio-based loan loss provisions	771	89	391	(390)	0	28	888
Loans and advances to banks	0	0	18	(0)	0	0	18
Loans and advances to customers	726	89	315	(367)	0	27	790
Off-balance sheet obligations	44	0	57	(23)	0	1	79
Total	**3,154**	**1,072**	**2,118**	**(921)**	**(688)**	**153**	**4,888**

(1) Allocation including direct write-downs and income on written down claims.

(2) Usage including direct write-downs and income on written down claims.

The following table shows the breakdown of provisions for impairment losses by business segment:

	As of September 30,	As of December 31,		
	2013	2012	2011	2010
		(in EUR million)		
	(unaudited)	(audited)		
Individual loan loss provisions	**4,977**	**4,843**	**4,441**	**4,000**
Central Europe	1,834	1,735	1,326	980
Southeastern Europe	1,103	1,005	882	723
Russia	378	415	451	536
CIS other	786	842	932	859
Group Corporates	549	490	648	665
Group Markets	303	337	185	238
Corporate Center	24	19	17	0
Portfolio-based loan loss provisions	**868**	**950**	**763**	**888**
Central Europe	452	548	254	286
Southeastern Europe	125	130	151	206

	As of September 30,	As of December 31,		
	2013	**2012**	**2011**	**2010**
	(in EUR million)			
	(unaudited)	**(audited)**		
Russia	86	89	101	135
CIS other	80	79	102	143
Group Corporates	120	97	132	100
Group Markets	4	5	20	18
Corporate Center	1	2	2	0
Total	**5,845**	**5,793**	**5,204**	**4,888**

Source: Consolidated Financial Statements and internal data.

Country risk

Country risk includes transfer and convertibility risks as well as political risk. It arises from cross-border transactions and direct investments in foreign countries. RBI is exposed to this risk due to its strong business activities in the CEE markets. In these markets political and economic risks to some extent are still regarded to be significant. (See "*Risk Factors—Risks affecting the markets in which the Group operates*").

Country risk management in RBI is based on the country risk policy which is approved semi-annually by the Management Board. This policy sets a strict limitation on risk exposure to foreign countries. The limit size for individual countries is set by using a model which takes into account the internal rating for the sovereign, the size of the country, and RBI's own capitalization.

For cross-border transactions, business units must submit limit applications for the respective countries in addition to the limit applications for a customer. Country risk is also reflected in product pricing as well as in risk-adjusted performance management. Business units therefore can benefit from country risk mitigation by seeking insurance (e.g. from export credit insurance organizations) or guarantors in third countries. The insights gained from country risk analysis are used for limiting the total cross-border exposure and the total credit exposure in each individual country (i.e. including the exposure that is funded by local deposits). Thereby RBI realigns its business activities according to the macro-economic development within different markets and enhances the broad diversification of its credit portfolio.

Concentration risk

The credit portfolio of RBI is well diversified in terms of geographical region across primary European markets and industry. Single name concentrations are also actively managed (based on the concept of groups of connected customers) by limits and regular reporting. As a consequence portfolio granularity is high.

The regional breakdown of the total credit exposure reflects the broad diversification in European markets. The following table shows the regional distribution of the total credit exposure by the borrower's home country. The portfolio contributed by RZB led to a strong increase for Austria and Others. "Other" in this table mainly is comprised of credit exposures to customers in Western Europe, including Switzerland and Netherlands. It also includes CEE countries where RBI operates local Network Banks (e.g. Slovenia or Belarus).

	As of September 30,		As of December 31,					
	2013	**Share**	**2012**	**Share**	**2011[1]**	**Share[1]**	**2010[1]**	**Share[1]**
	(in EUR million, except percentages)							
	(unaudited)		**(audited)**					
Austria	**28,099**	**17.0%**	**30,710**	**18.1%**	**43,687**	**23.4%**	**39,319**	**23.4%**
Central Europe	**45,897**	**27.7%**	**47,879**	**28.1%**	**42,630**	**22.8%**	**41,525**	**24.7%**
Poland	13,919	8.4%	14,599	8.6%	8,808	4.7%	8,232	4.9%
Slovakia	11,657	7.0%	11,426	6.7%	11,862	6.4%	11,834	7.0%

	As of September 30,		As of December 31,					
	2013	Share	2012	Share	2011[1]	Share[1]	2010[1]	Share[1]
	(in EUR million, except percentages)							
	(unaudited)		(audited)					
Czech Republic	10,621	6.4%	11,090	6.5%	10,937	5.9%	10,032	6.0%
Hungary	8,004	4.8%	8,735	5.1%	8,883	4.8%	9,938	5.9%
Other	1,696	1.0%	2,030	1.2%	2,140	1.1%	1,489	0.9%
European Union	**22,164**	**13.4%**	**23,034**	**13.5%**	**26,501**	**14.2%**	**20,393**	**12.1%**
Great Britain	4,356	2.6%	6,932	4.1%	7,365	3.9%	4,000	2.4%
Germany	6,183	3.7%	6,198	3.6%	7,492	4.0%	5,708	3.4%
France	4,677	2.8%	5,262	3.1%	3,170	1.7%	2,079	1.2%
Netherlands	1,764	1.1%	1,436	0.8%	2,951	1.6%	2,137	1.3%
Other	5,184	3.1%	3,206	1.9%	5,522	3.0%	6,468	3.8%
Southeastern Europe	**24,575**	**14.8%**	**24,587**	**14.5%**	**26,717**	**14.3%**	**25,436**	**15.1%**
Romania	8,333	5.0%	8,006	4.7%	8,558	4.6%	8,047	4.8%
Croatia	5,432	3.3%	5,663	3.3%	6,163	3.3%	6,190	3.7%
Bulgaria	4,175	2.5%	4,263	2.5%	4,328	2.3%	3,959	2.4%
Serbia	2,181	1.3%	2,073	1.2%	2,549	1.4%	2,557	1.5%
Other	4,455	2.7%	4,581	2.7%	5,119	2.7%	4,684	2.8%
Russia	**20,563**	**12.4%**	**19,861**	**11.7%**	**18,485**	**9.9%**	**14,453**	**8.6%**
Asia/Far East	**9,521**	**5.7%**	**9,670**	**5.7%**	**12,278**	**6.6%**	**7,722**	**4.6%**
China	4,107	2.5%	4,167	2.4%	6,556	3.5%	3,349	2.0%
Other	5,414	3.3%	5,503	3.2%	5,722	3.1%	4,373	2.6%
CIS Other	**7,887**	**4.8%**	**7,409**	**4.4%**	**7,787**	**4.2%**	**7,883**	**4.7%**
Ukraine	5,833	3.5%	5,633	3.3%	6,372	3.4%	6,156	3.7%
Other	2,054	1.2%	1,776	1.0%	1,415	0.8%	1,726	1.0%
North America	**3,509**	**2.1%**	**3,496**	**2.1%**	**4,379**	**2.3%**	**4,369**	**2.6%**
Rest of the world	**3,519**	**2.1%**	**3,451**	**2.0%**	**4,237**	**2.3%**	**7,215**	**4.3%**
Total	**165,734**	**100.0%**	**170,097**	**100.0%**	**186,700**	**100.0%**	**168,314**	**100.0%**

[1] Amounts as of December 31, 2011 and 2010 have been adapted to new mapping introduced in 2012 and therefore not all amounts as of December 31, 2011 and 2010 have been audited.

In 2011, doubts about the financial sustainability of government deficits resulted in the widening of spreads on government bonds of several countries of the European Monetary Union. RBI does not own any banking subsidiaries in the so-called European periphery countries. Nonetheless, some of RBI's customers are domiciled in or otherwise have direct or indirect exposure to these countries, resulting, for example, from lending to international corporate customers and investment banking activities. Overall, RBI has almost no exposure to government bonds in these countries (except for the Republic of Italy).

The following table sets out the Group's exposure to corporate customers, financial institutions and sovereigns based in Belgium, Cyprus, Greece, Ireland, Italy, Portugal, Slovenia and Spain as of September 30, 2013:

	As of September 30, 2013									
	(in EUR million, unaudited)									
	Corporate			Financial Institutions			Sovereign			Total
	Bank book	Trading book	Sub-total	Bank book	Trading book	Sub-total	Bank book	Trading book	Sub-total	
Belgium	259	67	326	206	19	225	0	115	115	**665**
Cyprus	140	0	141	0	226	226	0	-	0	**367**
Greece	3	-	3	0	-	0	0	-	0	**3**
Ireland	16	5	21	16	133	149	-	-	-	**170**
Italy	278	96	375	555	77	631	0	161	162	**1,167**
Portugal	-	-	-	11	-	11	0	-	0	**11**
Slovenia	1,006	11	1,017	218	16	234	95	203	298	**1,549**
Spain	89	49	137	87	1,145	1,232	0	-	0	**1,369**
Total	**1,791**	**229**	**2,019**	**1,092**	**1,616**	**2,708**	**96**	**479**	**575**	**5,303**

Source: Internal data.

The following table sets out the Group's exposure to corporate customers, financial institutions and sovereigns based in Belgium, Cyprus, Greece, Ireland, Italy, Portugal, Slovenia and Spain as of December 31, 2012:

	As of December 31, 2012									
	(in EUR million, unaudited)									
	Corporate			**Financial Institutions**			**Sovereign**			**Total**
	Bank book	**Trading book**	**Sub-total**	**Bank book**	**Trading book**	**Sub-total**	**Bank book**	**Trading book**	**Sub-total**	
Belgium.......	113	5	119	105	26	131	11	4	15	**265**
Cyprus.........	100	11	111	0	221	221	-	-	-	**332**
Greece	13	-	13	1	-	1	-	-	-	**15**
Ireland	8	5	13	22	236	258	-	-	-	**271**
Italy	219	15	234	531	25	556	37	14	51	**841**
Portugal.......	0	-	0	23	-	23	-	-	-	**23**
Slovenia.......	60	10	69	406	119	525	-	3	3	**597**
Spain............	1,035	3	1,038	259	20	279	322	25	347	**1,664**
Total............	**1,548**	**50**	**1,597**	**1,347**	**647**	**1,995**	**370**	**45**	**416**	**4,008**

Source: Internal data.

Risk policies and credit assessments in RBI also take into account the industry class of customers. The credit and insurance industry represents the largest industry class, which is mostly attributable to exposures to members of RBG (central liquidity balancing function). The second largest industry class is private households, primarily retail customers in CEE countries. The following table shows the total credit exposure by industry classification:

	As of September 30,		**As of December 31,**	
	2013	**Share**	**2012**	**Share**
	(in EUR million, except percentages, unaudited)			
Banking and insurance..	42,694	26%	52,812	31%
Private households	19,804	12%	23,100	14%
Public administration and defence and social insurance institutions	11,212	7%	10,852	6%
Wholesale trade and commission trade (except car trading)..........................	16,599	10%	16,412	10%
Real estate activities..	10,369	6%	10,012	6%
Other business activities..	5,520	3%	5,968	4%
Construction..	6,734	4%	7,053	4%
Retail trade except repair of motor vehicles..	4,259	3%	4,757	3%
Electricity, gas, steam and hot water supply..	4,103	2%	3,209	2%
Manufacture of food products and beverages..	2,455	1%	2,374	1%
Manufacture of basic metals	2,606	2%	2,673	2%
Other manufacturing...	12,671	8%	11,931	7%
Land transport, transport via pipelines..	2,221	1%	2,006	1%
Other transport...	2,068	1%	2,156	1%
Manufacture of machinery and equipment..	1,424	1%	1,443	1%
Mining and quarrying..	0	0%	0	0%
Sale of motor vehicles...	1,244	1%	1,350	1%
Other industries...	18,449	11%	10,572	6%
Extraction of crude petroleum and natural gas..	1,303	1%	1,414	1%
Manufacture of chemicals and chemical products..	0	0%	0	0%
Manufacture of coke and refined petroleum products....................................	0	0%	0	0%
Total...	**165,734**	**100%**	**170,097**	**100%**

Source: Consolidated Financial Statements and internal data.

Structured credit portfolio

The strategy for the Group's structured credit portfolio, which mainly contains exposures to European customers, is to limit its exposure from these investments. The portfolio primarily consists of asset-backed securities, mortgage-backed securities and collateralized debt obligations. While the Group acquired asset backed securities (with a rating of at least AA or rated by an unrecognized rating agency and therefore reported as not rated) in the amount of EUR 191 million in 2013, RBI plans to reduce the original structured credit portfolio, depending on market conditions, either through repayment at maturity date or through asset sales. Around 67% of the entire structure credit portfolio is rated A or better by external rating agencies. As of September 30, 2013, the portfolio amounted to EUR 554 million compared to EUR 387 million as of December 31, 2012 and EUR 516 million as of December 31, 2011.

The following table shows a breakdown of the Group's structured credit portfolio by rating as of September 30, 2013:

	As of September 30, 2013
	(unaudited, in %)
AAA	42
AA	10
A	16
BBB	0
Non-investment grade	0
Not rated	32
Total	**100**

Source: Internal data.

Counterparty credit risk

The default of a counterparty in a derivative, repurchase, securities or commodities lending or borrowing transaction can result in losses from re-establishing the contract with another counterparty. RBI measures this risk by the mark-to-market approach, where a pre-defined add-on is added to the current positive fair value of the contract in order to account for potential future changes. For internal management purposes, potential price changes, which can affect the fair value of an instrument, are calculated specifically for different contract types based on historical market price changes.

For derivative contracts the standard limit approval process applies, where the same risk classification, limitation, and monitoring process is used as for traditional lending. In doing so, the weighted nominal exposure of derivative contracts is added to the customer's total exposure in the limit application and monitoring process as well as in the calculation and allocation of internal capital.

An important strategy for reducing counterparty credit risk is the employment of credit risk mitigation techniques such as netting agreements and collateralization. In general, RBI seeks to enter into standardized ISDA master agreements with all major counterparties for derivative transactions in order to be able to perform close-out netting with credit support annexes (CSA) for full risk coverage for positive fair values on a daily basis.

Market risk

RBI defines market risk as the risk of possible losses arising from changes in market prices of trading and banking book positions. Market risk estimates are based on changes in exchange rates, interest rates, credit spreads, equity and commodity prices, and other market parameters (e.g. like implied volatilities).

Market risks are centrally managed by closing internal contracts with customer divisions and are monitored by the risk controlling division on a daily basis as well as reported to the market risk committee on a weekly basis.

Organization of market risk management

RBI measures, monitors and manages market risks on a Group level. The market risk committee is responsible for strategic market risk management issues. It is responsible for managing and controlling all market risks in the Group. The Group's overall limit is set by the Management Board on the basis of the risk-taking capacity and income budget. This limit is apportioned to sub-limits in coordination with business divisions according to the strategy, business model and risk appetite.

The market risk management department is responsible for ensuring that the business volume and product range comply with the defined and approved strategy and risk appetite of the Group. It is responsible for implementing and enhancing risk management processes, manuals, measurement methodologies, risk management infrastructure and systems for all market risk categories and secondary credit risks arising from market price changes in derivative transactions. This department independently measures and reports market risks on a daily basis.

All products in which open positions may be held are listed in a product catalogue. New products are added to this list only after completing the product approval process successfully. Product applications are investigated thoroughly for any risks. They are approved only if the new products can be implemented in RBI's front- and back-office and risk management systems.

Limit system

RBI uses a comprehensive risk management approach for both the trading and banking book (total-return approach). Market risks are managed consistently in the trading and banking book. The following values are measured and limited on a daily basis in the market risk management system:

- VaR (confidence level 99 %, risk horizon 1 day): VaR is of central importance for the Group's market risk management. It is the main steering instrument in liquid markets and normal market situations. VaR is measured based on a hybrid simulation approach, where 5,000 scenarios are calculated. The approach combines the advantages of a historical simulation and a Monte Carlo simulation and derives market parameters from 500 days historical data. Distribution assumptions include modern features like volatility declustering, random time change, and extreme event containers. This helps in reproducing fat-tailed and asymmetric distributions accurately. The FMA has approved this model so that it can be used for calculating own funds requirements for market risks. VaR results are not only used for limiting risk, but also in the internal capital allocation.

- Sensitivities (to changes in exchange rates, interest rates, gamma, vega, equity and commodity prices): Sensitivity limits are designed to ensure that concentrations are avoided in normal market situations. They are the main steering instrument under extreme market situations, in illiquid markets, and in markets that are structurally difficult to measure.

- Stop loss: Stop loss limits are designed to prevent trading losses from accumulating on proprietary positions.

A comprehensive stress testing concept complements this multi-level limit system. It simulates potential present value changes of defined scenarios for the total portfolio. The results on market risk concentrations shown by these stress tests are reported to the market risk committee and taken into account when setting limits. Stress test reports for individual portfolios are included in daily market risk reporting.

Market risk management system (internal model)

The Group has developed a sophisticated market risk management system since March 2008 on the basis of an internal model and implemented it at the beginning of 2010. Since then, market risk management has been based on the figures from this internal model.

The model uses a hybrid approach, i.e. a combination of historical and Monte Carlo simulations with around 5,000 scenarios, to calculate VaR for changes in the risk factors of foreign exchange, interest changes, credit spreads for bonds, credit default swaps and equity indices. To improve modeling of risk factors where the probability of extreme price changes exceeds the probability given by the normal distribution, the model incorporates numerous add-ins, such as adding extreme events to the scenarios, or taking into account current volatility in scenario generation, together with various time horizons in volatility estimation. This model approach offers a suitable basis for implementing the Basel III requirements in internal models.

The model passed the review process of both the FMA and OeNB, and has been used since August 30, 2010 to calculate own funds requirements for foreign currency and general interest rate risk in the trading book for Group headquarters. Daily management includes RBI's trading and banking books based on VaR for a one-day holding period, a 99% confidence interval, and sensitivity limits. The market risk position, limit process and presentation of all capital market activities in the income statement are reviewed and discussed in weekly market risk committee meetings.

Value-at-risk (VaR)

The following table shows risk figures (VaR 99 %, 1 day, in EUR million) for individual market risk categories of the trading and banking book. RBI's VaR mainly results from exchange rate risk out of long-term equity positions, structural interest rate risks, and credit spread risks of bonds, which are held as liquidity buffer.

	VaR as of September 30, 2013	**Average VaR**	**Minimum VaR**	**Maximum VaR**	**VaR as of December 31, 2012**
	(in EUR million) (unaudited)	**(in EUR million) (unaudited)**			
Trading book					
Currency risk[1]	47	55	38	85	52
Interest rate risk	3	3	2	5	3
Credit spread risk[1]	5	6	2	16	3
Share price risk	1	2	1	2	2
Vega risks	1	1	0	2	1
Total	**54**	**62**	**45**	**93**	**59**
Banking book					
Interest rate risk	9	15	8	29	16
Credit spread risk	19	23	12	51	18
Vega risks	1	1	1	2	1
Total	**22**	**29**	**15**	**51**	**24**
Total					
Currency risk[1]	47	55	38	85	52
Interest rate risk	11	16	10	30	17
Credit spread risk	23	28	18	53	21
Share price risk	1	2	1	2	2
Vega risks	1	1	0	1	1
Total	**68**	**79**	**56**	**116**	**71**

(1) Exchange rate risk on total bank level also includes equity positions of subsidiaries denominated in foreign currency.
Source: Consolidated Financial Statements and internal data.

	VaR as of December 31, 2012	**Average VaR**	**Minimum VaR**	**Maximum VaR**	**VaR as of December 31, 2011**
			(in EUR million) (audited)		
Trading book					
Currency risk[1]	52	57	43	79	64
Interest rate risk	3	3	1	8	7
Credit spread risk[1]	3	3	2	5	1
Share price risk	2	2	2	3	2
Vega risks[2]	1	1	1	1	n.a.
Total	**59**	**61**	**44**	**84**	**48**
Banking book					
Interest rate risk	16	20	10	48	47
Credit spread risk[3]	18	26	11	35	11
Vega risks[2]	1	2	1	3	n.a.
Total	**24**	**36**	**21**	**59**	**30**
Total					
Currency risk[1]	52	57	43	79	64
Interest rate risk	17	21	11	45	46
Credit spread risk	21	28	16	39	11
Share price risk	2	2	2	3	2
Vega risks[2]	1	1	1	2	n.a.
Total	**71**	**78**	**49**	**106**	**51**

(1) Exchange rate risk on total bank level also includes equity positions of subsidiaries denominated in foreign currency.

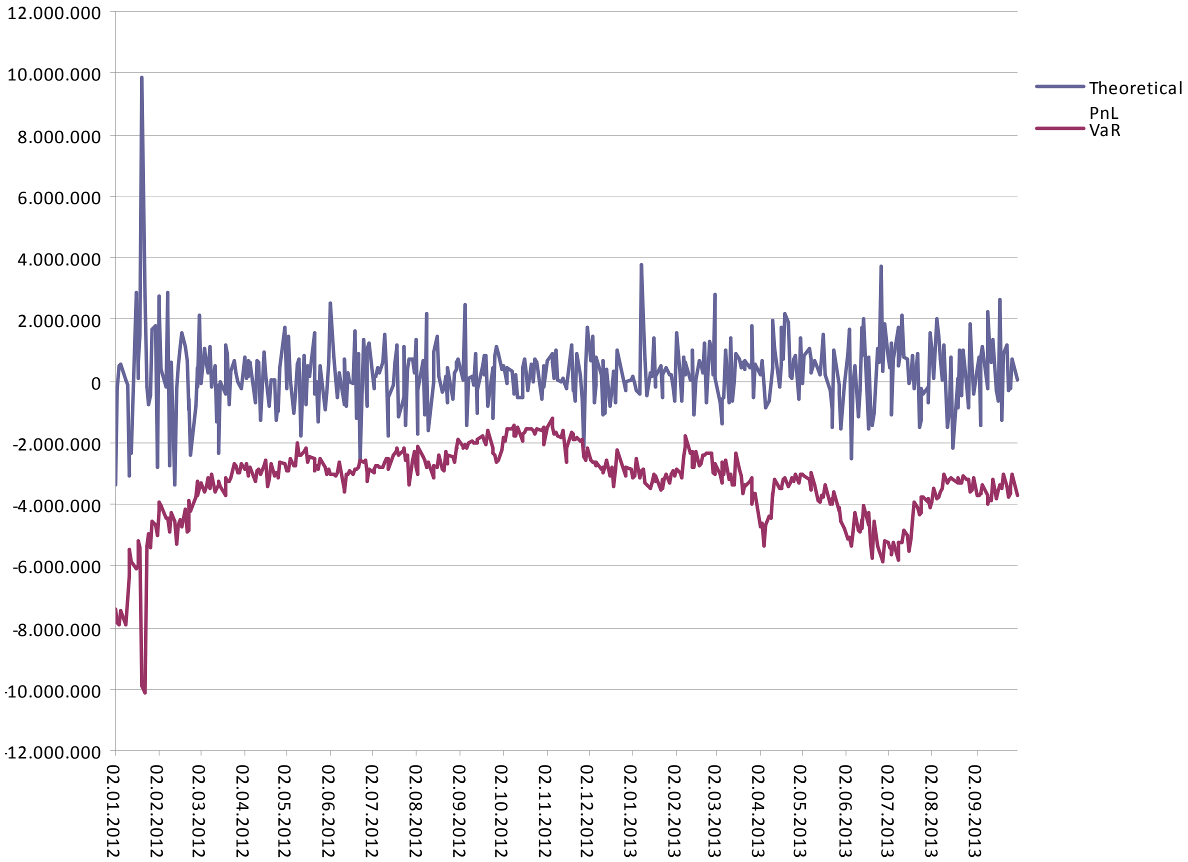
(2) October to December 2012.

(3) July to December 2012; with the full integration of the credit spread risk, a direct comparison with the previous year is not possible.

	VaR as of December 31, 2011	Average VaR	Minimum VaR	Maximum VaR	VaR as of December 31, 2010
			(in EUR million) (audited)		
Trading book					
Currency risk	64	54	37	83	53
Interest rate risk	7	8	6	16	11
Credit spread risk	1	3	1	9	2
Share price risk	2	2	1	3	1
Total	**48**	**57**	**41**	**82**	**60**
Banking book					
Interest rate risk	47	54	28	113	70
Credit spread risk	11	29	10	48	30
Total	**30**	**56**	**30**	**114**	**66**
Total					
Currency risk	64	54	37	83	53
Interest rate risk	46	54	26	117	70
Credit spread risk	11	31	9	48	31
Share price risk	2	2	1	3	1
Total	**51**	**81**	**50**	**126**	**87**

Risk measurement approaches in use are verified – besides analyzing returns qualitatively – permanently through backtesting and statistical validation techniques. If model weaknesses are identified, they are fixed accordingly.

The following graph shows VaR and theoretical market price changes of the Group's trading book for the year ended December 31, 2012 and the nine months ended September 30, 2013. Backtesting showed no violations during this period, after two violations in 2011 (which is within the targeted confidence interval of 99%):



Source: Consolidated Financial Statements and internal data.

Exchange rate risk and capital (ratio) hedge

RBI's market risk exposure is primarily affected by exchange rate risk, which results from foreign-currency denominated equity investments made in non-domestic reporting units and the corresponding hedging positions entered into by the Group's asset/liability committee. The following table shows all material open foreign exchange rate positions (larger than EUR 50 million) as of September 30, 2013 as well as of December 31, 2012 and 2011. The numbers include both trading positions as well as equity stakes in subsidiaries with foreign currency denominated statements of financial position.

	As of September 30,	As of December 31,	
	2013	2012	2011
		(in EUR million)	
	(unaudited)	(audited)	
ALL	262	278	245
BAM	232	267	217
BGN	69	6	(60)
BYR	196	170	(110)
CNY	261	167	97
CZK	822	768	679
HRK	755	741	756
HUF	330	461	290
PLN	1660	2,192	766
RON	645	638	637
RSD	521	482	518
RUB	2605	2,549	2,280
UAH	917	912	1,734
U.S. dollar	(169)	(52)	(616)

Source: Consolidated Financial Statements and internal data.

In a narrow sense, exchange rate risk denotes the risk that one suffers losses due to open foreign exchange positions. Exchange rate fluctuations also influence current revenues and expenses. However, they also influence regulatory capital requirements of assets denominated in foreign currencies, even if they are refinanced in the same currency and thus do not create an open foreign exchange position.

RBI holds several large participations located outside of the European Monetary Union with their equity denoted in the corresponding local currency. Also, a significant share of risk-weighted assets in RBI is denominated in foreign currencies. Changes in foreign exchange rates thus lead to a change of consolidated capital in RBI and also influence the total own funds requirement for credit risks. Generally, there are two different approaches for managing exchange rate risks:

- Preserve equity: With this hedging strategy an offsetting capital position is held on a Group level for local currency denominated equity positions. However, the necessary hedging positions cannot be established in all currencies due to the required high volume, and these hedges might be inefficient for some currencies if they carry a high interest rate differential.

- Stable capital ratio: The goal of this hedging strategy is to balance core capital and risk-weighted assets in all currencies according to the targeted tier 1 ratio (i.e. reduce excess capital or deficits in relation to risk-weighted assets for each currency) such that the tier 1 ratio remains stable even if foreign exchange rates change.

RBI aims at stabilizing its tier 1 ratio when managing exchange rate risks. Changes in foreign exchange rates thus lead to changes in consolidated capital amounts. However, the regulatory capital requirements for credit risks stemming from assets denoted in foreign currencies also change correspondingly. This risk is managed on a monthly basis in the Group's asset/liability committee based on historical foreign exchange volatilities, exchange rate forecasts, and the sensitivity of the core capital ratio to changes in individual foreign exchange rates.

Interest rate risk in the trading book

The following tables show the largest present value changes for RBI's trading book given a one basis point interest rate increase for the whole yield curve in EUR thousand for December 31, 2012, 2011 and 2010. There are only minor changes in the structure of the trading book and risk factors compared to the previous year.

	Total	**<3m**	**3-6m**	**6-12m**	**1-2y**	**2-3y**	**3-5y**	**5-7y**	**7-10y**	**10-15y**	**15-20y**	**>20y**
December 31, 2012						**(in EUR thousand) (audited)**						
ALL	(29)	0	(2)	(10)	(8)	(2)	(3)	(3)	0	0	0	0
BGN	(16)	(1)	0	0	(2)	(1)	(9)	(1)	0	0	0	0
CZK	(13)	(1)	(7)	(11)	3	(5)	1	1	12	(7)	0	0
EUR	(220)	14	(53)	(21)	(54)	3	(57)	21	5	(35)	(33)	(9)
GBP	11	8	4	(1)	0	0	0	0	0	0	0	0
HUF	(12)	7	(14)	(14)	8	(3)	3	(1)	1	1	0	0
RON	(10)	(2)	2	(2)	(4)	(4)	0	0	0	0	0	0
RUB	(80)	(15)	(10)	(13)	17	(36)	(13)	(10)	0	0	0	0
USD	(64)	17	(18)	19	11	(33)	27	(3)	(19)	3	43	(110)
Other	8	2	3	(2)	2	1	3	(4)	5	0	(1)	(1)

	Total	**<3m**	**3-6m**	**6-12m**	**1-2y**	**2-3y**	**3-5y**	**5-7y**	**7-10y**	**10-15y**	**15-20y**	**>20y**
December 31, 2011						**(in EUR thousand) (audited)**						
ALL	(31)	0	(1)	(8)	(10)	(10)	(1)	0	0	0	0	0
BGN	(10)	(1)	0	0	(2)	(1)	(4)	0	0	0	0	0
CHF	17	4	12	(2)	2	4	(3)	3	(3)	1	(1)	(1)
CZK	(27)	(1)	1	(3)	(8)	(11)	16	(14)	(1)	(6)	0	0
EUR	426	1	11	39	12	(8)	181	132	130	(50)	5	(27)
HRK	(14)	0	0	0	0	(1)	(10)	(2)	0	0	0	0
RUB	(185)	(1)	(14)	(22)	(38)	(59)	(28)	(21)	(2)	0	0	0
U.S. dollar	87	9	(45)	26	(2)	(44)	(5)	(9)	32	(65)	(18)	207
Other	1	7	(11)	9	(2)	(3)	7	(2)	(3)	0	0	0

	Total	**<3m**	**3-6m**	**6-12m**	**1-2y**	**2-3y**	**3-5y**	**5-7y**	**7-10y**	**10-15y**	**15-20y**	**>20y**
December 31, 2010						**(in EUR thousand) (audited)**						
ALL	(30)	(1)	(1)	(10)	(4)	(11)	(4)	0	0	0	0	0
BGN	(10)	(1)	0	0	(1)	(1)	(5)	0	0	0	0	0
EUR	453	6	(7)	(7)	(95)	35	208	161	219	7	21	(94)
GBP	(19)	0	0	0	(1)	0	0	0	(5)	(1)	(1)	(11)
HUF	5	4	(1)	24	(23)	10	(15)	(8)	13	3	0	0
RUB	(177)	(4)	(5)	(16)	(38)	(25)	(88)	(1)	(1)	0	0	0
U.S. dollar	(32)	0	(9)	(4)	(7)	(6)	(4)	1	(1)	0	0	(1)
Other	(11)	(2)	(1)	(7)	2	(5)	9	0	(10)	(1)	0	0

Interest rate risk in the banking book

Different maturities and repricing schedules of assets and the corresponding liabilities (i.e. deposits and refinancing on debt and capital markets) cause interest rate risk in RBI. This risk arises in particular from different interest rate sensitivities, rate adjustments, and other optionality of expected cash flows. Interest rate risk in the banking book is material for euro and U.S. dollar as major currencies as well as for local currencies of reporting units located in CEE.

This risk is mainly hedged by a combination of on- and off-balance sheet transactions where in particular interest rate swaps and – to a smaller extent – also interest rate forwards and interest rate options are used. Balance sheet management is a core task of the central global treasury division and of individual Network Banks, which receive assistance from asset/liability management committees. They base their decisions on various interest income analyses and simulations that ensure proper interest rate sensitivity in line with expected changes in market rates and the overall risk appetite.

Interest rate risk in the banking book is not only measured in a VaR framework but also managed by the traditional tools of nominal and interest rate gap analyses. Since 2002, interest rate risk has been the subject of quarterly reporting within the scope of the interest rate risk statistics submitted to the banking supervisor. These reports show the change in the present value of the banking book as a percentage of own funds in line with the requirements of Basel II. Maturity assumptions needed in this analysis are defined as specified by regulatory authorities or based on internal statistics and empirical values. In 2010 to 2012, the changes in present value of banking book positions after an interest rate shock of 200 basis points were always lower than the regulatory reporting threshold of 20% of eligible own funds.

The following tables show the change in the present value of the Group's banking book given a one-basis-point interest rate increase for the whole yield curve in EUR thousand for reporting dates December 31, 2012, 2011 and 2010. Interest rate risk in the banking book decreased in 2012 mainly due to a reduction of holdings in government bonds.

	Total	<3m	3-6m	6-12m	1-2y	2-3y	3-5y	5-7y	7-10y	10-15y	15-20y	>20y
December 31, 2012	(in EUR thousand) (audited)											
ALL	(24)	0	(5)	4	(18)	(1)	0	0	(1)	(3)	(1)	0
BAM	14	(2)	0	1	5	6	2	0	1	2	0	0
BYR	(20)	0	(1)	(6)	(4)	1	(4)	(2)	(2)	(1)	0	0
CHF	(266)	28	(8)	(7)	(1)	0	(28)	(19)	(46)	(101)	(82)	(2)
CZK	(24)	10	(20)	32	(8)	(3)	(14)	(2)	(3)	(6)	(6)	(3)
EUR	(55)	56	21	188	184	66	28	(64)	(80)	(223)	(79)	(149)
HRK	(37)	(1)	0	1	(4)	0	(23)	0	(8)	(2)	0	0
RON	(73)	(5)	5	0	(29)	(13)	(9)	(20)	(3)	0	0	0
RSD	(23)	(1)	(3)	(5)	(10)	(2)	(1)	0	0	0	0	0
RUB	(159)	(18)	(10)	(4)	(38)	(19)	40	(5)	(37)	(51)	(15)	0
UAH	(73)	2	2	9	(55)	(19)	(4)	(3)	(3)	(1)	0	0
USD	(225)	12	22	67	(31)	(16)	(72)	(46)	(98)	(51)	(10)	(3)
Other	(16)	(11)	25	43	(11)	(1)	(18)	(10)	(12)	(12)	(8)	0

	Total	<3m	3-6m	6-12m	1-2y	2-3y	3-5y	5-7y	7-10y	10-15y	15-20y	>20y
December 31, 2011	(in EUR thousand) (audited)											
ALL	(45)	3	(4)	6	(33)	(13)	(1)	(4)	0	0	0	0
BGN	16	0	3	9	(0)	5	(1)	(0)	(0)	(0)	(0)	(0)
CHF	(154)	8	(5)	(1)	(16)	(2)	(11)	(19)	(37)	(49)	(23)	(0)
CNY	37	(10)	16	32	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)
CZK	12	8	(4)	19	0	(2)	3	(10)	(4)	2	(1)	(0)
EUR	(607)	84	121	177	185	12	(130)	(629)	(202)	(118)	(8)	(99)
HRK	(16)	(1)	(0)	4	(5)	(4)	(3)	(4)	(3)	0	0	(0)
HUF	(88)	(5)	(7)	(8)	(7)	(21)	(25)	(11)	(5)	1	0	(0)
RON	(108)	1	(2)	2	(8)	(31)	(11)	(35)	(23)	0	(0)	(0)
RSD	(25)	(1)	(1)	(5)	(7)	(7)	(3)	(1)	0	(0)	(0)	(0)
RUB	66	(36)	2	(7)	13	68	113	(6)	(28)	(40)	(13)	(0)
UAH	(248)	(6)	(5)	(26)	(60)	(57)	(65)	(11)	(10)	(6)	(1)	(0)
U.S. dollar	(755)	26	(12)	24	(25)	(98)	(115)	(157)	(151)	(211)	(32)	(4)
Other	(7)	(9)	(1)	(8)	2	5	9	(1)	(3)	(0)	(0)	(1)

	Total	<3m	3-6m	6-12m	1-2y	2-3y	3-5y	5-7y	7-10y	10-15y	15-20y	>20y
December 31, 2010	(in EUR thousand) (audited)											
BGN	17	2	3	13	(1)	2	(1)	0	0	0	0	0
BYR	30	(2)	(11)	6	1	1	34	0	0	0	0	0
CHF	(101)	2	(14)	(20)	(2)	3	(1)	(14)	(16)	(22)	(16)	
CNY	25	(14)	3	36	0	0	0	0	0	0	0	0
CZK	(42)	(12)	9	39	(82)	(34)	55	16	(17)	(16)	0	0
EUR	(2,026)	189	177	33	(38)	50	(155)	(767)	(1244)	(210)	35	(96)
HUF	(88)	(22)	(1)	6	2	(12)	(36)	(29)	2	2	0	0
PLN	(17)	(14)	5	(5)		(2)		(1)	0	0	0	0
RON	(167)	5	(4)	(10)	(22)	(29)	(72)	(24)	(11)	0	0	0
RUB	58	(4)	(20)	14	51	45	43	(12)	(16)	(22)	(14)	(7)
UAH	(123)	(1)	5	7	(38)	(31)	(40)	(11)	(7)	(6)	1	0
U.S. dollar	(288)	(23)	30	27	(6)	99	(87)	(98)	(56)	(124)	(35)	(14)
Other	(34)	(18)	(13)	16	(22)	(22)	(28)	47	3	1	1	(1)

Credit spread risk

The Group's market risk management system takes into account time-dependent bond and credit default swap-spread curves as market risk factors in order to measure credit spread risks. This market risk category thus captures the specific interest rate risk of all securities in the trading and banking book.

The VaR report covers the Company in this risk category, where a major part of securities positions are booked. The roll out of this system to all reporting units is being planned.

Liquidity risk

Banks perform maturity transformation as an important role for international financial markets. The need for maturity transformation arises from the needs of depositors to access their funds within short notice and the opposite need of borrowers for long-term loans. This function constantly results in positive or negative liquidity gaps for different maturities that are managed through transactions with other market participants under normal market conditions.

Liquidity management, i.e. ensuring that the Group maintains its ability to pay at all times, is performed both centrally by the global treasury division in Vienna and on a decentralized basis by local banking subsidiaries. Cash flows are calculated and analyzed by currency on a weekly basis in an internal monitoring system. Based on these data, the Group creates liquidity balances, and analyses whether the Group conforms to legal regulations on liquidity positions and defined internal liquidity limits. Liquidity analyses also include simulations on defined market- or name-specific liquidity crises in scenario-based cash flow forecasts. All these analyses are discussed in the Group's asset/liability committee.

Short-term liquidity risk

The following table shows excess liquidity and the ratio of cash inflows plus counterbalancing capacity to cash outflows (liquidity ratio) for select maturities on a cumulative basis, taking into account balance sheet items and off-balance sheet transactions. Based on expert opinions and statistical analyses and taking into account country-specific factors, this calculation also incorporates estimates on the prolongation of defined assets, the so-called sediment of customer deposits, and the liquidity counterbalancing capacity (in particular, assets that are eligible for refinancing at central banks and that can be used as collateral in repo transactions). The prudential liquidity risk profile is also reflected in the high liquidity ratio.

	As of September 30,			As of December 31,					
	2013			2012			2011		
	(in EUR million, unless stated otherwise)								
	(unaudited)			(audited)					
Maturity	**1 week**	**1 month**	**1 year**	**1 week**	**1 month**	**1 year**	**1 week**	**1 month**	**1 year**
Liquidity gap	14,044	14,192	11,614	14,823	12,225	13,467	20,692	17,937	7,094
Liquidity ratio..........	141%	128%	111%	135%	118%	110%	175%	130%	105%

Internal limits have been established in each reporting unit in order to limit liquidity risk. They require a positive short-term liquidity gap based on the internal liquidity model. In addition the Group holds sizeable positions in liquid securities and favors assets eligible in tender transactions in the lending business in order to ensure liquidity in various currencies. In the case of a liquidity shortage in the Group, contingency plans would come into force. Such prioritized action lists for handling short-term liquidity needs (also with regard to the publicity impact) exist for all major reporting units.

Funding liquidity risk

Funding liquidity risk is mainly driven by changes in the risk appetite of lenders or by a rating downgrade of a bank that needs external funding. Funding rates and supply rise and fall with credit spreads, which change based on market- or bank-specific developments.

As a consequence, long term funding depends on restoring confidence in banks in general and the increased effort in collecting customer deposits. RBI's banking activities are refinanced by combining wholesale funding and the retail franchise of deposit-taking Network Banks. (See "*Operating and Financial Review—Liquidity and Capital Resources*") The Company is the central liquidity balancing agent for the local reporting units in CEE.

In RBI's funding plans, special attention is paid to a diversified structure of funding to mitigate funding liquidity risk. In the Group, funds are not only raised by the Company as the Group's parent institution, but also individually by different banking subsidiaries. Those efforts are coordinated and optimized through a joint funding plan. Moreover, the Company enables medium-term and long-term borrowing activities of its subsidiaries through syndicated loans, bilateral funding agreements with banks, and financing facilities of supranational institutions. These funding sources are based on long-term business relationships.

For managing and limiting liquidity risks, the medium term targets for loan/deposit ratios have been revised for individual Network Banks taking into account expected Basel III regulations. The limits incorporate planned future business volumes as well as the feasibility for increasing customer deposits in different countries. On the one hand, this initiative reduces external funding requirements. On the other hand, it also reduces the need for internal funding operations and the risk associated with such liquidity transfers.

The following tables show a breakdown of cash flows according to the contractual maturity of financial liabilities as of December 31, 2012, 2011 and 2010:

	Carrying amount	Contractual cash flows	Up to 3 months	3 - 12 months	More than 1 year, up to 5 years	More than 5 years
December 31, 2012			**(in EUR million) (audited)**			
Non-derivative liabilities	116,603	133,201	75,808	20,334	28,005	9,054
Deposits from banks	30,186	36,847	19,220	4,815	10,693	2,119
Deposits from customers	66,297	71,631	50,539	11,925	6,601	2,566
Debt securities issued	13,290	15,740	2,825	2,543	8,932	1,439
Other liabilities	2,893	3,752	2,801	335	579	37
Subordinated capital	3,937	5,231	422	715	1,200	2,894
Derivative liabilities	7,919	16,693	6,084	2,750	6,383	1,475
Derivatives in the trading book	7,447	13,903	4,060	2,587	5,844	1,412
Hedging derivatives	120	128	15	33	73	7
Other derivatives	351	2,661	2,009	130	466	56
Credit derivatives	1	0	0	0	0	0

	Carrying amount	Contractual cash flows	Up to 3 months	3 - 12 months	More than 1 year, up to 5 years	More than 5 years
December 31, 2011			**(in EUR million) (audited)**			
Non-derivative liabilities	126,081	137,989	77,555	20,574	26,714	13,145
Deposits from banks	37,992	42,072	22,362	5,483	11,369	2,859
Deposits from customers	66,747	70,264	48,918	12,265	4,603	4,478
Debt securities issued	14,367	17,010	3,505	2,563	9,404	1,539
Other liabilities	2,802	3,863	2,748	189	809	117
Subordinated capital	4,151	4,781	23	75	529	4,153
Derivative liabilities	9,198	17,903	7,569	2,878	6,153	1,303
Derivatives in the trading book	8,406	15,818	6,605	2,610	5,450	1,153
Hedging derivatives	43	49	1	5	13	31
Other derivatives	736	1,980	959	243	659	119
Credit derivatives	13	56	4	21	32	0

	Carrying amount	Contractual cash flows	Up to 3 months	3 - 12 months	More than 1 year, up to 5 years	More than 5 years
December 31, 2010			**(in EUR million) (audited)**			
Non-derivative liabilities	114,303	126,753	65,468	22,721	26,830	11,734
Deposits from banks	33,659	38,603	17,056	7,762	10,831	2,954
Deposits from customers	57,633	60,580	43,866	9,123	3,737	3,854
Debt securities issued	16,555	18,891	1,486	5,551	9,741	2,112
Other liabilities	2,454	4,193	3,010	182	854	148
Subordinated capital	4,001	4,485	50	103	1,668	2,665
Derivative liabilities	5,794	13,341	6,259	2,672	2,925	1,485
Derivatives in the trading book	4,531	10,751	5,200	2,131	2,321	1,100
Hedging derivatives	477	574	13	20	220	321
Other derivatives	768	1,998	1,044	517	374	64
Credit derivatives	18	18	2	5	11	1

Operational risk

Operational risk is defined as the risk of unexpected losses resulting from the inadequacy or failure of internal processes, people and systems or from external events, including legal risk. In this risk category internal risk drivers like unauthorized activities, fraud or theft, execution and process errors, or business disruption and system failures are managed. External factors such as damage to physical assets or human fraud are managed and controlled as well.

This risk category is analyzed and managed on the basis of own historical loss data and the results of self-assessments. Another management tool is the incentive system implemented in internal capital allocation. This system rewards high data quality and low expected operational risk costs of individual business units. Generally speaking, RBI implements a centralized - decentralized system for operational risk management. In this process, a central operational risk management function defines all basic principles and minimum requirements, which then are implemented according to risk type in the individual local units.

As with other risk types the principle of separation between risk management and risk controlling is also applied to operational risk in RBI. Operational risk controlling units are mainly responsible for the implementation and refinement of methods for operational risk management in different reporting units (e.g. performing self-assessments, defining and monitoring key risk indicators, etc.) and for reporting to the central operational risk controlling function. Business line managers are responsible for controlling and mitigating operational risks. They decide on pro-active operational risk steering actions such as buying insurance and the use of further risk mitigating tools.

Operational risks are reported in a comprehensive manner to the Group's risk committee on a quarterly basis.

Risk identification

An important task for controlling operational risks is identifying and evaluating risky areas that might endanger the Group's existence if a loss occurs (but where losses are highly unlikely to be realized) and also areas where losses are more likely to happen frequently (but cause only smaller losses).

Operational risk self-assessment is executed in a structured and Group-wide uniform manner, where all operational risk categories and business functions are assessed in a two-dimensional matrix (per business line or product group). This applies to new products as well. All reporting units grade the impact of high probability/low impact events and low probability/high impact incidents according to their estimation of the loss potential for the next year and in the next ten years in relation to profits. Low probability/high impact events are quantified by a Group-wide scenario analysis framework that includes the simulation of up to ten specific scenarios. Individual reporting units furthermore run additional scenarios depending on their individual risk profile and local specifics.

Monitoring

In order to monitor operational risks, the Group uses key risk indicators that are designed to allow the prompt identification and mitigation of operational risks. They are specifically tailored to individual reporting units as well. A common catalogue of key risk indicators, which is defined by the headquarters for internal benchmarking purposes, is mandatory for all reporting units.

Loss data is collected in a central database in a structured manner and on a Group-wide basis according to the event type for each business line. Collecting data on losses stemming from operational risks is a prerequisite for implementing a statistical loss distribution model and a minimum requirement for implementing the regulatory standardized approach. Furthermore, loss data (and near misses) are used to create and validate operational risk scenarios and for exchange with international data pools to develop advanced operational risk management tools. In 2010 RBI became a member of the ORX consortium, a reputable international data pool.

Quantification and mitigation

RBI currently calculates regulatory capital requirements for operational risks according to Basel II using the standardized approach. This approach applies to all major reporting units.

Operational risk reduction is initiated by business managers who decide on preventive actions like risk mitigation or risk transfer. Progress and success of these actions is monitored by risk controlling. The former also define contingency plans and nominate responsible persons or departments for initiating the defined actions if these events occur. In addition, several dedicated organizational units provide support to business units for reducing operational risks. An important role, for instance, is played by fraud management which reduces potential fraud related losses through proactive monitoring and preventive actions. RBI also executes an extensive staff training program and has different emergency plans and back-up systems in place.

BANKING REGULATION AND SUPERVISION, REGULATORY

Overview

Incorporated in Austria, the Company holds a license as credit institution (*Kreditinstitut*) to conduct banking business under the Banking Act (*Bankwesengesetz*) and is supervised by the FMA and OeNB. Its Network Banks are subject to local license requirements in the jurisdictions in which they operate and are regulated and supervised by the respective local central banks and/or other financial regulatory authorities. As a result, the Group is subject to regulation and supervision in each of the jurisdictions in which it operates, in particular, with respect to capital adequacy, asset concentrations, liquidity, membership in deposit guarantee and investor compensation schemes, risk management, auditing, internal controls and anti-money laundering and terrorist financing prevention rules. In addition, the banking regulation and supervision laws of most of the countries where the Group operates impose certain limitations on the activities of credit institutions. Such restrictions are mainly related to proposals to transfer significant ownership or controlling interests to other parties, to major acquisitions, investments or other financial flows and to the establishment of a local bank or branch office by a foreign bank, a subsidiary of a foreign bank group or a non-banking financial institution (which may be subject to approval or objection by the supervisory authority), as well as to the type of banking and non-banking activities that may be conducted by those local offices, branches or subsidiaries.

As part of the RZB "credit institution group" (*Kreditinstitutsgruppe*) as defined in the Banking Act, the Company and its Network Banks are not only subject to supervision on a stand-alone basis, but subject to supervision on a consolidated basis, i.e., on the credit institution group level. While RZB, as a "superordinated credit institution" (übergeordnetes Kreditinstitut), is responsible for compliance with applicable laws on a RZB Group level, the Company and its Network Banks are indirectly affected by Austrian and EU rules for the supervision of credit institution groups on a consolidated basis.

The following chapter contains selected information on certain aspects of banking regulation in those countries in which certain of the Company's material subsidiaries operate. The information in this chapter is not intended to provide a comprehensive or complete description of banking regulations and supervision in Austria and CEE.

Throughout the EU, the regulatory framework applicable to banks is to a large extent harmonized. This is a result of comprehensive EU legislation in the field of banking, in particular, in the form of directives and regulations. Unlike regulations, which are directly applicable in EU member states, directives are not directly applicable and must first be transposed into national law by the competent bodies of each EU member state. In this regard, EU member states typically have a certain degree of flexibility, as the directives often establish only minimum requirements and often cover only specific regulatory aspects. As a consequence, even in areas in which directives have been enacted, the domestic laws of the various EU member states may differ considerably from each other.

A non-binding source of harmonization of banking laws within the EU and CEE results from the recommendations of the Basel Committee on Banking Supervision (the "BCBS"), in particular, with respect to minimum capital requirements for banks. These recommendations are commonly referred to as "Basel Standards" (or "Basel I", "Basel II" and "Basel III", respectively). Basel I and Basel II have substantially been implemented in EU legislation by way of directives. The new Basel III standards have been implemented on an EU level by the Capital Requirements Regulation ("CRR") and the Capital Requirements Directive IV ("CRD IV"), which restate and consolidate previous directives. CRR took effect as of January 1, 2014 and is directly applicable in all Member States in the EU without the need for transposition into national law, whereas CRD IV, subject to minor exceptions, required implementation at Member State level by December 31, 2013.

For information on the Basel Standards and their implementation in the EU and within the Group, see "*Banking regulation and supervision in the European Union—Capital adequacy and liquidity requirements—the Basel Standards and their transformation into European law*". The Basel Standards have also been—to varying degrees—a model for the national capital requirements within the non-EU countries in which the Group operates through its Network Banks.

Banking regulation and supervision in the European Union

In addition to Austria, the Group - through its Network Banks - has banking operations in eight other EU member states: the Czech Republic, Hungary, Poland, Slovakia, Slovenia, Croatia, Bulgaria and Romania. The following subchapter gives a brief overview of banking regulatory rules in the EU, which are the legal framework for national legislation and supervision by national regulatory authorities in the EU member states in which the Group operates.

Until December 31, 2013, the centerpiece of EU banking legislation were Directive 2006/48/EC relating to the taking up and pursuit of the business of credit institutions and Directive 2006/49/EC on the capital adequacy of investment firms and credit institutions (together referred to as "Capital Requirements Directive" or "CRD"). The CRD has been amended by Directives 2009/27/EC, 2009/83/EC and 2009/111/EC (together the "Capital Requirements Directive II" or "CRD II") and Directive 2010/76/EU (the "Capital Requirements Directive III" or "CRD III"). The so-called CRD IV package transposes the new global standards on bank capital (Basel III) into EU law via a regulation (Regulation 575/2013/EU, "CRR", which with the exception of several transitional provisions entered into force on January 1, 2014) and a directive (Directive 2013/36/EU, "CRD IV", which had to be implemented into the national laws of EUR member states by December 31, 2013). For more details, see "*—Capital adequacy and liquidity requirements—the Basel Standards and their transformation into European law*" below.

These directives and regulations codify a substantial part of the EU legislation dealing with the regulation and supervision of credit institutions and investment firms. By means of these and other legislation, a single banking market in the EU is created that is based on the following principles: (i) minimum or full harmonization in all EU member states of the laws and practices of banking supervision; (ii) the mutual recognition of a bank's national license throughout the EU enabling a bank to establish branches and to provide services on a cross-border basis in other EU member states by a single license and without additional authorization by such other EU member states; (iii) supervision of a bank primarily by the authorities and pursuant to the laws of the EU member state in which the bank has been authorized, supported through a close cooperation with the other national supervisory authorities as well as supervision of banking groups and financial holding groups on a consolidated basis (home state supervision principle).

EU legislation has, among others, established harmonization in the following areas:

- requirements for the taking up and pursuit of the business of credit institutions, in particular the requirements for the authorization of new credit institutions and notification of acquisitions and disposals of qualifying holdings in credit institutions (for a more detailed description of such notification requirements, see "*—Ownership control procedures*");

- requirements for the rendering of banking services throughout the EU with or without setting up a branch (this concept is commonly referred to as the "single passport");

- relations with non-EU countries, in particular the treatment of subsidiaries of non-EU credit institutions;

- principles and regulatory instruments of prudential supervision of credit institutions and investment firms, including the allocation of competences between the EU member state authorities regarding authorization and supervision of credit institutions and investment firms and the collaboration among the authorities of the EU member states, supervision on a consolidated basis, regulatory minimum capital requirements including the capital charges for credit risk, market risk and operational risk (for a more detailed description of the minimum capital requirements, see "*—Capital adequacy and liquidity requirements—the Basel Standards and their transformation into European law" and "—Implementation of Basel III (CRR, CRD IV) within RBI and the RZB Group"* below), limits on large exposures and limits on investments in the non-financial sector;

- preparation and publication of annual and consolidated accounts as well as the obligation of branches established in a EU member state of credit institutions and financial institutions having their headquarters outside that EU member state regarding the publication of annual accounting documents;

- deposit guarantee and investor compensation schemes (see "*—Deposit guarantee and investor compensation schemes*" below);

- supplementary supervision of financial conglomerates covering different financial sectors;

- certain aspects of cross-border credit transfers and cross-border payments;

- the partial harmonization and recognition of the reorganization and winding-up of credit institutions;

- rules for the prevention of the financial system for the purpose of money laundering and terrorist financing, taking into account the recommendations of the Financial Action Task Force; and

- rules for the licensing and supervision of payment institutions (performing payment services) and electronic money institutions (issuing electronic money).

The following is an outline of those aspects of EU banking regulation and supervision which management considers most relevant for the Group's operations and therefore of most interest for the Company's shareholders.

The European Banking Authority

On January 1, 2011, the EBA was established. The EBA's tasks and competences include the prevention of regulatory arbitrage, the guaranteeing of a level playing field, the strengthening of international supervisory coordination, the promotion of supervisory convergence and the provision of advice to the EU institutions in the areas of banking, payments and e-money regulation. It also has a role on issues related to corporate governance, auditing and financial reporting and sets the standards for the EU-wide stress testing of banks. Since January 1, 2014, Danièle Nouy is head of EBA.

Capital adequacy and liquidity requirements - the Basel Standards and their transformation into European law

The BCBS provides a forum for regular consultation and cooperation between its member countries on matters relating to banking supervision. Its wider objective is to improve supervisory understanding and the quality of banking supervision worldwide. The BCBS does not possess any formal supranational supervisory powers. It recommends statements of best practice in the expectation that national and supranational authorities will take steps to implement them through detailed arrangements which are best suited to their own regulatory framework.

Basel I

In July 1988, a capital measurement system commonly referred to as the Basel capital accord ("Basel I") was approved and released to banks. This system provided for a minimum capital standard for banks, introducing a minimum target ratio of a bank's regulatory capital to risk-weighted assets of 8%. The Basel I standards have been introduced within the EU by means of directives that stipulated minimum capital requirements to cover a bank's credit risk and market risk and also harmonized the rules dealing with the question of which balance sheet items constitute regulatory capital ("own funds" in the language of EU banking legislation) of a credit institution or investment firm. These directives have been replaced in the course of the implementation of Basel II (as set out below).

In the countries that are not EU member states and in which Network Banks are operative, the Capital Requirements Directive transforming Basel I into EU law did not apply. However, the national laws of these countries also provide for minimum capital requirements and have, to varying degrees, used Basel I as a model for their national laws. Not all of these countries have so far adopted national laws to (fully) implement the Basel I standards, but most of them are expected to do so in the course of the next few years.

Basel II and the Capital Requirements Directive (CRD)

On June 25, 2004, the BCBS approved, and one day later the central bank governors and the heads of bank supervisory authorities in the G10 countries endorsed, the publication of the international convergence of capital measurement and capital standards. The revised framework to replace the Basel I standards ("Basel II") has subsequently been updated and revised several times. Basel II focused on three key elements, or "pillars": (i) minimum capital requirements; (ii) supervisory review of banks' capital adequacy; and (iii) market discipline through effective public disclosure to provide for sound banking practices. Basel II had the goal to substantially increase the risk sensitivity of the minimum capital requirements by closely aligning a bank's capital requirements with prevailing modern risk management practices.

Basel II has been implemented into European law by the CRD. The CRD was adopted on June 14, 2006 and comprises Directive 2006/48/EC and Directive 2006/49/EC. EU member states were required to transpose the CRD into their respective national laws by January 1, 2007 with the new rules relating to credit risk, operational risk and market risk being mandatory as of 2008. The Company and Network Banks operating in EU member states were subject to the supervisory regime imposed by the CRD. The majority of the countries in which Network Banks are operative and that are not EU member states have so far not adopted national laws to (fully) implement the Basel II standards, but most of them are expected to do so in the course of the next few years.

Minimum capital requirements under Basel II ("first pillar"). The minimum capital requirements according to Basel II consisted of separate capital requirements relating to credit risk and market risk and—in addition to Basel I—also required operational risk to be covered by underlying capital. Every bank had to fulfill an overall capital ratio for credit risk, market risk and operational risk, whereby:

- credit risk related to the possibility that a financial loss will occur due to a borrower's or counterparty's deteriorating creditworthiness and/or failure to meet its obligation;

- market risk was the risk in connection with a change of market factors, in particular, regarding fluctuations in share prices, interest rates, exchange rates and commodity prices; and

- operational risk was the risk of loss resulting from inadequate or failed internal processes, people and systems and from external events, including legal risk, but excluding strategic and reputational risk.

To create a uniform and comparable basis for the computation of a bank's capital requirements, capital was categorized into tier 1 capital, tier 2 capital (or supplementary capital) and tier 3 capital:

- tier 1 basically consisted of (i) paid-up share capital, (ii) disclosed reserves and (iii) certain hybrid tier 1 instruments, such as participation capital and hybrid capital and (iv) funds for general banking risks;

- tier 2 capital generally consisted of (i) undisclosed reserves, (ii) asset revaluation reserves, (iii) general provisions/internal own funds, (iv) certain hybrid tier 2 instruments, and (v) long-term subordinated debt; and

- tier 3 capital, which under Basel I and Basel II, could—in the discretion of the national authorities—also be used by banks, consisted of short-term subordinated debt to cover market risk only.

Similar to the Basel I accord, the overall capital ratio of banks under Basel II was as follows:

$$\frac{\text{Regulatory capital (Tier 1 + Tier 2 + Tier 3)}}{\text{Sum of credit risk-weighted assets + (capital charges for market risk + operational risk) x 12.5}} \geq 8\%$$

For purposes of calculating the capital ratio, tier 2 capital was limited to 100% of tier 1 capital. In addition, limitations existed for various forms of innovative tier 1 capital, different forms of tier 2 capital and tier 3 capital.

Basel II introduced more risk-sensitive methods to determine the risk-weights of assets for computing the capital charges. Banks were given the option of using internal ratings-based ("IRB") approaches to determine the risk weights used for calculating risk-weighted assets, but were permitted to continue to use predetermined risk weights similar to, but more detailed than, those in Basel I (the "Standardized Approach"). Under the Standardized Approach, a limited number of risk weights (0%, 10%, 20%, 50%, 100% and 150%) was available. Such risk weights were not only dependent on the type of the relevant counterparties but also on such counterparties' external ratings. For example, claims against another company were not necessarily risk-weighted at 100%, but could, dependent on the counterparties' external ratings, be risk-weighted at any of the available risk weights. However, fixed risk weights apply to unrated and certain other positions. In addition, the Basel II framework provides for two different types of IRB approaches, the "Foundation IRB Approach" (also known as Basic IRB Approach) and the "Advanced IRB Approach", which were based on internal ratings determined and assigned by the relevant banks themselves. A bank could only use an IRB approach with the prior approval of its regulator.

Under either type of IRB approach, the relevant positions were assigned to certain categories. In a second step, the credit risk of all lenders of a category was determined upon the basis of the internal methods used by the bank for these purposes. Each type of IRB approach consisted of calculation methods that were based on, and combined, several factors:

(i) the probability of default;

(ii) the percentage of losses in the case of a default (loss given default);

(iii) the remaining exposure upon a default (exposure at default); and

(iv) the term of the respective position (maturity).

Under the Foundation IRB Approach, the bank needed to determine only the probability of default. The remaining parameters were determined and provided by the regulator.

Under the Advanced IRB Approach, the above-mentioned four categories were further refined, and a bank using the Advanced IRB Approach could determine all four parameters by means of its internal rating systems. Finally, a bank could continue to apply the Standardized Approach for the risk-weighting of certain positions for a transitional period or indefinitely (so-called partial application) even after it had been allowed to use an IRB approach.

Under both the Standardized Approach and the IRB approaches, banks could reduce the risk weight applicable to a specific position by using credit risk mitigation methods, and certain types of collateral such as cash, gold, bonds, notes, certain shares, real estate, receivables, etc., that were - under certain conditions - considered as mitigating credit risk and thus reducing capital requirements. Basel II extended the permissibility of risk mitigation techniques by including the permissibility of netting and introduced a detailed framework for the treatment of securitized transactions. Banks fully or partially using IRB approaches for the calculation of credit risk had to maintain, for the first years during which they used IRB approaches (by 2009), a further specified minimum floor of regulatory capital expressed as a certain percentage of the minimum amount of own funds that would have been required to be maintained during that period by the institution if calculated according to the provisions of Basel I.

Supervisory review process ("second pillar"). The supervisory review process that constituted the second pillar of Basel II recognized the responsibility of bank management for developing internal capital assessment processes and setting targets consistent with the bank's risk profile and control environment. The supervisory review process was intended to ensure that banks not only comply with the capital requirements set forth in the first pillar, but also improved on their risk monitoring and management techniques. The Basel II accord required banks to establish and implement comprehensive risk management procedures that were capable to reliably and sustainably determine the banks' adequate capitalization level in relation to their overall risk profile. Banks were required to go beyond mere compliance with the requirements set forth in the first pillar and had to consider risks not or not fully covered therein. The risk identification and management procedures were subject to full evaluation and revision by the competent supervisory authorities, and such authorities were vested with the powers to take corrective action whenever they determine that the bank was not maintaining sufficient capital or otherwise failed to establish and maintain adequate risk management procedures.

In connection with this supervisory review and evaluation process, FMA as competent authority for the exercise of supervision on a consolidated basis, together with nine CE and SEE supervisory authorities where RBI is active, has communicated towards RZB plans to issue a decree against RZB as superordinated credit institution of the RZB credit institution group (Kreditinstitutsgruppe) requiring RZB to maintain an own funds ratio of 13.77% supposedly as of the second half of 2014. In order to comply with this requirement, RZB might have to raise additional tier 1 or tier 2 capital or reduce risk-weighted assets. If RZB fails to satisfy the requirement, the FMA could issue alternative supervisory orders against RZB which could indirectly affect RBI's business.

Market discipline ("third pillar"). Market discipline as the third pillar of Basel II was designed to complement the minimum capital requirements and the supervisory review process. The third pillar of Basel II was designed to improve the market's ability to access information relevant to the banks' risk exposure and capitalization. Therefore, it imposed on banks disclosure requirements with respect to the key elements of the first and second pillar.

The Capital Requirements Directive II (CRD II)

As a first step to address shortcomings revealed by the financial crisis and certain other concerns as well as in order to ensure a coherent implementation and application of the CRD in the EU, European Directives 2009/27/EC, 2009/83/EC and 2009/111/EC (together the "Capital Requirements Directive II" or "CRD II") were required to be transposed by EU member states by December 31, 2010, respectively. CRD II, among others:

- defined and changed the criteria for assessing hybrid capital eligible to be included in tier 1 Capital;

- introduced additional obligations to the originators of securitization operations and for investors, including the obligation for originators to retain on their balance sheets no less than 5% of the securitized exposures;

- introduced new rules on liquidity risk management, in particular, as regards the setting up of liquid asset reserves, conducting liquidity stress tests and the establishing of contingency plans; and

- tightened the supervision of exposures to a single counterparty ("large exposures"), including greater restrictions on the extent of exposures to a single counterparty and independently from its nature, including exposures to other banks.

The most significant change with regard to regulatory capital was the introduction of new rules for the eligibility of hybrid capital as tier 1 capital. Hybrid capital refers to capital instruments that have features of both equity and debt. These new regulations were based in particular on the guidelines published by the BCBS in its press release dated October 28, 1998 on the eligibility criteria and limits for tier 1 hybrid capital instruments as well as on the proposal by the Committee of European Banking Supervision (since the entry into force of Regulation 2010/1093/EU, replaced by the EBA) for a common EU definition of tier 1 hybrid instruments of April 3, 2008. The eligibility requirements for hybrid capital which apply throughout the EU were largely based on the criteria of permanence of the capital contribution (indefinite term or minimum term of 30 years), flexibility of payment obligations (permanent default on coupons and dividends) and loss absorbency. Hybrid instruments were recognized for a maximum of 50%, 35% or 15% of tier 1 capital, depending on the quality of the instruments.

The Capital Requirements Directive III (CRD III)

Directive 2010/76/EU (the "Capital Requirements Directive III" or "CRD III") entered into force on December 15, 2010. CRD III amended the CRD and, among others, introduced the following:

- the increase of capital requirements for certain assets held in the trading book to ensure that a bank's assessment of the risks connected with its trading book better reflected the potential losses from adverse market movements in stressed conditions;

- limitations on investments in securitization holdings in the trading book and re-securitizations by imposing higher capital requirements for re-securitizations to ensure that banks take proper account of the risks of investing in such complex financial products; and

- provisions for sound remuneration policies that do not encourage or reward excessive risk-taking.

EU member states were required to implement all provisions of CRD III by December 31, 2011.

Basel III, the Capital Requirements Directive IV (CRD IV) and the Capital Requirements Regulation (CRR)

On December 16, 2010, the BCBS published the document "Basel III: A global regulatory framework for more resilient banks and banking systems". The objective of the revised framework was to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spillover from the financial sector to the rest of the economy. The cornerstone of the reform was the strengthening of the regulatory capital framework, by raising both the quality and quantity of the regulatory capital base and enhancing the risk coverage of the capital framework.

Under the new framework, banks will be required to hold at least 6% of their risk-weighted assets as tier 1 capital as of January 1, 2015, as opposed to the current 5.5% requirement. 4.5% of the risk-weighted assets will have to be held in the form of "core" tier 1 capital (or "common equity tier 1"), as opposed to the current 4%. For stock corporations (such as the Company), common equity tier 1 principally consists of common shares, share premiums resulting from the issue of instruments included in common equity tier 1 and retained earnings, subject to certain regulatory adjustments. 1.5% may be covered by so-called "Additional tier 1" capital, which consists of instruments issued by the bank that meet the criteria for inclusion in Additional tier 1 capital and share premium resulting from the issue of instruments included in Additional tier 1 capital, subject to regulatory adjustments. The new minimum ratios are phased in over a transitional period. The ratios are 5.5% (tier 1) and 4.5% (common equity tier 1) as of January 1, 2014, and will increase to 6.5% and 4.5% respectively by January 1, 2015. The total regulatory capital (tier 1 capital plus tier 2 capital) must be at least 8% of the risk-weighted assets at all times. Tier 3 capital instruments, which were only available to cover market risks, are eliminated.

Under the revised rules, hybrid instruments that previously fulfilled the criteria for inclusion into tier 1 capital no longer qualify as tier 1 capital. However, transitional provisions apply. Under the Basel III rules, existing public sector injections will be grandfathered until December 31, 2017. Capital instruments that no longer qualify as non-common equity tier 1 capital or tier 2 capital will be phased out beginning January 1, 2014. Fixing the base at the nominal amount of such instruments outstanding on January 1, 2014, their recognition will be capped at 90% from January 1, 2014, with the cap declining by 10% in each subsequent year until 2022.

In addition, a capital conservation buffer will be established, which is designed to ensure that banks build up capital buffers outside periods of stress which can be drawn as losses are incurred. The capital conservation buffer, which is only permitted to include common equity tier 1 capital, may under the Basel III rules be phased in from January 1, 2016 onwards and will have to amount to 2.5% of risk-weighted assets by January 1, 2019.

Furthermore, a countercyclical buffer of between 0% and 2.5% is introduced, which aims to ensure that the banking sector capital requirements take account of the macro-economic environment in which banks operate. It will be deployed on a national basis when excess aggregate credit growth is judged to be associated with a build-up of system-wide risk. The buffer of internationally-active banks, such as the Company, will be a weighted average of the buffers deployed along the jurisdictions to which it has credit exposures. The countercyclical buffer must be met with common equity tier 1 capital or, potentially, other fully loss absorbing capital. Banks that do not meet the countercyclical buffer requirement will be subject to restrictions on distributions. The countercyclical buffer regime under the Basel III rules must be phased in between January 1, 2016 and year-end 2018, becoming fully effective on January 1, 2019.

As of January 1, 2014, any EU Member State may empower an authority to impose on banks on an individual and/or on a consolidated basis an additional systemic risk buffer of common equity tier 1 capital of at least 1% based on exposures in the EU Member State setting the buffer as well as exposures in third countries. If the buffer was designed to cover exposures in other EU Member States or if the required buffer exceeded 3%, certain limitations would apply to the procedure for imposing the buffer.

In addition, on January 1, 2016, buffers for global systemically important banks (“G-SIIs”) and for national systemically important banks (“O-SIIs”) will be introduced. Whether a bank qualifies as systematically important is expected to be based on an indicator-based approach depending on the size, interconnectedness, cross-jurisdictional activity and other criteria. The additional loss absorbency requirements for G-SIIs will have to be met with a progressive common equity tier 1 capital requirement ranging from 1% to 3.5%, depending on a bank’s systemic importance. The additional loss absorbency requirements for O-SIIs will have to be met with common equity tier 1 capital of up to 2%.

Furthermore, the Basel III framework also lays down a non-risk-based maximum leverage ratio. In a monitoring period from January 1, 2014 to January 1, 2018, a non-binding test leverage ratio of 3% will be applied. Tier 1 capital will be used as the reference measure for the leverage ratio. Disclosure of the leverage ratio by EU banks within Basel III will begin on January 1, 2015. After the monitoring period, the ratio will be definitively calibrated and will become a binding minimum requirement as of January 1, 2018.

Basel III also revises minimum liquidity standards. For this purpose a short term liquidity coverage ratio will apply as of 2015, which defines requirements for the volume of high-quality liquid assets the bank must hold. Such assets are only highly marketable assets (including, cash, national government bonds, etc.). The test will require banks to hold a sufficient volume of high-quality liquid assets to allow them to honor all net payments they would have to make under an acute stress test scenario (defined by the relevant regulatory authorities) for a 30-day time horizon. In January 2013, the BCBS issued a revised liquidity coverage ratio, which amongst other things, amends the definition of high-quality liquid assets and net cash outflows and sets out a revised timetable for the phase in of the liquidity coverage ratio, pursuant to which the liquidity coverage ratio will be introduced on January 1, 2015 at a minimum requirement of 60%, rising in equal annual steps of 10 percentage points to reach 100% on January 1, 2019. This BCBS model has been implemented by the CRR with legal effect from 2015 onwards, but the 100% liquidity coverage ratio will apply to EU banks already as of January 1, 2018 unless the EU Commission decides to postpone the application of the 100% liquidity coverage ratio to January 1, 2019.

Furthermore, Basel III establishes a net stable funding ratio, being a minimum requirement to the bank's stable funding (that is, funding expected to be stable over a 12-month time horizon). Such funding will be measured relative to the bank's balance sheet and off-balance sheet items (such as drawings under credit facilities) that may result in a cash requirement during the same 12-month period. The ratio of the bank's stable funding to the above cash requirement must be at least 1:1 (100%). The net stable funding ratio is intended to limit overreliance on short-term wholesale funding and has been developed to provide a sustainable maturity structure of assets and liabilities. After a monitoring period, under the Basel III rules the net stable funding ratio will move to a minimum standard by January 1, 2018. The net stable funding ratio has not been implemented by the CRR. However, it is expected to be implemented by the EU legislator by December 31, 2016. For the time being, the CRR has imposed a duty on EU banks to report net stable funding ratio figures as part of their liquidity reports to their supervisory authorities.

The BCBS also consulted on a supervisory framework for measuring and controlling large exposures, aimed at containing the maximum loss a bank could face in the event of sudden counterparty failure to a level that does not compromise the bank's solvency, and further mitigates the risk of contagion between global systemically important banks. The proposals set out in the current consultation would considerably tighten the regime for the reporting of, and limits on, large exposures. The consultation closed on June 28, 2013.

Basel III, which is not legally binding in any jurisdiction but rather is intended to form the general basis for national (or regional) rulemaking, has been implemented in the EU through two legislative acts (CRR and CRD IV), published in the Official Journal of the EU on June 27, 2013. CRR and CRD IV in principle apply to EU credit institutions, EU investment firms and to specified holding companies with subsidiaries qualifying as financial institutions. CRR is a legislative act that took effect as of January 1, 2014 and is directly applicable in the legal systems of all Member States in the EU without the need for transposition at Member State level, whereas CRD IV subject to minor exceptions required implementation at the Member State level by December 31, 2013. CRR and CRD IV also contain provisions which are not related to Basel III, in particular relating to executive compensation.

Implementation of Basel III (CRR, CRD IV) within RBI and the RZB Group

While major parts of the Basel III, CRR and CRD IV have to be applied within the Group since January 1, 2014, a centralized project for the implementation of Basel III has coordinated and supported the local implementation efforts of RZB, RBI and its Network Banks in close cooperation with the various supervisory authorities to implement the new considerably changed regulatory solvency and financial reporting requirements, ensure a correct and reasonable interpretation of the new rules, and to test with a sound impact the analysis and translation of the new rules into the Group's controlling system. The implementation project included four working streams.

The capital implementation stream focused on performing an analysis of the accounting principles of the new reporting requirements to ensure timely implementation of the new reporting, monitoring of the system adaptations, optimizing the available own funds calculations, ensuring the necessary changes in connection with risk-weighted assets (retail and non-retail capital requirements, market risks) and automating the calculation of basis leverage ratio data. The regulation interpretation work stream focused on reviewing the detailed new (Banking Act) provisions which impact the RZB Group, an alignment with the regulator and the competent authorities, defining methods as basis for impact studies and defining Austrian finish reporting and its reflection in the capital reports. The steering implementation stream analysed the impact of the new methods on the RZB Group on capital ratios and its main drivers as a basis for counter-steering measures, adapted controlling systems to allow pre-calculation on a single day level and post calculation on a portfolio level, analysed possible adaptations of the calculation base, adaptations of the business line definitions in controlling and regulatory asset classes and alignment possibilities, and adapted internal rules due to Basel III adaptations. Finally, the liquidity implementation work stream focused on the implementation of the CRD IV liquidity requirements in systems and processes by introducing calculation methods for liquidity coverage and net stable funding ratios, setting up a timetable for the implementation of business measures, amending the system for the reporting from the Group Units, proposing amended internal and external reporting on liquidity issues and analyzing the overall effects on the liquidity steering.

Ownership control procedures

Directive 2006/48/EC (as amended by Directive 2007/44/EC) provides for notification requirements vis-à-vis the competent supervisory authorities in connection with acquisitions and disposals of qualifying holdings in credit institutions and if certain thresholds are passed. A qualifying holding is defined as a holding of 10% or more of the capital or of the voting rights or a holding which makes it possible to exercise a significant influence over management. Any natural or legal person who has taken a decision to directly or indirectly acquire or dispose of a qualifying holding in a credit institution or to increase or reduce its qualifying holding so that the proportion of the voting rights or of the capital held would exceed or fall below 20%, 30% or 50% or so that the credit institution would become or cease to be its subsidiary, is required to notify the competent authorities in writing first. In addition, the relevant credit institutions must, on becoming aware of any such acquisition or disposal of holdings in their capital, notify the competent authorities. The competent authorities, among others, appraise the suitability of a proposed acquirer and the financial soundness of a proposed acquisition based on specified criteria and may oppose proposed acquisitions only if there are reasonable grounds for doing so based on these criteria.

Deposit guarantee and investor compensation schemes

Deposit guarantee schemes reimburse a limited amount of deposits to depositors whose bank has failed. From the depositors' perspective, this protects a part of their wealth from bank failures. From a financial markets stability perspective, this promise prevents depositors from making panic withdrawals from their accounts, thereby averting potentially more severe consequences.

On July 12, 2010, the European Commission adopted a legislative proposal for a thorough revision of Directive 94/19/EC on deposit guarantee schemes. The latter introduced minimum harmonization for deposit guarantee schemes consisting of only a few basic requirements and had not been changed substantially for about 16 years, although financial markets have significantly changed since then. The proposed amendments follow urgent legislative changes by way of Directive 2009/14/EC that were proposed by the European Commission in 2008 and entered into force in early 2009 to promote convergence of the existing deposit guarantee schemes within the EU. However, given that the need for swift negotiations precluded tackling all open issues, the Directive was only an emergency measure to maintain depositors' confidence, in particular by increasing the coverage level from EUR 20,000 to EUR 100,000 by the end of 2010.

The main elements of the 2010 revision are simplification and harmonization, in particular as to the scope of coverage and the arrangements for payout, further reduction of the time limit for paying out depositors and better access for deposit guarantee schemes to information about their members (i.e., banks), sound and credible deposit guarantee schemes that are sufficiently financed and mutual borrowing between deposit guarantee schemes, i.e., a borrowing facility in certain circumstances. The proposal would ensure that in the event of a bank failure depositors were reimbursed up to EUR 100,000 (thereby confirming the coverage level of Directive 94/19/EC) by a deposit guarantee scheme within seven calendar days. On December 17, 2013, a political agreement was reached between the European Parliament and the EU Member States on the new rules on deposit guarantee schemes. According to this agreement, the harmonized coverage level of EUR 100,000 per depositor and per bank, which currently has to be repaid within 20 working days, will have to be repaid within 15 working days as from January 1, 2019, 10 working days as from January 1, 2021 and 7 working days as from January 1, 2024. A target fund level for ex ante-funds of such schemes was agreed to be set at 0.8% of covered deposits to be paid by member banks. According to the agreement, (i) the target fund level must in principle be reached within a 10 years period, (ii) in case of insufficient ex ante-funds, ex post-contributions will have to be paid by member banks and (iii) depositor information on the coverage of the deposit by the scheme will be improved..

On July 12, 2010, the European Commission adopted a legislative proposal for investors who use investment services. Since 1997, the Investor Compensation Scheme Directive (97/9/EC) has protected investors who use investment services in the EU by providing compensation in cases where an investment firm is unable to return assets belonging to an investor. This might occur, for example, where there is fraud or negligence at a firm or where there are errors or problems in the firm's systems. The new proposal, in particular, provides for better coverage (compensation of up to EUR 50,000 instead of the current level of EUR 20,000), faster payouts (within 9 months), better coverage (such as protection against fraudulent misappropriations where their assets are held by a third party) and improved information, in particular about the extent to which investors' assets are covered.

If the proposals and political agreements are adopted and implemented, the Issuer's and the Network Banks' annual contributions to national deposit guarantee and investor compensation schemes may increase compared to today (see "*—Institutional protection scheme*"). In addition, it is currently unclear which effect, if any, the proposed revision of Directive 94/19/EC will have on voluntary deposit guarantee schemes, such as Raiffeisen-Kundengarantiegemeinschaft Österreich, in which the Issuer is a member. It is unclear if the revision of Directives 94/19/EC and 97/9/EC and their subsequent implementation into national laws will necessitate changes to such voluntary deposit guarantee and investor compensation schemes.

European system of central banks

The European system of central banks is composed of the European Central Bank ("ECB") and the national central banks of all 28 EU member states.

The "Euro System" is the term used to refer to the ECB and the national central banks of the EU member states which have adopted the Euro as a single currency (also known as the "euro zone"). In accordance with the Treaty establishing the European Community and the Statute of the European system of central banks and of the European Central Bank, the primary objective of the Euro System is to maintain price stability, i.e., to control inflation. The basic tasks to be carried out by the Euro System are to define and implement the monetary policy of the euro zone, to contribute to the smooth implementation of policies pursued by the competent authorities relating to the prudential supervision of credit institutions and the stability of the financial systems, to conduct foreign exchange operations and to hold and manage the official foreign reserves of the members states.

The national central banks assist the ECB and are responsible for the implementation and execution of its regulations and guidelines. The ECB regulation on the application of minimum reserves (No. 1745/2003) requires credit institutions of EU member states that have joined the European economic and monetary union ("EMU") to hold certain percentages of certain liabilities as minimum reserves in accounts with their national central banks. These minimum reserve requirements apply to the following liabilities denominated in euro: (i) deposits; (ii) debt securities; and (iii) money market certificates, whereby certain exemptions exist. The required reserve ratio is generally 2%, except for deposits with agreed maturity over two years, deposits redeemable at notice over two years, repos, and debt securities issued with maturity over two years. For these deposits no reserve ratio applies. Moreover, the ECB reduced the reserve ratio for certain liability categories from 2% to 1% as of January 18, 2012 in order to promote the provision of liquidity to counterparties to Eurosystem monetary policy operations. A lump sum allowance of EUR 100,000 may be deducted by each credit institution from the amount of its reserve requirement resulting from the application of the above ratio. Liabilities vis-à-vis other credit institutions subject to the EMU's minimum reserve requirements, the ECB and euro area national central banks are excluded from the reserve base. If a bank does not meet the minimum reserve requirements, fines or interest penalties may be imposed.

Capital package by the Council of the European Union to address market concerns about sovereign exposures

On October 26, 2011, the Council of the European Union, in order to address market concerns over sovereign exposures, issued upon a proposal of the EBA a comprehensive package of measures in response to the financial crisis and euro zone debt crisis (the "EBA capital package"), that, *inter alia*, required 70 systemic European cross-border banks, including RBI's major shareholder RZB, to build up exceptional and temporary buffers by increasing their core tier 1 capital ratio (as described below) by the end of June 30, 2012, to 9%, with further adjustments to sovereign exposure (removal of prudential filters in the available-for-sale portfolio, prudent valuation to existing market prices and bond yields by maturity in the held-to-maturity and loans and receivables portfolio). The buffer had been designed to provide reassurance to the markets about the banks' ability to withstand a range of shocks and still maintain adequate capital.

While preliminary buffers were computed on the basis of the banks' capital positions and sovereign exposures as of June 30, 2011, as provided by the banks on best efforts basis, the final total target buffers regarding sovereign exposures were based on September 2011 data and published by EBA on December 8, 2011. The 9% calculation of the EBA capital package was based on capital and capital requirements as of June 30, 2012.

The core tier 1 definition used by the EBA to determine the capital buffers was based on the definitions of the EBA as outlined in the publication of EBA of July 15, 2011, i.e. it included ordinary shares and similar instruments, existing and future hybrid instruments subscribed by governments, but excluded preference shares and existing private convertible capital instruments. Newly issued private contingent convertible instruments qualified as core tier 1 capital if fully funded and consistently structured based on fully harmonized criteria under a common European term sheet published by the EBA in December 2011. With respect to the RZB Group, the EUR 1.75 billion portion of the Participation Capital 2008/2009 provided by the Republic of Austria was fully recognized as core tier 1 capital; however the EBA's analysis did not take into consideration the EUR 500 million of the Participation Capital 2008/2009 and the EUR 500 million of other participation capital that the RZB Group had issued and placed with private investors as per September 30, 2011.

Shortfalls to meet the banks' capital needs should be covered by new capital raisings from private sources, retained profits, the substitution of existing hybrid instruments with higher quality capital instruments, reduction and/or disposals of (risk-weighted) assets. Banks were required to submit the capital plans detailing the measures they intend to take to their national regulators by January 20, 2012 for approval; the RZB Group has submitted its capital plan in time. The approval was granted to the RZB Group in March 2012.

Structural Reforms in the EU Banking Sector / the Liikanen-Report

On October 2, 2012, an EU high-level expert group chaired by Erkki Liikanen and established by the European Commission, published a report (the "Liikanen Report") on whether, in addition to existing reforms, structural reforms of EU banks would be required to strengthen financial stability and improve efficiency and consumer protection. The Liikanen Report had five central recommendations:

(i) mandatory separation of proprietary trading activities and other significant trading activities from deposit banks;

(ii) possible wider separation of activities under resolution and recovery plans;

(iii) possible use of bail-in instruments as a resolution tool;

(iv) improving the robustness of trading book capital requirements and other amendments to the capital adequacy regime; and

(v) strengthening the governance and control of banks, including the application of tests to the suitability of management and board candidates and the granting of sanctioning powers to regulators to enforce risk management responsibilities.

On May 16, 2013, the European Commission published a consultation paper as a follow-up to the Liikanen report. The consultation paper focused on the structural separation recommendation and indicated that the other recommendations were at least partially considered in other initiatives, such as the Bank Recovery and Resolution Directive, CRD IV and CRR. The consultation closed on July 11, 2013. The European Commission is expected to publish a directive or regulation on the reform of the structure of EU banks in the first half of 2014.

Single Supervisory Mechanism for EU-Banks (SSM)

On September 12, 2012, the European Commission published its proposals for a single supervisory mechanism (SSM), a key element of the proposed banking union, the core of which is the transfer of responsibilities and powers for the authorisation and prudential supervision of credit institutions (i.e. banks) in the Euro area from national regulators to the European Central Bank (the ECB). On September 12, 2013, the European Parliament adopted the proposed legislation, which was published in the Official Journal of the EU on October 29, 2013 and entered into force on November 4, 2013. Its entry into force will enable the ECB to formally initiate all the key preparatory activities, so that it is able to fully assume its supervisory tasks 12 months later.

Under the SSM, national regulators, i.e. banking supervisors in the Euro area, will continue to have a significant role in carrying out operational prudential supervisory activities, and will remain responsible for the conduct of business supervision, while the ECB will be firmly in charge and will ultimately be able to instruct national supervisors. In particular, the ECB:

(i) shall ensure the coherent and consistent application of a single rulebook in the euro area;

(ii) will directly supervise banks having assets of more than EUR 30 billion or constituting at least 20% of their home country's GDP or which have requested or received direct public financial assistance from the EFSF (European Financial Stability Facility) or the ESM ("European Stability Mechanism"); and

(iii) will monitor the supervision by national supervisors of less significant banks.

The ECB may also at any moment decide to directly supervise one or more of these credit institutions to ensure consistent application of high supervisory standards. It is envisaged to give non-Euro Member States an option to "opt in" to the SSM, provided they undertake to comply with ECB acts and instructions. For banks active both within and outside Member States participating in the SSM, existing home/host supervisor coordination procedures will continue to exist as they do today. To the extent that the ECB has taken over direct supervisory tasks, it will carry out the functions of the home and host authority for all participating Member States.

Bank Recovery and Resolution Directive

On June 6, 2012, the European Commission published a proposed Bank Recovery and Resolution Directive ("BRRD") and on June 28, 2013, the Council of the EU published a general approach on the draft BRRD. On December 22, 2013, the Council of the EU published a note attaching the compromise text of the proposed BRRD agreed with the European Parliament. European Commission, Council and Parliament had previously reached an agreement in so-called trialogue negotiations on December 11, 2013. The BRRD requires firms to produce and maintain detailed recovery plans that are proportionate to the systemic importance of the firm. Recovery plans should be updated on an annual basis, or after any event which requires a significant change to a firm's plans. A firm's recovery plans will be assessed by the competent authority, who must judge whether there is a reasonable prospect that the recovery plan can be implemented and would redress its financial difficulties. If not, then the authority must have the powers to require a firm to go further, so that it can recover from a severe stress event. These powers would include requiring a firm to:

(i) reduce the risk in its business;

(ii) enable timely recapitalisation measures;

(iii) change its strategy;

(iv) change its funding strategy to increase the resilience of its core business lines and critical operations; and

(v) change its governance structure.

For resolution planning, firms are required to produce detailed information, from which the resolution authorities - in conjunction with other competent authorities – will develop resolution plans for each firm. Banks will be required to provide this information annually, or when material changes occur; and to provide information at both group and legal entity levels. As with recovery plans, the content and detail of the information provided by firms will be proportionate to the systemic importance of each firm. The main resolution measures include the sale of (part of a) business, the establishment of a bridge institution (the temporary transfer of good bank assets to a publicly controlled entity), asset separation (the transfer of impaired assets to an asset management vehicle) or bail-in measures. The bail-in tool enables resolution authorities to write down or convert into equity the claims of the shareholders and creditors of institutions which are failing or likely to fail. Certain types of liabilities will be permanently excluded from bail-in. The bail-in tool will apply as from January 1, 2016.

The text of the BRRD is expected to be formally adopted by the European Parliament and the Council of the EU in February 2014.The proposed deadline for the proposed directive to be transposed into the laws of EU member states is December 31, 2014.

Single Resolution Mechanism (SRM)

On December 18, 2013, the Council of the EU set out its position on the establishment of a single resolution board and a single fund for the resolution of banks. The compromise reached within the Council of the EU consists of a draft regulation on the SRM, and a decision by euro-area member states committing them to negotiate, by March 1, 2014, an intergovernmental agreement on the functioning of the single resolution fund setting out the principles for the transfer of national contributions to the fund and their progressive mutualisation over a 10-year transitional phase. It would endorse the bail-in rules established in the RRD as applicable to the use of the SRM (see "*—Recovery and Resolution Directive*"). The SRM would be financed by bank levies raised at national level and initially consist of national compartments that would be gradually merged over 10 years. The proposed SRM will form one of the structural key elements of the EU banking union, along with the single supervisory mechanism (SSM) that entered into force on November 4, 2013 (see "*—Single Supervisory Mechanism for EU-Banks (SSM)*"). The draft regulation provides for a single resolution board with broad powers in cases of bank resolution. Upon notification by the European Central Bank that a bank is failing or likely to fail, or on its own initiative, the board would adopt a resolution scheme and determine the use of the SRM as well as the application of resolution tools pursuant to the BRRD. The Council of the EU called on the presidency to start negotiations with the European Parliament with the aim of agreeing the regulation on the single resolution mechanism (SRM) before the end of the European Parliament's current term (May 2014). Pursuant to the draft regulation, the SRM would enter into force on January 1, 2015.

Derivatives transactions — European Market Infrastructure Regulation (EMIR)

The European Parliament and the Council have adopted a regulation that requires OTC derivative contracts to be cleared by central clearing counterparties (CCPs) and derivative contracts to be reported, and which sets a framework to enhance the safety of CCPs and introduces trade repositories (TRs). The

Regulation (EU) No 648/2012 of the European Parliament and of the Council of Europe of July 4, 2012 on OTC derivatives, CCPs and TRs entered into force on August 16, 2012 and is directly applicable in all the EU Member States. The Commission Delegated Regulations (EU) No 148/2013 to 153/2013 of December 19, 2012 supplementing EMIR – codifying, among others, regulatory technical standards on the clearing obligation, indirect clearing arrangements and risk mitigation techniques for OTC derivatives contracts not cleared by a CCP - entered into force on March 15, 2013. The clearing obligation forms the key regulatory element of EMIR which applies to all financial counterparties (i.e., banks, insurers and investment firms) based in the EU as well as to non-financial counterparties provided that the latter exceed specified clearing thresholds. The types of derivatives which are subject to the clearing obligation are determined by ESMA. While some provisions of EMIR started to apply as of March 15, 2013 and reporting requirements with respect to certain derivate categories will take effect as of February 2014, important implementation milestones remain ahead. These include the determination of the derivatives contract types for mandatory clearing by ESMA as well as details in relation to risk mitigation techniques for non-centrally cleared derivatives (those which are not covered by the duty to be cleared via CCPs) and cross border application issues, including in particular, EMIR's interaction with the US Dodd-Frank Act. Full implementation of the obligations provided by EMIR in respect to financial counterparties and the related pieces of legislation is expected to occur in September 2014.

MiFID II

Most parts of the Markets in Financial Instruments Directive (Directive 2004/39/EC, "MiFID") had to be implemented into national law by November 2007. MiFID is one of the core pieces of European legislation dealing with regulation of investment services (including management services). On October 20, 2011 the Commission published formal legislative proposals amending MiFID - a recast directive and a new regulation - referred to as "MiFID II" and "MiFIR" (together the "MiFID II Proposals") respectively following a review commenced in 2010. The aim of the MiFID II Proposals is to increase transparency, tighten regulation of unregulated or weakly regulated activities and improve investor protection generally. The MiFID II proposals cover, inter alia, the following aspects:

- extending the reach of MiFID to cover additional trading activities and systems by regulating a new category of trading facility called "Organized Trading Facilities";

- requirement for standardized derivatives to be traded on organized trading venues;

- extending of transparency requirements to also cover shares traded on MTFs and OTFs, 'equity like' instruments such as depositary receipts and units in exchange-traded funds; and certain non-equity instruments such as bonds and derivatives;

- ESMA approval requirement for so-called "dark pools" trading venues, where pre-trade price and order volume information is not displayed as the Commission has proposed to remove existing pre-trade transparency waivers;

- more stringent controls to commodity derivatives markets by tightening of existing exemptions; and requiring OTFs to provide regulators with, and make public, position information;

- widening the scope of the current transaction reporting requirements applicable to transactions in financial instruments that are admitted to trading on a Regulated Market to also cover, among others, transactions in financial instruments traded on an MTF or OTF;

- more detailed specifications on the classification of clients (under MiFID, clients have to be classified in one of three ways: "eligible counterparty" (which are regulated entities or equivalent and are afforded the least protection), as a "professional client" (larger institutional clients and some sophisticated/high net worth individuals, afforded a certain level of protection) or as a "retail client" (afforded the most protection)); and

- enhanced supervisory powers and the ability to impose sanctions for national regulators, including a product intervention power enabling the prohibition or restriction of sales, marketing or distribution of certain products or types of activity within their territory. ESMA has the same powers in respect of the entire EU.

On January 14, 2014, a political agreement was reached between the Council of the EU and the European Parliament relating to the adoption of MiFID II Proposals. It is anticipated that MiFID II and MiFIR will enter into force in mid-2014, with full application of the rules as of 2017.

Banking regulation and supervision in Austria

Regulation and supervision

The Austrian banking system is regulated by a number of statutes and acts, most of which were enacted in order to implement EU Directives, including the Austrian Financial Market Supervision Act (*Finanzmarktaufsichtsbehördengesetz*), the Banking Act, the Securities Supervision Act 2007 (*Wertpapieraufsichtsgesetz* 2007), which implements the MiFID, the National Bank Act (*Nationalbankgesetz*), the Financial Conglomerates Act (*Finanzkonglomerategesetz*), the Austrian Mortgage Bank Act (*Hypothekenbankgesetz*) and the Mortgage Bond Act (*Pfandbriefgesetz*), each as amended.

The Austrian supervisory system provides for a tiered structure of supervision. The first tier of monitoring and control is provided by each credit institution's own internal auditing department. The institutions' supervisory boards and auditors form the second tier, which, while appointed by the individual companies, is composed of independent, third-party experts. The state system of financial markets supervision takes over at the third stage and consists of three institutions which are assigned the following responsibilities:

- The Federal Ministry of Finance develops and defines the legislative framework, which is then adopted by the Austrian parliament (legislative process) and exercises the supervision of the FMA to ensure that it fulfils its statutory tasks, that it does not violate laws and regulations when carrying out its tasks and that it does not go beyond its scope of duties.

- The Oesterreichische Nationalbank ("OeNB"), in addition to its functions as the central bank of Austria and as an institution within the European system of central banks, monitors the stability of the financial market at a macro level, is responsible for the supervision of payment systems and is also involved in the supervision of banks. The OeNB continuously evaluates the status of Austrian banks as part of the banking supervision regime provided for in the Banking Act. Since January 1, 2008, the OeNB is responsible to undertake on-site audits of credit institutions upon instruction by the FMA.

- The FMA monitors and checks the individual financial institutions and participants in the markets (micro level). For more detail, see "*—The Financial Market Authority (FMA)*" below.

All three institutions cooperate closely, and increasingly collaborate with other, especially European, supervisory authorities and in European and international bodies.

The Financial Market Authority (FMA)

The Austrian Financial Market Supervision Act (*Finanzmarktaufsichtsbehördengesetz*) assigns the responsibility for the supervision of credit institutions, insurance companies, financial conglomerates, investment firms and investment service providers, investment funds and pension funds and exchange operating companies to the FMA. Under the Banking Act, the regulation and supervision of Austrian credit institutions and the branches of non-EU credit institutions in Austria are the responsibility of the FMA, assisted by the OeNB, which has the competence to make on-site bank audits.

Founded in 2002, the FMA is a sovereign body under the supervision of the Federal Ministry of Finance. The management board of the FMA consists of two members who are nominated by the Federal Minister of Finance and the OeNB respectively and are appointed by the Austrian Federal President upon proposal by the federal government. A supervisory board consisting of eight members, two of whom have no voting rights, approves the FMA's budget, financial statements, top employees and other important matters. The expenses of the FMA are borne primarily by the supervised credit institutions, companies and funds, whilst the Austrian federal government bears a minor fixed portion thereof.

The FMA is afforded an array of powers to regulate and supervise the Austrian banking system. These powers include the power to require the delivery of certain reports, to inspect banks, to require audits, and to appoint certain officers and advisers to assist in the discharge of regulatory and supervisory duties. The FMA may use its own auditors or may request the OeNB to perform an audit of an Austrian bank, including its branches and its representative offices outside Austria, or of a foreign bank operating in Austria. Any bank (Austrian or non-Austrian) operating in Austria which is subject to regulation and supervision by the FMA and which is found not to be in compliance with Austrian legal requirements may be subject to an order by the FMA if there is reason to doubt such bank's ability to fulfill its obligations to its customers. Through such an order, which may be effective for up to 18 months, the FMA may (i) prohibit withdrawals of capital or profits from the bank (in whole or in part), (ii) appoint a government commissioner authorized to prohibit all business which could be prejudicial to the safety of the interests of the bank's customers, (iii) prohibit further management of the bank by such bank's existing management board or (iv) prohibit (in whole or in part) further business of the bank.

State Commissioners (Staatskommissäre)

The Banking Act requires the Federal Minister of Finance to appoint a state commissioner and a deputy state commissioner for each Austrian bank with total assets of more than EUR 1 billion to assist in the supervision of such bank. The role of the state commissioners is to ensure that no decisions are taken during the credit institution's shareholders' and supervisory board meetings which, in their view, violate federal laws, regulations or orders by authorities (*Bescheide*). If a state commissioner objects to any resolution proposed at a credit institution's shareholders' meeting or supervisory board meeting, it must immediately notify the FMA. The effectiveness of such resolution is suspended until the FMA makes a determination as to its validity (within one week subsequent to the notification).

Government commissioners (Regierungskommissäre)

Government commissioners, which pursuant to the Austrian Act on Covered Bonds of Banks (*Gesetz betreffend fundierte Bankschuldverschreibungen)* are also appointed by the Federal Minister of Finance are responsible for monitoring compliance with the legal requirements for segregation of assets and for controlling the level of cover provided by the pool of assets on which the holders of covered bonds have a preferred claim. Disposals from such pool of assets are subject to the government commissioner's approval.

Statutory deposit guarantee, investor compensation scheme and Raiffeisen customer guarantee association

According to the Banking Act, any credit institution which receives deposits or provides securities services requiring protection under applicable Austrian law must join the deposit guarantee and investor compensation scheme of its sector within the banking system. Failure of a credit institution to join the relevant deposit guarantee and investor compensation scheme results in the lapse of the credit institution's license to conduct business involving the acceptance of deposits and provision of securities services that require protection under applicable Austrian law. The Company is a member of *Österreichische Raiffeisen-Einlagensicherung eGen*, which takes on the function as statutory deposit guarantor and investor compensator for the Austrian Raiffeisen Banking Group (*Raiffeisen Bankengruppe Österreich*).

Since January 1, 2010, the deposit balances (i.e. deposit and credit balances on savings book accounts and other accounts, e.g. salary accounts, savings accounts, pension accounts, other current accounts, term deposit and fixed-term, fixed-rate savings books (*Kapitalsparbücher*)) of private individuals are protected up to a maximum of EUR 100,000. Since January 1, 2011, the maximum protection amount of EUR 100,000 also applies to deposits of legal persons; however, large corporations (*große Kapitalgesellschaften*) within the meaning of the Austrian Commercial Code are excluded from protection. Monetary claims from securities services are protected up to a maximum of EUR 20,000, with an additional cap of 90% of the receivables arising from securities transactions for legal persons (other than large corporations).

The Banking Act provides for certain exceptions from deposit protection and investor compensation. In addition to the deposit balances and receivables of enterprises that qualify as large corporations mentioned above, these include, *inter alia*, deposits and receivables that are not denominated in euro, Swiss francs or another currency of an EEA member state, the credit institution's bonds, the components of the credit institution's own funds (e.g. supplementary capital and participation capital), deposit balances and receivables of the credit institution's affiliates and related parties, of other credit or financial institutions or securities firms, of institutional investors (e.g. investment funds) and of the federal government, provinces and local authorities as well as deposit balances and receivables associated with money laundering, which all are not covered by the deposit guarantee and investor compensation rules.

Payments made by a deposit guarantee scheme to restore insured deposits are met by contributions from each member credit institution in the relevant sector. Each bank's contribution is determined in proportion to the aggregate amount of such credit institution's deposits, subject to a maximum contribution amount equal to 1.5% of the risk-weighted calculation basis for the qualifying capital (as defined below), plus 12.5 times the qualifying capital requirement for certain positions of the trading book, each as per the most recent balance sheet date.

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

In addition to the statutory deposit guarantee, the nationwide Raiffeisen customer guarantee association (*Raiffeisen-Kundengarantiegemeinschaft, "RKÖ"*), which consists of the provincial customer guarantee associations open to every Austrian Raiffeisen bank, protects customers from financial damages in the event of bankruptcy. Approximately 81% of all the Austrian Raiffeisen banks currently belong to a customer guarantee association. The Company is also a member of RKÖ. In the case of bankruptcy of a Raiffeisen bank (which has not happened to date) which is a member of RKÖ, its customers can hold the respective provincial customer guarantee association liable for their money claims from deposits and issued securities. Its members are contractually obliged to guarantee in solidarity with each other to meet all such customer deposits and money claims arising from the issue of securities, such as bonds or cash bonds. If a provincial customer guarantee association is unable to fulfill all protected customer claims, the members of the RKÖ guarantee to meet all protected claims against an insolvent member in good time according to the statutes and subject to their economic capacity. The economic reserves of all member Raiffeisen banks are enlisted in a legally binding form according to precisely regulated distribution and debit formulas so that the Raiffeisen deposits themselves hold their value in the event of bankruptcy – in particular above and beyond the statutory deposit guarantee – by using the economic power of the other Raiffeisen banks to the benefit of the customers.

The EU framework on investor compensation schemes is currently the subject of reform efforts (for more detail see "*—Banking regulation and supervision in the European Union—Deposit Guarantee and* *investor compensation schemes*" above). The impact of such reforms on the structure of the Raiffeisen customer guarantee association is not yet clear.

Institutional protection scheme

RZB has negotiated and is about to enter into certain contractual arrangements, which are intended to establish an institutional protection scheme in accordance with Article 133 para 7 CRR between RZB and the Raiffeisen Landesbanken (the "**Bundes IPS**"); the FMA's decisions to the related filings by RZB and the Raiffeisen Landesbanken in connection with the Bundes IPS are still pending.

Against the background of their membership in the Österreichische Raiffeisen Einlagensicherung eGen and potential obligations that may arise thereof, the Bundes IPS is intended to foster additional safeguards to ensure a sound liquidity management and the solvency of the Bundes IPS members as a precautionary measure to avoid adverse developments, which ultimately may lead to claims in relation to an insolvency of its members. Obligations by the Bundes IPS members will be limited by certain threshold amounts depending on the (averaged) operating results and common equity tier 1 capital ratio of the respective members of the Bundes IPS.

The Bundes IPS as such will, in addition to supervision on a stand-alone or consolidated basis, be the subject of regulatory supervision and reporting in view of statutory capital requirements, which an institutional protection scheme - such as the intended Bundes IPS - shall meet on a pro forma consolidated basis including all its members; the pro forma consolidation shall evidence that a multiple use of own funds is eliminated. The Bundes IPS will be accompanied by similar schemes established, or being about to be established on federal level, which will comprise most of the Raiffeisen Landesbanken and the local Raiffeisen banks.

Although at this stage the Company does not plan to become a member of the Bundes IPS, the Company - as part of the RZB's group of credit institutions - may be indirectly affected by actions taken or required to be taken by the Bundes IPS and its members, including RZB, or by supervisory measures of the FMA towards the Bundes IPS, including actions in connection with the *Bankeninterventions- und Restrukturierungsgesetz* (BIRG), which anticipates regulations of the draft Bank Recovery and Resolution Directive. According to the BIRG, banks have to make provisions for the case of crisis by submitting recapitalization and liquidation plans.

The Banking Act

Apart from the statutory deposit guarantee scheme, the Banking Act and the CRR set forth, *inter alia*, the following requirements for banks and, in particular, groups of banks falling in its scope:

Regular reports

Austrian banks and banks operating in Austria are required to file certain reports with the FMA, including regular monthly and quarterly reports. The form of such reports is determined by an implementing ordinance. All reports are provided to the OeNB which reviews them and provides to the FMA an opinion as to whether the regulations on own funds requirements, liquidity, open foreign currency positions, large exposures and holdings have been observed.

Capital adequacy

The risk-based capital adequacy rules applicable in Austria are based on EU law, in particular the CRR and the CRD's (see "*—Capital adequacy and liquidity requirements—the Basel Standards and their transformation into European law*"). Currently, each bank must maintain an equity ratio of at least 8% of the assessment basis for the credit risk. Since January 1, 2014, the regulatory capital must consist of least 4.5% tier 1 capital, thereof at least 3% common equity tier 1. In the case of stock corporations, common equity tier 1 principally consists of common shares, share premiums and retained earnings, additional tier 1 capital consist of instruments issued by the bank which meet the criteria described in Art 52 para 1 CRR (and premiums on such instruments). However, complex transition provisions apply, and certain instruments will additionally be considered for capital adequacy purposes for certain transitional periods (for details see "*—Capital adequacy and liquidity requirements—the Basel Standards and their transformation into European law—Basel III, Capital Requirements Directive IV (CRD IV) and the Capital Requirements Regulation (CRR)*"). The remaining regulatory capital can consist of tier 2 capital, i.e. capital instruments and subordinated loans which fulfill the requirements set out in Art 63 CRR.

The ratios for tier 1 capital and common equity tier 1 capital will increase to 5.5% and 4%, respectively, by January 1, 2015. In addition, beginning with January 1, 2016, banks have to build up capital buffers (for details see "*—Capital adequacy and liquidity requirements—the Basel Standards and their transformation into European law—Basel III, Capital Requirements Directive IV (CRD IV) and the Capital Requirements Regulation (CRR)". For the market risk and the operational risk additional capital adequacy requirements apply.

Liquidity

Banks must hold liquid assets, the sum of the values of which covers the liquidity outflows less the liquidity inflows under stressed conditions so as to ensure that banks maintain levels of liquidity buffers which are adequate to face any possible imbalance between liquidity inflows and outflows under gravely stressed conditions over a period of thirty days. During times of stress, banks may use their liquid assets to cover their net liquidity outflows. For more details, see "*Risk Management—Liquidity Risk*."

Large exposures

A bank must maintain sound administrative and accounting procedures and adequate internal control mechanisms for the purposes of identifying, managing, monitoring, reporting and recording all large exposures and subsequent changes of them. Assets and off-balance sheet items with regard to a single client or group of connected clients exceeding 10% of a bank's eligible capital constitute a "large exposure" within the meaning of the CRR. No single large exposure may exceed 25% of the eligible capital of a bank on a risk-weighted basis (after taking into account the effect of credit risk mitigation). A large exposure to a credit institution or securities firm or a group of connected clients including one or more credit institutions or securities firm may not exceed 25% of the bank's eligible capital or EUR 150 million, whichever the higher, provided that the sum of exposure values, after taking into account the effect of the credit risk mitigation, to all connected clients that are not credit institutions or securities firms does not exceed 25% of the bank's eligible capital.

Qualified holdings outside the financial sector

A "qualified holding" within the meaning of CRR is a shareholding by a bank, whether direct or indirect, of at least 10% of the capital or of the voting rights of a company or which makes it possible to exercise a significant influence over the management of that company. Qualified holdings in non-banks may not be held by a bank or a group of banks if the book value of the qualified holding exceeds 15% of the eligible capital of such bank or group. Moreover, the entire book value of qualified holdings may not exceed 60% of the eligible capital of a bank or a group of banks.

Prevention of money laundering and terrorist financing

The Banking Act, which has implemented the Third Money Laundering Directive (2005/60/EC) and implementing Directive 2006/70/EC, requires banks to implement policies and procedures reasonably designed to prevent, detect and report money laundering and other illegal activity such as terrorist financing. The required customer due diligence measures include, in particular, the identification of customers, the obtaining of information on the purpose and intended nature of the business relationships with customers and ongoing monitoring of such business relationships, and are to be applied on a risk-sensitive basis. If there is reasonable suspicion of money laundering or terrorist financing, the Austrian Financial Intelligence Unit (*Geldwäschemeldestelle*), which has been set up in the Federal Office of Criminal Investigation (*Bundeskriminalamt*), has to be notified.

On February 5, 2013, the European Commission adopted two proposals to reinforce the European Union's existing rules on anti-money laundering and fund transfers, comprising of a directive on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing and a regulation on information accompanying transfers of funds to secure "due traceability" of these transfers.

Amendment of the Banking Act as of January 1, 2014

In August 2013, the Austrian legislation published a comprehensive amendment to the Austrian Banking Act and related laws to implement CRD IV into Austrian law and to adapt existing regulatory law with respect to CRR. The amendment aims at increasing the financial market stability and the financial institutions' loss-bearing capacity, securing lending to Austrian corporations and individuals, strengthening and harmonizing supervision over banks, securities, insurances and financial conglomerates, improving internal control systems and establishing a more efficient audit of such internal control systems within financial institutions. The amendment comprises, among others, various capital and capital maintenance buffers, stricter sanctions with respect to regulatory offence, stricter requirements for members of the supervisory board of banks, an increase of supervisory functions of the supervisory board, the establishment of a nomination committee and special whistleblowing procedures.

Measures to strengthen the sustainability of the business models of large internationally active Austrian banks

On March 14, 2012, the FMA issued, in cooperation with the OeNB a "sustainability package", including supervisory guidance, intended to strengthen the sustainability of the business models of large internationally active Austrian banks, including RZB Group (the "Austrian Finish measures"). In particular, FMA and OeNB required RZB and other systemically important banks to implement the following measures:

- Capitalization: The guidelines require parent institutions of affected banks to fully implement the quantitative and qualitative Basel III rules in respect of common tier 1 equity (minimum requirement of 4.5% plus a capital conservation buffer of 2.5%) on a consolidated basis as of January 1, 2013, without making use of any related transitional provisions, with the exception that private and state participation capital subscribed under the bank support package (which is fully loss-absorbing) may be fully included in the capital base. The regulatory capital requirement applies to RZB as superordinated credit institution and therefore, indirectly to RBI. RBI's Participation Capital 2008/2009 may be fully included in the capital base for purposes of compliance with these capital requirements.

- Starting with 2016 there will be an additional capital requirement of up to 3%, which will be determined depending on banks' risk profiles in accordance with the Basel III rules on capital requirement surcharges for "systemically important" financial institutions (SIFI).

- Monitoring of refinancing structure of subsidiaries: The FMA and OeNB monitor the local funding base of Austrian internationally active banks by introducing a loan to local stable funding ratio ("LLSFR"). The LLSFR is aimed at strengthening the stability of the local funding base of Austrian banks' subsidiaries. The ratio compares the loans granted by a subsidiary to the local stable funding, which includes deposits from non-banks, local debt issuances, supranational funding and tier 1 capital from third parties. The results of the monitoring process are to be discussed between the Austrian and the competent host regulators.

- RZB Group submitted a reorganization and dissolution plan to the FMA in several parts between summer 2012 and January 2013. The final version, considering comments of OeNB, was submitted in February 2013 (see "*Risk factors—Legal and regulatory risks—The Group's business is subject to increasingly onerous and complex regulation, including under Basel III and to changes in tax regimes, each of which can have an adverse effect on its results of operations*").

RZB Group and RBI as of the date of this prospectus fulfill the capitalization requirements and none of RBI's Network Banks exceed the LLSFR under the Austrian Finish measures as outlined above.

Financial Market Stability Act

Under the Austrian Financial Market Stability Act 2008 (*Finanzmarktstabilitätsgesetz* 2008, the "Financial Market Stability Act"), the Federal Minister of Finance has been granted certain powers in relation to Austrian credit institutions and insurance undertakings. The Financial Market Stability Act entitles the Federal Minister of Finance to take measures for the recapitalization of credit institutions and insurance undertakings ("Relevant Entities") (i) in order to remedy a considerable disruption within Austria's economic life, (ii) to ensure the macroeconomic balance and (iii) for the protection of the national economy of Austria.

The measures comprise the assumption of liabilities for the benefit of obligations of the Relevant Entities and for the benefit of obligations vis-à-vis the Relevant Entities and the provision of facilities and own funds to Relevant Entities (such as the subscription of participation capital by the Republic of Austria). Furthermore, if performance of a Relevant Entity's obligations vis-à-vis its creditors is jeopardized, the Federal Minister of Finance may as a last remedy acquire shares in such Relevant Entity for consideration. The shares acquired in accordance with the provisions of the Financial Market Stability Act have to be privatized upon the achievement of the intended purpose, taking into consideration the prevailing market conditions. The outstanding amounts connected with measures pursuant to the Financial Market Stability Act may not exceed EUR 15 billion, of which approximately EUR 13.6 billion were still available as of December 31, 2012, according to the Annual Report 2012 of Finanzmarktbeteiligung Aktiengesellschaft des Bundes (FIMBAG).

The Federal Minister of Finance is entitled to set forth conditions and requirements for the measures as further specified in the Financial Market Stability Act. In this context, additional conditions and requirements were imposed, in particular, with regard to the following aspects: the business focus (the pursuance of sustainable business policies), the application of the funds received, the remuneration of managers, the tier 1 requirements, the dividend policy (payment of dividends only to the extent reasonable in consideration of the profit situation), measures for safeguarding jobs, measures for the prevention of distortion of competition, as well as the legal consequences of non-compliance with the aforementioned conditions and requirements.

The Republic of Austria has committed itself to only take measures under the Financial Market Stability Act for as long as the European Commission extends its approval for this support scheme for Relevant Entities. The European Commission granted global approvals which were renewed several times and ended on June 30, 2011. Since then, measures require single state aid approval by the European Commission.

The Company's Participation Capital 2008/2009 was partly subscribed by the Republic of Austria under the Financial Market Stability Act. Three bonds were guaranteed by the Republic of Austria in accordance with the Interbank Market Support Act (*Interbankmarktstärkungsgesetz*), which was in effect until December 31, 2010, see "*Operating and Financial Review—Liquidity and capital resources— Subordinated and participation capital*".

Financial statements and audits

Austrian credit institutions and credit institutions operating in Austria are required to submit financial statements, including the audit reports hereto, to the FMA and the OeNB. Austrian listed companies must prepare consolidated financial statements in accordance with IFRS as adopted by the EU. Austrian bank accounting standards differ from IFRS mainly in respect of a reduced use of fair value principles and less comprehensive tax deferrals. All financial statements of credit institutions must be audited by a bank auditor, who is either a certified public accountant or the auditing office of one of the specialised auditing institutions of the relevant sector. The audited financial statements, the contents of which are prescribed by law, must be published in the official gazette (*Amtsblatt zur Wiener Zeitung*). Bank auditors are also required to examine the timely and complete compliance with all relevant banking regulations. The result of this audit is attached to the long form audit report as a separate bank supervision audit report.

Other supervision laws

In addition to the laws and provisions described above, the Group is subject to numerous other supervision laws, which are not described in detail in this prospectus. These include, among others, the Austrian Payment Services Act (*Zahlungsdienstegesetz*), the Austrian Securities Supervision Act 2007 (*Wertpapieraufsichtsgesetz* 2007), the Austrian Safe Custody Act (*Depotgesetz*), the Austrian Investment Fund Act (*Immobilienfondsgesetz*), the Austrian Financial Conglomerates Act (*Finanzkonglomerategesetz*), the Capital Markets Act and the Stock Exchange Act.

Banking regulation and supervision in Hungary

In general

The Hungarian banking system is two-tiered. The first tier consists of the central bank, the National Bank of Hungary (the "NBH"). All of the remaining financial institutions comprise the second tier and they are regulated by Act CCXXXVII of 2013 on credit institutions and financial enterprises (the "Bank Act") which has replaced the Act CXII of 1996 as of January 1, 2014. The development and evolution of the Hungarian banking sector has followed international trends, namely, the universal banking model, preferred by the EU directives which aim to create a single European market in financial services. Hungary became a member of the EU on May 1, 2004. Membership of the EU has resulted in Hungary adopting and implementing various EU directives. Changes have therefore been made to Hungarian banking law and accounting rules in order to harmonize them with the relevant EU directives (such as the MiFID and the CRD).

Supervision of the banking system

On September 16, 2013, Hungary's Parliament approved Act CXXXIX of 2013, which integrates the Hungarian Financial Supervisory Authority ("HFSA") into the NBH. The integration became effective as of October 1, 2013.

The NBH controls the volume of money in circulation and foreign exchange management and it adopts decisions and resolutions on the governance of the money market, interest rates, foreign exchange transactions and the supply of statistics. The NBH requires all lending institutions to create reserve funds amounting to a specified portion of their adjusted liabilities, certain assets and off-balance-sheet items. The NBH may, at its discretion, act as a lender of last resort to assist credit institutions facing transitional liquidity problems, where such difficulties endanger the stability and smooth operation of the financial system. Furthermore, the NBH may also provide liquidity to credit institutions in accordance with the current monetary policy through repo transactions. In addition, the NBH has ongoing consultations with banks, and holds on-site audits in its capacity of a supervisory organization. The NBH also monitors the compliance of credit institutions with the provisions of the Bank Act and the orders issued by the Governor of the NBH (the "NBH Orders").

The NBH is also responsible for the supervision of the credit institutions and investment service providers pursuant to the Bank Act, Act CXXXVIII of 2007 on Investment Firms and Commodity Service Providers and Act CXX of 2001 on the capital market.

Banking regulation

A number of financial and legislative measures have been taken in Hungary in order to stabilize the markets as a response to the global financial crisis. Amongst others, in September 2011, the Hungarian Parliament passed Act CXXI of 2011 on the final repayment of foreign exchange property mortgage loans. Under this act, the exchange rate to be applied in the case of final repayments of a property mortgage loan was fixed at HUF/CHF 180 and HUF/EUR 250. The act required banks to grant foreign exchange mortgage borrowers the option to early repay their loans in Hungarian forint, based on the exchange rates fixed under the act. The foreign exchange loss between the fixed rate and the actual rate had to be borne by the banks.

In addition, on June 28, 2011, the Hungarian Parliament adopted Act LXXV of 2011 (the so-called "Home Protection Law"). The Home Protection Law allows qualifying foreign exchange mortgage borrowers to opt into a fixed exchange rate scheme. Participating qualifying borrowers may benefit from the defined exchange rates until 2017 at the expense of both the relevant bank lender and the Hungarian state. According to the program, the repayment of principal remains the obligation of the borrower in each case, but the difference in an interest payment part of an installment due to the difference between the market exchange rate and the fixed exchange rate may have to be borne in part by the relevant lender. In particular, in the case of a market exchange rate HUF/CHF between 180 to 270 and HUF/EUR 250 to 340 the interest will be paid by the Hungarian state and a 50% portion will be charged to the lending bank. This program affects approximately 28,000 customers of the Group with a total loan volume of EUR 690 million. As of December 31, 2013, the participation rate was 67% (loan volume EUR 460 million).

Following the Home Protection Law which had resulted in significant losses for the Group, a new program in favor of foreign exchange mortgage debtors was prepared and will be continued in a recently amended form. The exchange rate protection scheme so far was open to performing foreign exchange debtors only whereas according to an amendment to the respective legislation, which entered into force in November 2013, also non-performing foreign exchange debtors overdue more than 90 days but not exceeding 180 days may participate in the program. The only prerequisite still in place for joining the program foresees that there should not be any enforcement procedure against the residential property, whereas all other prerequisites have been cancelled. For all debtors who opted or opt for this scheme, the amount of the monthly instalment (principal and interest) will be fixed at 250 EUR/HUF and 180 CHF/HUF for 60 months. The portion of the monthly instalments above the fixed exchange rate will go to a buffer account. The principal part on the buffer account still needs to be paid by the customer. The interest on the buffer account will be split equally between the government and the banks. If exchange rates go above 340 EUR/HUF and 270 CHF/HUF, the government will pay 100% of the capital and interest for the portion of the monthly instalments that exceeds the mentioned exchange rates. The expected negative impact on the Group amounts to a total of approximately EUR 6.2 million for the years 2014 and 2015 but cannot yet be evaluated for the following years.

Since 2010, banks have been obliged to pay a special crisis tax on the basis of their balance sheet total in 2009. The tax rate is 0.15% up to HUF 50 billion of the tax base and 0.53% over this amount. Though this special tax was planned to be halved by 2013 and replaced by a bank tax that corresponds to average European bank tax rates, both the tax base and the tax rate have remained unchanged for 2013 and 2014. Furthermore, Hungary imposes a tax on financial transactions, which in June 2013 was raised to 0.6% on cash withdrawals and 0.3% on wire transfers. On August 1, 2013, Hungary introduced an additional one-time tax surcharge amounting to 208% of the transaction tax incurred in the first four months of 2013. In addition, in November 2013, the Hungarian Parliament amended Act LXXXV of 2009 (the "Money Transfer Services Act"). According to the amended Money Transfer Services Act, as of February 1, 2014, all Hungarian private customers will be entitled to two cash withdrawals per month worth up to HUF 150,000, provided that the private customer applies for such free cash withdrawals (by completion of an application form, which has already been published by the Hungarian government and made available in the business premises of the banks).

In December 2011, the National Debt Management Agency (*Államadósság Kezelő Központ* – "ÁKK") took over the financing and cash management of the county municipalities. Starting in 2012, the municipalities of towns and villages were gradually included in the debt takeover by the central government as well. As a result of the recent debt takeover, the remaining EUR 247.8 million municipal debt, about 70% of which were denominated in EUR and CHF, is expected to be taken over by the state under the aforementioned initiative by the end of February 2014.The claims under municipal debt will be exchanged for long-term loans to the Hungarian state, thus increasing RBI's sovereign exposure to Hungary accordingly.

Banking regulation and supervision in Poland

The regulations relating to the activities of banks in Poland are set out in many acts of law, but primarily in the Act of 29 August 1997 on Banking Law (*Prawo bankowe*), which lays down the rules governing banking activity and banking supervision.

Banking supervision

Banking supervision in Poland is exercised by the Polish Financial Supervision Authority (*Komisja Nadzoru Finansowego*, "KNF"). The KNF has extensive competencies and legal instruments at its disposal to exercise its supervision over banks.

The competencies of the KNF include, in particular:

- granting licenses and permits for the establishment of a bank, amendments to its statute, appointment of two members to a bank's management board, including the president, merger with another bank or credit institution, and for a bank to acquire a banking enterprise or an organized part thereof;

- approving the acquisitions of qualified interests in banks (e.g. major stakes of shares or votes);

- supervision of banks in terms of their activities' compliance with the law (including, in particular, banking regulations) and the regulations set out in the banks' statutes;

- monitoring the financial condition of banks and the establishment of liquidity ratios and other standards of permitted risk in the banks' operations, which are binding on the banks;

- issuing recommendations concerning best practices in terms of the prudent and stable management of banks;

- imposing penalties and designating recovery measures in the event of a breach of any banking regulations, including fines, suspension of management board members from their duties, restriction of the bank's business or withdrawal of banking permits; and

- the appointment of a trustee management *(zarząd komisaryczny)* for banks.

Other authorities also exercise material supervision over the activities of banks.

Specific areas of banking operations are also supervised by other administrative authorities, including, in particular:

- the President of the Office of Competition and Consumer Protection (*Prezes Urzędu Ochrony Konkurencji i Konsumentów*), within the scope of competition law and consumer rights;

- the General Inspector for the Protection of Personal Data (*Generalny Inspektor Ochrony Danych Osobowych*), within the scope of the processing and protection of personal data; and

- the General Inspector of Financial Information (*Generalny Inspektor Informacji Finansowej*), within the scope of combating money laundering and terrorist financing.

Special requirements for banks

Banks must comply with a number of requirements related to their operations. The most crucial ones include the requirement that banks manage their finances in a strictly regulated fashion and all the requirements concerning equity, the capital adequacy ratio, concentration of exposures, liquidity and risk management systems. Banks are also required to protect banking secrets, i.e. all information on the relationship between the customer and the bank, and to comply with the provisions on combating money laundering and terrorist financing. A range of restrictions apply if banks outsource banking operations or activities related to banking operations to any third parties.

All the resolutions, decrees and recommendations issued by the KNF are also of material importance for banks. In particular, banks offering loans to retail borrowers must specifically consider "Recommendation T" concerning good practice with respect to the management of retail credit risk exposure, and those offering mortgage loans – "Recommendation S" concerning good practice with respect to the management of real estate and mortgage credit risk exposures (in particular, "Recommendation S" provides for a gradual reduction of the LTV ratio on residential and commercial mortgage loans to 80% and 75%, respectively, until the end of 2017).

Dividend policy

Since 2008/2009 due to the situation on global financial markets KNF introduced a policy of strengthening the capital base of financial institutions in Poland as their basis for stability, security and further development. In November 2012 KNF formulated the rules regarding 2013 dividend policy of banks for the year 2012. It was recommended that dividends should be paid out only by those banks which satisfy specific financial/solvency criteria formulated by KNF.

Bank Guarantee Fund

Banks operating in Poland under the license issued by the KNF must contribute to the Bank Guarantee Fund (*Bankowy Fundusz Gwarancyjny*). If a bank becomes insolvent, the monies held at the Bank Guarantee Fund are used to satisfy claims of the bank's customers.

Stabilization Fund

In July 2013 an amendment to the Banking Guarantee Fund (BFG) Act has been passed setting up a special stabilization fund within BFG to which commercial banks will pay an annual contribution of up to 0.2% of risk-weighted assets. The fee, which will come on top of the regular annual contribution, will be determined by the Council of the BFG. The stabilization fund is aimed at granting banks a so-called recapitalization guarantee in order to increase their equity if such a need arises. The guarantee is to be issued upon the motion of the Minister of Finance.

Banks' special rights

Banks benefit from certain special rights related to their activity. In particular, the provisions of applicable law provide for a simplified procedure of establishing collateral and enforcing payment of a bank's claims, among others by eliminating the requirement for a specific form of establishment of collateral, by providing for the ability to securitize bank claims (which means, inter alia, the right to transfer portfolios of claims to another entity in order for that entity to issue securities) and the possibility of applying a simplified method of filing for claims as a result of the ability to issue banking executory documents (*bankowy tytuł egzekucyjny*). With respect to banking executory documents, there are proposals to eliminate this privilege from the Banking Law, which would put banks in the same position as other parties when enforcing the claims. However, it is not certain whether and when such a change to the Banking Law will be implemented.

Consumer protection

Retail customers are protected by the Act of 12 May 2011 on Consumer Credit (*Ustawa o kredycie konsumenckim*), the provisions of the Act of 23 April 1964 - Civil Code (*Kodeks cywilny*) and other regulations on consumer protection. Those regulations impose a number of duties on banks in relation to transactions with retail customers. The most important ones include the duty to provide comprehensive information on the credit to be granted, in particular in relation to the cost of credit, and the prohibition from including specific clauses which are unfavorable to consumers in agreements. The sanction for banks breaching the duties includes the possibility of consumers' repaying the principal amount of credit without interest and additional costs due to the bank. In addition, in the event of finding the application of a practice which constitutes a violation of collective consumer interests, the President of the Office of Competition and Consumer Protection may fine the bank up to 10% of the revenues generated in the financial year preceding the year in which the fine is imposed.

The Civil Code limits the maximum level of interest that the banks can charge to four times the Lombard rate announced by the National Bank of Poland (*Narodowy Bank Polski*).

Personal data protection

In light of the large number of individuals served by banks, all the regulations concerning personal data protection are of particular importance to banking operations. Personal data may be processed exclusively in compliance with specific regulations, while technical and organisational measures used must ensure the protection of personal data, particularly against disclosure to any unauthorised parties. Additionally, the data subjects should have the right to access all of their personal data and to correct them.

Bancassurance

The KNF and other regulators have recently raised objections to the bancassurance models used by banks and insurers in Poland. These objections mainly refer to lack of transparency, limiting the rights of consumers as well as to high levels of commissions received by banks. At the end of 2013, the KNF published a draft recommendation regarding bancassurance requiring, among other things, greater transparency with respect to commissions. The draft recommendation also provides that the levels of the commissions or other remuneration received by banks correspond to the actual costs borne by them, which may lead to a decrease in banks' income from the bancassurance business.

Banking regulation and supervision in Romania

The National Bank of Romania

The regulatory powers and supervisory activities in the banking sector are exercised by the National Bank of Romania ("NBR") as the central bank. The NBR has the following main powers and responsibilities: (i) determining and implementing the monetary and exchange rate policy; (ii) authorizing, regulating and supervising credit institutions and promoting and supervising the smooth operation of payment systems with a view to ensuring financial stability; (iii) issuing banknotes and coins to be used as legal tender in Romania; (iv) determining and supervising foreign exchange policy; and (v) managing Romania's international reserves.

The NBR is also entitled to recommend the adoption of measures or take supervisory measures and/or impose sanctions (ranging from written warnings to the suspension/revocation of the license of a bank), including special administration. The supervision of other sectors of the financial services industry, such as capital markets, insurance and pensions, is currently performed by the Financial Supervisory Authority (*Autoritatea de Supraveghere Financiară*).

Monetary Policies

The NBR pursues a policy of low inflation. In accordance with the information available on the NBR's website, the target inflation rate proposed by the NBR is 3% (plus or minus one percentage point) for 2012 and 2.5% (plus or minus one percentage point) starting with 2013, as a flat multi-annual inflation target.

Capital Adequacy

The minimum initial capital of a credit institution is at least the minimum level set by regulations, but not less than the equivalent in RON of EUR 5,000,000. At incorporation, the initial capital is equal to the share capital, unless the new credit institution is set up as a result of a merger or de-merger.

However, according to regulations currently in force, the initial capital of a bank must be at least RON 37,000,000 and must be maintained subsequently.

In line with NBR's regulations and EU legislation, a bank's own funds consist of tier 1 capital and tier 2 capital. The tier 1 capital consists of the sum of the common equity tier 1 capital and additional tier 1 capital. Common equity tier 1 capital consists mainly of capital instruments, share premium accounts related to the capital instruments, retained earnings, accumulated other comprehensive income and other reserves and funds for general banking risk. Additional tier 1 capital consists mainly of capital instruments and share premium accounts related to the capital instruments. Tier 2 capital consists mainly of capital instruments, subordinated loans and share premium accounts related to the capital instruments.

The calculation method of the amount of regulatory capital that must be held by a bank takes into consideration the requirements laid down by Basel II subject to different types of risks (e.g. credit risk, operational risk, market risk, etc.) and in accordance with EU legislation. Banks are allowed to use internal credit ratings to determine the amount of regulatory capital that must be held, subject to prior approval of the NBR. Non-observance of the requirements in relation to own funds or minimum capital adequacy entitles the NBR to apply sanctions, including the revocation of the banking license of the respective credit institution.

Minimum Reserves

Banks must deposit with the NBR an amount sufficient to meet the NBR's minimum reserve requirements, which are currently (i) 12% of RON liabilities with residual maturities shorter than two years from the end of the observance period or residual maturities longer than two years from the end of the observance period with clauses referring to early withdrawal, repayment or transfer; (ii) 0% of RON and foreign currency liabilities with residual maturities longer than two years from the end of the observance period without clauses referring to early withdrawal, repayment or transfer; (iii) 18% of foreign currency liabilities with residual maturities shorter than two years from the end of the observance period or residual maturities longer than two years from the end of the observance period with clauses referring to early withdrawal, repayment or transfer; and (iv) 0% of RON and foreign currency non-repayable loans.

The interest rates payable for the mandatory reserves are established and updated on a regular basis by the NBR.

Large Exposures

According to NBR regulations, the net exposure (i.e., the exposure after taking into account the effects of credit risk mitigation) of a bank vis-à-vis a customer or vis-à-vis a group of connected customers must not exceed 25% of the bank's eligible capital (defined as the sum of (i) the tier 1 capital and (ii) tier 2 capital that is equal to or less than one third of tier 1 capital). If the customer is a credit institution or investment company, special conditions are provided; mainly the net exposure is limited to 25% of the bank's eligible capital, or EUR 150 million, whichever value is the higher, provided that the exposure vis-à-vis the customer or vis-à-vis the group of connected customers which are not credit institutions or investment company does not exceed 25% of the bank's eligible capital.

A bank is deemed to have a large exposure to a single customer or a group of connected customers if any such exposure exceeds 10% of the bank's eligible capital. Banks are required to notify the NBR in case the exposure exceeds the maximum limit of large exposures.

Participations

Any person (whether an individual or an entity or a group of such persons acting in concert) who has decided to become a significant shareholder and, directly or indirectly, acquire a qualifying participation in a bank (namely, at least 10% of the share capital or voting rights or a significant influence over the management or business policy of the bank) must notify such decision to the NBR for prior authorization, indicating the value of the envisaged qualifying participation to be acquired and providing the NBR with further information and documents, as set forth under the relevant legal provisions. Any significant shareholder having taken the decision of increasing its qualifying participation in a bank in a manner that results in the shareholder's participation reaching or exceeding a threshold of 20%, one third or 50% of the bank's share capital or voting rights or in such a way that the bank becomes its subsidiary, the relevant shareholder must notify such decision to the NBR for prior authorization, indicating the value of the envisaged qualifying participation to be reached/exceeded and providing the NBR with further information and documents, as set forth under the relevant legal provisions. Any significant shareholder having taken the decision of, directly or indirectly, transferring its qualifying participation or decreasing its qualifying participation in a bank below the thresholds of 20%, one third or 50% of the bank's share capital or voting rights or in such a way that the bank ceases to be its subsidiary, the relevant shareholder must notify in writing such decision to the NBR in advance. The bank also has to promptly notify the NBR of any acquisition, sale, increase or decrease of participations that result in the relevant person's participation crossing the thresholds set out above. At least once a year, banks are required to inform the NBR in relation to the identity of the persons who hold qualifying participations, including the related threshold levels.

Deposit Insurance

According to the NBR's regulations, banks pay an annual contribution to the Bank Deposit Guarantee Fund up to a maximum amount of 0.5% of RON and foreign currency deposits in the previous year. Should a bank not be able to repay its customers their deposits, the Bank Deposit Guarantee Fund guarantees the repayment up to maximum of EUR 100,000 per customer.

Banks also pay a special contribution to the so-called Bank Resolution Fund (which is part of the 2012 legislative stabilization measures (*Fondul de restructurare bancară*), that is determined by applying a percentage of up to a maximum of 0.1% of its uncovered liabilities (total liabilities minus insured deposits).

Banking regulation and supervision in the Slovak Republic

The National Bank of Slovakia

Regulatory powers and supervision activities in the banking sector are exercised by the National Bank of Slovakia ("NBS"). NBS is a member of the European System of Central Banks; NBS is included also in the Eurosystem as the central banking system of the euro area within the European System of Central Banks. NBS may impose penalties and other remedial measures including forced administration. The supervision of other sectors of the financial service industry such as oversight over the capital market and insurance industry are currently regulated and supervised by NBS as well.

Monetary Policies

The primary objective of NBS is to maintain price stability. NBS participates in the common European monetary policy set-up by the European Central Bank for the euro area.

Capital Adequacy (Adequacy of Own Funds of Financing)

A bank is obliged to maintain its own funds of financing at least at the level of its registered capital, the minimum registered capital of the bank being EUR 16,600,000 and in case of a bank performing mortgage transactions, EUR 33,200,000. Notwithstanding the above-mentioned facts, the bank shall permanently maintain its own funds in the amount not less than the aggregate of:

- the value corresponding to the capital requirement for own resources for the coverage of credit risk and risk of decrease of the value of assigned receivable arising from the bank's activities recorded in the banking book;

- the value corresponding to the capital requirement for own resources for the coverage of risks arising from the positions recorded in the trading book;

- the value corresponding to the capital requirement for own resources for the coverage of foreign exchange risk, risk of trade settlement and commodity risk arising from the bank's activities recorded in the banking book and in the trading book; and

- the value corresponding to the capital requirement for own resources for the coverage of operational risk arising from all of bank's trading activities (together the "Additional Capital Adequacy Requirements").

If the bank maintains its own funds at the level lower than 50% of the Additional Capital Adequacy Requirements, NBS is obliged to order a forced administration over the bank. If (i) the own funds of the bank decrease under the level of registered capital or (ii) the bank maintains its own funds at the level lower than 25% of the total Additional Capital Adequacy Requirements, NBS is obliged to revoke its banking license.

NBS issued Recommendation No. 1/2012 to support the stability of the banking sector by limiting payment of dividends. NBS recommends that banks with a Slovak banking license keep capital adequacy of basic own funds at level of at least 9%. NBS recommends that banks restrict the distribution of profits accrued and not yet included in the own funds of the bank in the following ways:

- if the capital adequacy value of basic own funds at the time of adoption of the decision on accrued profit distribution is less than 9.625%, the accrued profit shall not be distributed at all and shall be used to increase the own funds of the bank and remain undistributed;

- if the capital adequacy value of basic own funds at the time of adoption of the decision on accrued profit distribution is at least 9.625% but less than 11.5%, a certain percentage of the accrued profit (in ranges of 40%, 60% and 80%) shall be used to increase the own funds of the bank and remain undistributed;

- if the capital adequacy value of basic own funds at the time of adoption of the decision on accrued profit distribution is more than 11.5%, the accrued profit can be distributed freely, without restrictions.

Although NBS recommendation No. 1/2012 is in the nature of a recommendation, NBS requires reasoned explanations from banks not complying with it.

Minimum Reserves

Banks (including branches of foreign banks) must deposit a certain amount with NBS according to the minimum reserve requirements. Minimum Reserves have to be 0% for deposits with agreed maturity or period of notice over two years, repo trades and debt securities issued with maturity over two years, and 1% for overnight deposits, deposits with agreed maturity or period of notice up to two years, debt securities issued with maturity up to two years and money market paper, of the basis for the obligatory minimum reserves calculated as the aggregate of obligations arising upon acceptance of financial funds, including: (i) deposits, and (ii) issued debt securities.

Large Exposures

A large asset exposure is legally defined as the asset exposure to one person or a group of economically connected persons that is equal to or higher than 10% of its own funds. The bank shall permanently secure that its asset exposure, after taking into account the effects of credit risk mitigation, including the day of exposure, shall not exceed 25 % of the bank's own funds or EUR 150,000,000, whichever is higher, vis-à-vis certain defined persons, groups or institutions.

Participations

Prior approval of NBS is required to acquire a qualified interest in a bank (10 % or more in the registered capital or voting rights of the bank), or to exceed a qualified interest so that the interest in registered capital or voting rights of the bank is equal to or exceeds 20%, 30% or 50%, or so that the bank becomes a subsidiary of a person which acquires such interest in one or several operations directly, or by action in concert. Prior approval is required for, for example, mergers or de-mergers of a bank, reduction of a bank's registered capital (unless the reduction is due to loss), dissolution of a bank, sale of a bank, a branch office of a foreign bank, or parts thereof.

Deposit Protection

Banks are required to make annual contributions to the Deposit Protection Fund. If a bank defaults on its obligations and deposits of bank clients become thereby inaccessible, the Deposit Protection Fund shall provide the reimbursement to a single client up to the full amount of the inaccessible deposit, however, not more than EUR 100,000.

Special Levy

Banks and branches of foreign banks with a Slovak banking license are obliged to pay a special levy for each calendar year in the amount of 0.4% of the basis calculated as passives of the bank reported in the balance sheet decreased by the amount of equity (if its amount is positive), by the amount of financial funds provided on a long term basis to a branch of a foreign bank and by the amount of subordinated debt. In 2012, an extraordinary banking special levy was collected in addition to the special levy. The banks shall bear the costs and expenses associated with payment of the special levy and may not increase prices, fees, charges or other financial terms or require special fees, charges or other payments to cover costs and expenses associated with payment of the special levy. Breach of these obligations is seen as defect in banking activity and subject to sanctions. The proceeds of the special levy are state financial assets with the pre-determined purpose of covering costs connected to solving the financial crisis in the banking sector and to protect the stability of the Slovak banking sector. The law foresees a gradual decrease of special levy rate upon fulfilment of certain special levy income thresholds.

Banking regulation and supervision in the Czech Republic

The Czech National Bank

Regulatory powers and supervisory activities in the banking sector are exercised by the Czech National Bank ("CNB") as the central bank. The CNB may impose penalties and other remedial measures, including forced administration. The supervision of other sectors of the financial services industry, such as capital markets and insurance, is also performed by the CNB.

Monetary Policy

The CNB is required to pursue a policy of low inflation. An inflation target of 3% was originally announced for the period from January 2006 until the Czech Republic's accession to the eurozone. In view of postponement of the adoption of the euro beyond 2010, the CNB has announced a new inflation target of 2% (plus or minus one percentage point), effective as of January 2010.

Capital Adequacy

In line with EU law and Basel II, the minimum capital adequacy ratio for Czech banks is 8%. A bank's own funds consist principally of tier-1 capital (original capital), tier-2 capital (supplementary capital) reduced by deductible items and tier-3 capital (market risk coverage capital). For the capital requirements calculation, a bank may either use basic methods or special methods (which must be approved in advance by the CNB). The CNB may impose remedies if the capital adequacy ratio of a bank falls below two-thirds of the statutory minimum.

Minimum Reserves

Banks (including branches of foreign banks) must deposit with the CNB an amount sufficient to meet the CNB's minimum reserve requirements, which are currently 2% of the following liabilities (with exception of repo liabilities) with a maturity of up to two years *vis-à-vis* non-bank customers: (i) customer deposits, (ii) loans accepted from customers, (iii) non-marketable securities issued by the bank and held by non-banks and (iv) other debt securities issued by the bank and held by entities which are non-banks.

Large Exposures

Generally, a net exposure of a bank's investment portfolio in relation to a single entity or a group of related entities must not exceed the higher of (i) 25% of the banks adjusted capital (sum of tier-1 and tier-2 capital reduced by deductible items) and (ii) EUR 150,000,000 (or the respective amount adjusted with respect to the total capital of the bank). In the case of domestic banks *vis-à-vis* their foreign holding groups, only 50% weight of the net exposure on banks in the EU can be applied, which means that the total volume of the net exposure in a bank's investment portfolio is limited by 50% of the bank's adjusted capital. If the statutory limits on investment portfolio exposure are exceeded, additional limits on exposure of a trading portfolio in relation to the respective single entity or a group of related entities apply.

Participations

A prior approval of the CNB is required for the acquisition of a participation in a bank which results in the acquiring person's exceeding an ownership threshold (direct or indirect) of 10%, 20%, 30% or 50% of the bank's share capital or voting rights. The decrease of a participation which prior to the decrease amounted to at least 50%, 30% or 20% of the bank's share capital or voting rights, below these thresholds, or a complete disposal of it, must be notified to the CNB.

Deposit Protection

Banks are required to make quarterly contribution to the Deposit Insurance Fund in the amount of 0.04% of the average amount of their insured deposits. If a bank becomes insolvent, a single customer's deposits are insured up to the CZK equivalent of EUR 100.000.

Banking regulation and supervision in Russia

The Central Bank of Russia

The regulatory powers and supervision activities in the banking sector are exercised by the Central Bank of Russia ("CBR"). CBR may impose penalties, including the withdrawal of licenses, prohibition and limitation of bank operations, reorganization of the bank, change in the executive bodies of the bank and remedial measures including temporary forced administration.

Monetary Policy

CBR may define terms and measures aimed at balancing the credit activities and liquidity of commercial banks, and at balancing the amount of money in circulation. The Government of Russia and the CBR determine the Principals of Monetary Policy for each year in the Russian Federation. The inflation target announced for 2014 is 5.0% and 4.5% and 4.0% for 2015 and 2016, respectively.

Capital Requirements

The Banking Law sets minimum own funds and charter capital requirements for banking institutions both of which are currently 300 million roubles (approximately EUR 6,872,899 as of September 30, 2013) for each newly established bank. Existing banks with less than 180 million roubles own funds as of January 1, 2007, may continue operating provided that their own funds are not less than 180 million roubles since January 1, 2012 and will not be less than 300 million roubles starting from January 1, 2015. If a bank's own funds fall below its charter capital, it is required to adjust its own funds (or, if this is impossible, its charter capital, within the applicable limits) in the manner set out by the CBR. If a bank's own funds fall below the minimum charter capital of the bank as determined on the date of its incorporation, the CBR is obliged to revoke the bank's license.

The CBR recently amended the existing and adopted new regulations to replace the previous ones dealing with the capital adequacy and mandatory ratios requirements on bank capital in order to bring them into line with international standards. These newly adopted regulations are relatively untested. This might lead to uncertainty in their application and interpretation.

Capital Adequacy

Effective from January 1, 2014 in line with Basel III three capital adequacy ratios are applicable to banks. Specifically, the minimal threshold for the core capital adequacy ratio is set at 5% and at 5.5% for the main capital adequacy ratio (the latter being subject to an increase to 6% as of January 1, 2015). The total own capital adequacy ratio is 10%.

Minimum Reserves

Banks must deposit a certain amount with the CBR according to certain reserve requirements, which are different for various banking operations and calculated according to special formulas. In this respect, the CBR has established certain rules regarding reserves for loan losses on loans extended by banks. Its regulations require banks to adopt procedures for calculating and posting the reserves for loan losses and for continuously monitoring the financial position of the banks' borrowers and the quality of their debt service. The regulation requires banks to rank their loans in five categories of increasing credit risk and the amount of the reserve is calculated as a certain percentage of the loan depending on its risk category. The reserves for loan losses are calculated at the end of each month in roubles, and are only used to cover losses relating to the principal amount of the loans made by banks and/or amounts of promissory notes that exclude the relevant interest and discount.

The CBR has also established certain rules regarding the reserves for possible losses, other than loan losses, which may include losses from investments in securities, funds held in correspondent accounts at other banks, contingent liabilities, forward and other transactions. Its regulations require banks to rank such assets and operations into five categories of increasing risk. Banks are then required to provide the reserves for each type of asset or operation in amounts corresponding to the amounts of possible losses but within the framework established by the CBR for each risk category. Mandatory reserves provisions also exist for operations with offshore residents. The amount of such reserves provisions is calculated depending on the classification of the offshore relevant area and accounts for 0% to 50% of the respective loans and financial instruments.

Large Exposures

A bank is not permitted to have exposures to any single borrower and related borrowers in excess of 25% of its own funds. Nor may it have exposures to a shareholder in excess of 50% of its own funds (starting from January 1, 2015 – 20 %) or to insiders, such as its directors and officers, in excess of 3% of its own funds. The maximum aggregate amount of large exposures is currently 800% of a bank's own funds.

Participations

Currently an acquisition of shares of a bank in excess of the following thresholds triggers an obligation to obtain prior approval of the CBR: over 10% shares through 25% shares (over 10% stakes through one third of stakes), over 25% shares through 50% shares (over one third of stakes through 50% stakes), over 50% shares through 75% shares (over 50% stakes through two thirds of stakes), over 75% shares (over two thirds of stakes).

Also, a prior approval of the CBR is required in case of a change of direct or indirect control over a shareholder (participant) of a bank holding more than 10% of the bank's shares (stakes).

Preliminary approval of the CBR is required for an acquisition of shares, including acquisition of shares on a secondary market, and/or obtaining trust administration of shares:

- acquisition of shares by shareholders;
- acquisition of shares by third parties (other than shareholders), groups of persons including acquisition of 50% of votes of the company that can influence decisions of the management bodies of the bank;
- conversion of or issuance of securities convertible into shares;
- fulfillment of obligations under options where the conversion is stipulated in the decision on its issue;
- distribution of shares owned by bank in the form of a limited liability company between participants of the bank;
- acquisition of the right of the banks shares' ownership by way of succession as the result of reorganization of the banks' shareholders in the form of affiliation, separation, division and merger; and
- contribution of shares of the bank into the charter capital of non-credit organizations.

The CBR must be notified if more than 1% of the shares of a Russian bank change ownership. This notification must take place within 30 days after acquisition takes place. Earlier notification is required in the following cases:

- acquisition of a right of ownership of shares of the bank in connection with the reorganization of the shareholder of the bank;
- shares of the bank are received for trust administration in connection with the reorganization of the trustee;
- decrease of the bank's charter capital;
- charter capital is increased on the account of property (capitalization of owner's equity) of the bank;
- acquisition of rights of shares of the bank as the result of inheritance or donation; and
- transfer of the shares (stakes) that had been owned by a testator to the administrator appointed by a notary when inheritance was opened.

Depository Insurance

Russian law mandates the protection of bank deposits of individuals and individual entrepreneurs and establishes a deposit insurance scheme in which all Russian banks must participate or lose their ability to accept retail deposits and open bank accounts for individuals. After the changes in the law in 2003 the competition in the retail deposit market strengthened as all Russian banks that chose to participate in the deposit insurance scheme had the ability to offer protected deposits. The majority of banks that filed their requests were admitted to the deposit insurance scheme.

An association of at least 5 banks with the cumulative charter capital of not less than twenty-fold minimal charter capital can establish a voluntary insurance fund operating as a non-profit organization and must notify their clients accordingly. If a bank does not participate in the voluntary insurance scheme, the CBR compensates individuals in the amount not exceeding 700,000 roubles (approximately EUR 16,036 as of September 30, 2013).

Recent regulatory changes in Russia

During 2013 several amendments were introduced to a number of regulatory acts affecting corporate governance, risk management, mandatory economic ratios and capital requirements in Russia. The new rules will gradually enter into force during 2014 and 2015 and include, inter alia, new risk management, capital management and internal control systems requirements, increased minimal reserve ratios for undue uncollateralized consumer loans, additional reporting requirements for banking groups and banking holdings as well as extended powers of intervention for the CBR (e.g., the authorization to restrict distribution of profits by credit organizations and impose caps on the rate of interest set by a credit organization for customer deposits). Most of the developments will be further detailed and specified in relevant CBR regulations. Until they have been specified, the new rules may result in uncertainty in their application and interpretation.

Banking regulation and supervision in Ukraine

The National Bank of Ukraine and the Fund for Guaranteeing Deposits of Individuals

The regulatory powers and supervision activities in the banking sector are exercised by the National Bank of Ukraine ("NBU") and the Fund for Guaranteeing Deposits of Individuals (the "Fund"). NBU may impose penalties and other remedial measures including, among others, categorising banks as insolvent which would entail the introduction of temporary administration for such banks. The Fund manages temporary administration and liquidation of banks in case of insolvency and exercises other regulatory and supervision activities relating to bank deposits of individuals. The regulation and supervision of other sectors of the financial services industry, in particular the capital markets and insurance industry, are currently carried out by, among others, the National Commission for Regulation of Financial Services Markets.

Consolidated Banking Supervision

Upon introduction of the concept of consolidated banking supervision in 2011, in 2012 and 2013, the NBU continued to develop regulatory framework governing various aspects of banking groups. In particular, with effect from December 19, 2013, a number of mandatory standards and requirements apply to banking groups operating in Ukraine, including, *inter alia*, consolidated capital requirements, consolidated credit risk requirements, and consolidated investment requirements. Starting from October 1, 2012, the NBU may impose sanctions on any member of a banking group for violations of the consolidated requirements.

Monetary Policies

NBU is required to ensure stability of the national currency, *inter alia*, by means of maintaining of price stability and stability of the banking system, as well as to support the government's policy of sustainable economic growth. The inflation rate target announced for 2011 is 8.9%, 7.9% for 2012 and 4.8 - 6.1% for 2013.

Capital Adequacy

The Minimum Regulatory Capital Adequacy Ratio is 10% for banks operating over 24 months, 12% for banks operating from 12 to 24 months, and 15% for banks operating less than 12 months. In addition, a bank's regulatory capital must not be less than UAH 120 million and in any event not less than the share capital of the bank.

Minimum Reserves

Banks must deposit a certain amount on a correspondent account with the NBU according to the minimum reserve requirements. Minimum Reserves have to be at least 10% of foreign currency demand deposits and current accounts of customers that are legal entities; 15% of foreign currency demand deposits and current accounts of customers that are individuals; 10% of short-term foreign currency deposits of customers; 7% of long-term foreign currency deposits of customers; and 5% of amounts in a foreign currency, except for the Russian rouble, received from non-resident banks, international and other organisations. As of the date of this prospectus, the amount that is required to be reserved for hryvnia demand and term deposits and current accounts of customers as well as amounts received from non-resident banks, international and other organisations in hryvnia or in the Russian rouble is equal to 0%.

Large Exposures

The sum of large exposures of an Ukrainian bank may not exceed 800% of its regulatory capital. A large asset exposure is legally defined as the asset exposure to one person or a group of affiliated persons (e.g. parent companies, subsidiaries and persons operating a joint business activity) that is equal to or higher than 10% of the bank's regulatory capital.

Shareholdings

As of the date of this prospectus, persons that plan to acquire or increase their substantial shareholding in a bank reaching or exceeding 10, 25, 50 or 75% thresholds are required to obtain a prior "silent" (deemed) consent of the NBU to such acquisitions. "Substantial shareholding" is determined as a direct and/or indirect ownership by a single person (individually or together with other persons) of a 10% or more shareholding in the share capital and/or voting rights of a legal entity or irrespective of formal ownership, a possibility to exercise a substantial influence over management or activities of such legal entity.

Deposit Insurance

The banks are required to make contributions to the Fund, which guarantees deposits of individuals with commercial banks, including interest, to a maximum amount of UAH 200,000 per depositor with each such bank. Deposits become eligible for compensation on the date of the NBU's resolution on revocation of the banking licence and liquidation of the relevant bank.

Mandatory conversion of foreign currency proceeds

The National Bank of Ukraine adopted several resolutions on the mandatory conversion of foreign currency proceeds from abroad received by Ukrainian residents. Pursuant to the regulations, 50% of such foreign currency proceeds, including foreign currency loans granted by foreign banks, shall be converted into the national currency. The period of effectiveness of these regulations is initially limited to six months.

Recent regulatory changes in Croatia

In November 2013, amendments to the Croatian Consumer Loans Act (the "Amendments Act") were approved by the Croatian parliament and have become effective since January 2014. The Amendments Act has an impact on future lending business as well as on existing loans. It authorizes the Ministry of Finance to determine the fees which may be charged by the banks in connection with consumer loans, defines the criteria for the setting of interest rates and imposes maximum interest rates as well as additional information requirements on banks.

Pursuant to the Amendments Act, floating interest rate consumer loans will have to be restated (with effect as of January 1, 2013) in a way that a variable component chosen from a number of authorized parameters (e.g. a reference interest rate like EURIBOR) will be deducted from the contractually agreed interest rate. The interest rate so calculated is subject to periodic adjustments to reflect movements of the respective parameter.

Furthermore, the Amendments Act specifies the method of calculation of a maximum fixed interest rate for certain foreign currency-linked mortgage loans. In case the foreign currency appreciates by more than 20% from the day of the loan disbursement, a 30% discount will be applied to the average weighted interest rate on mortgage loans linked to the respective foreign currency. This currently applies to CHF-linked mortgage loans, for which the average weighted interest rate amounted to 4.62%. Hence, the relevant maximum interest rate for CHF-linked mortgage loans amounts to 3.23%. In addition, a conversion of the foreign currency linked-mortgage loan into HRK or into a EUR-linked loan at then prevailing market conditions shall be offered to borrowers, provided that the difference between the current foreign currency/HRK exchange rate and the exchange rate from the day the foreign exchange loan agreement was entered into falls below 20%.

For 2014 the estimated negative impact amounts to a low one-digit million euro amount.

MAJOR SHAREHOLDERS

As of September 30, 2013, the Company's nominal share capital consisted of 195,505,124 Shares, all of which were outstanding with equal voting rights (see "*Description of the Share Capital of the Company and the Articles of Association*"). The following table sets forth the number of shares and the percentage of outstanding shares beneficially owned by RBI's principal shareholder RZB. The following information is also presented on an as-adjusted basis to reflect the Offering, assuming the issuance and sale of the maximum number of 97,473,914 New Shares offered hereby and the full allocation of New Shares to RZB for its EUR 750 million purchase order in the Pre-placement (i.e. based on the closing price at the Vienna Stock Exchange on January 20, 2014, 24,590,164 New Shares).

	Prior to the Offering		After the Offering	
Shareholder	Shares held	Percentage of share Capital	Shares held	Percentage of share Capital
RZB through Raiffeisen International Beteiligungs GmbH and other subsidiaries controlled by RZB	153,528,925	78.5%	178,119,089	60.8%
RBI own shares	557,295	0.3%	557,295	0.2%
Freefloat	41,418,904	21.2%	114,302,654	39.0%
Total shares issued	195,505,124	100.00%	292,979,038	100.00%

Source: Internal data.

To the Issuer's knowledge, no other shareholder beneficially owns more than 4% of the Company's shares. RZB does not have voting rights different from other shareholders.

Because RBI believes that Austrian corporate law, including the takeover regulations and principles of equal treatment of shareholders, provides comprehensive and sufficient safeguards against the abuse of controlling shareholders of their control, the Company has not considered it necessary to adopt measures in addition to those required by Austrian law.

Raiffeisen Zentralbank Österreich Aktiengesellschaft

RZB was founded in 1927 as the central institution of the Austrian Raiffeisen Banking Group and has following the Merger re-shaped its strategic business focus towards a concentration on its functions as central institution for and business with the RBG.

Austrian Raiffeisen Banking Group

RZB is part of the Austrian three-tier Raiffeisen Banking Group ("RBG") which is a leading banking group in Austria. Approximately 494 autonomous local Raiffeisen banks which are organized as cooperatives constitute the "first tier" of RBG. The Raiffeisen banks in each of Austria's provinces hold the shares in the respective regional unit ("Raiffeisen Landesbanken") which constitute the "second tier" of RBG. The Raiffeisen Landesbanken render central services for the Raiffeisen banks within their region and, in addition, operate as autonomous universal banks.

RZB as RBG's "third tier" and central institution is owned by the Raiffeisen Landesbanken who hold together a share of approximately 78.5% of RZB's share capital through holding companies, in particular the "Raiffeisen-Landesbanken-Holding GmbH". In addition, Raiffeisen Landesbanken hold directly or indirectly, among other shareholders, additional shares in RZB. None of the Raiffeisen Landesbanken controls RZB.

RELATED PARTY TRANSACTIONS AND RELATIONSHIPS

Relationship with RZB in General

Due to its indirect majority interest in the Company, RZB has the power to appoint all members of the Supervisory Board, subject to statutory minority rights. The majority of the members of the Supervisory Board are members of RZB's management or hold other positions in RZB. The members of the Supervisory Board are in a position to appoint the Company's entire Management Board, which allows RZB to significantly influence the way the Company manages its business. See "*Description of the Share Capital of the Company and the Articles of Association*". The Company's CRO is at the same time a member of the management board of RZB in order to safeguard the alignment of RBI's risk policies with the policies of the RZB Group in accordance with the requirements of Austrian law (see "*Risk Management*").

Irrespective of any strategic decisions regarding RZB's influence on the Company's management resulting from its majority ownership, Austrian banking law requires RZB to control inter alia risk management, accounting and control processes and the risk strategy for the entire RZB Group which includes RBI.

As a result of both factors, the Company's inclusion as part of the RZB Group and certain legal requirements as established by Austrian corporate and banking laws, RBI has a number of important business relationships with RZB and a variety of companies of the RZB Group as well as entities of the RBG, which are affiliated with RZB, including in particular "Raiffeisen Kapitalanlage-Gesellschaft mit beschränkter Haftung", for which the Company acts as depositary bank and which is also a major counterpart of RBI's asset management subsidiaries and RZB's leasing subsidiary "Raiffeisen-Leasing Gesellschaft m.b.H."

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

Generally, RBI enters into transactions with RZB and certain of its subsidiaries as well as with members of the RBG and their related affiliates on an arm's length basis.

Liquidity reserves and funding

RZB has been and continues to be an important funding source for RBI. As of September 30, 2013, deposits from RZB amounted to EUR 6.5 billion compared to loans and advances to RZB in the amount of EUR 5.6 billion.

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

In addition to its statutory function as central institution of RBG, RZB continues to serve as a central point of contact for business with other RBG members following the Merger and holds short and long term deposits taken from other entities of the RBG. Primarily from sources of the members of RBG, RZB as of December 31, 2012 has held deposits from banks in a total amount of approximately EUR 21.3 billion.

Following the Merger RZB has continued to hold a significant portion of deposits received in its capacity as a central institution of RBG with RBI.

In connection with the Merger, liabilities under notes issued under RZB's EMTN program were transferred from RZB to RBI (together with the banking business that had been funded from these sources), with RZB remaining the main obligor. In order to achieve the economic result of a transfer to RBI as intended in connection with the Merger, RBI issued a guarantee and a subordinated payment undertaking in favor of noteholders and undertook to indemnify RZB for all payments under the notes. Furthermore, in connection with the Merger, the Company undertook to make available to RZB under certain circumstances own funds in an amount equivalent to the outstanding amount of supplementary capital contributions received by RZB in connection with the issuance of hybrid capital issued between 2003 and 2006 and transferred to the Company in the course of the Merger. For more details see "*Operating and financial review—Liquidity and capital resources— Subordinated and participation capital*".

For more details regarding related party transactions, see note 36 to the Consolidated Financial Statements.

Leasing activities

The Company holds an indirect 75% share in Raiffeisen-Leasing International Gesellschaft m.b.H. ("RLI"), with RZB's leasing subsidiary, Raiffeisen-Leasing Gesellschaft m.b.H. ("RL"), indirectly holding the remaining 25%.

The Company also holds an indirect 25% stake in a holding entity, Raiffeisen-Leasing Management GmbH ("RL Management"), which was established in 2011. RZB and Raiffeisen Landesbanken (except for Raiffeisenlandesbank Oberösterreich Aktiengesellschaft) indirectly hold the remaining 25% and 50 % in RL Management, respectively. In addition, the Company holds a 75% interest in RBI Leasing GmbH ("RBI Leasing"), which was established in 2011 and focuses on leasing activities in Austria, with RL Management holding the remaining 25%.

The Company entered into a shareholders' agreement with the other shareholders of RL Management, which provides among others for rights of first refusal in respect of the shares in RL Management and its subsidiaries, including shares in RBI Leasing, and a commitment by the shareholders to grant certain contributions to the respective leasing companies if and to the extent required. RBI's share of such commitment would amount to EUR 144 million.

RLI covers any leasing business and acts as holding entity for the local RLI subsidiaries in the CEE region. RBI Leasing mainly focuses on leasing business in Austria and will further engage in major cross-border leasing projects in alignment with RLI. The Company and RL entered into a shareholders' agreement, which provides among others for rights of first refusal in respect of the shares in RLI Holding Gesellschaft m.b.H. ("RLI Holding"), which holds 100% of the shares in RLI, and veto rights of RL for certain resolutions, such as approval of the annual report and amendments to the articles of association.

Asset management products

The Issuer serves as a mandatory deposit bank for the RBG's Austrian-based investment fund company "Raiffeisen Kapitalanlage-Gesellschaft m.b.H." ("RCM") pursuant § 23 of the Austrian Investment Fund Act. In this capacity, the Company has been mandated to issue and retain investment fund certificates of investment funds managed by RCM, for which it receives customary fees, and holds securities and funds of RCM's investment funds.

The Group Units (Network Banks and RBI's specialized local asset management entities) also sell RCM fund products to their customers. RBI's co-operation with RCM is on a non-exclusive basis and ultimately depends on specific client demand. In the mutual interest of supporting know-how transfer and an understanding for the requirements of the Network Banks on their local markets, managers of RCM have, in general, been appointed to serve (together with RBI's managers) on the supervisory board of RBI's local fund management companies in the CEE region.

Capital adequacy and restriction on capital resources

RBI does not form an independent credit institution group (*Kreditinstitutsgruppe*) as defined by the Banking Act and therefore is not subject to the regulatory provisions on a consolidated basis, but it is part of the RZB credit institution group with RZB as superordinated credit institution. The disclosed consolidated regulatory capital estimates of the Group have been prepared on a voluntary basis and for illustrative purposes only by applying Austrian legal total own funds requirements to the Group; these calculations are based on the assumption that the Issuer is the superordinated credit institution (*übergeordnetes Kreditinstitut*) of the Group. These calculations are however also used for purposes of steering and decisions regarding to asset allocation of the Group.

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

In this context also the Company's commitments undertaken towards RZB as superordinated credit institution in connection with the allocation of certain supplementary capital contributions to RBI in the course of the Merger which had been on-lent from the proceeds of hybrid capital issued by RZB Group prior to the Merger may become relevant (see "*Operating and financial review--Liquidity and capital resources-- Subordinated and participation capital*").

Risk management

Austrian law requires RZB to control risk management for the RZB Group as a whole, including RBI. The Company is required to closely coordinate its risk management activities with RZB and is expected to observe certain credit, market, liquidity, operational and country risk limits and procedures established by RZB for the RZB Group as a whole. For a more complete description of the Group's risk management procedures, see "*Risk Management*".

Tax group

In 2005 a tax group (*steuerliche Unternehmensgruppe*) according to § 9 of the Austrian corporate income tax act ("KStG") headed by RZB as group parent was formed. The Company has been a member of the tax group since 2005. The formation of this tax group (which also includes certain holding companies with participations in e.g. RCB, Uniqa Insurance Group AG, card complete Service Bank AG or Lotto-Toto Holding GmbH) results in the attribution of the taxable results of the RZB Group members to RZB as the RZB Group parent. The basis of assessment for payment of taxes on the tax group as a whole is the aggregated taxable income of all RZB Group members including RZB by taking into account the RZB's tax loss carried forward to the extent allowed by law. Tax losses arising in any of the RZB Group companies can thus effectively be used to shelter taxable profits of other group companies. According to tax allocation agreements with various RZB Group members, the payable tax is allocated to each RZB Group member with a positive tax result only on the basis of its proportionate share of the actual RZB Group's corporation tax payable by RZB as RZB Group parent. For the untaxed portion of the taxable profit of each RZB Group member a "positive" tax contribution of 12.5% is payable to RZB. Each RZB Group member which allocates losses to RZB is entitled to receive a "negative" tax contribution in the amount of 12.5% of its negative result from RZB. Any loss shall be recorded on an internal evidence account of the group member and to the extent later taxable profits of this RZB Group member do not exceed the recorded losses, such member has to pay only a reduced "positive" tax contribution of 12.5% of its profits to RZB, even if its profits cannot be offset against losses within the tax group. A final settlement for remaining tax losses which have not been offset against later profits of the respective RZB Group member must be effected by RZB upon dissolution of the tax group or when a member company leaves the tax group.

Service level agreements

Prior to the Merger, RZB and certain of its subsidiaries provided certain services to Raiffeisen International, including services relating to accounting and auditing, risk management, legal and compliance, global treasury and markets, transaction services and cash management, trade and expert finance, human resources, economic and financial markets research, as well as IT services and facilities management, for which Raiffeisen International paid customary fees. In connection with the Merger the majority of RZB businesses and resources that provided these services were transferred to RBI. Since the Merger, therefore, RBI has been providing most of these services to RZB pursuant to a framework agreement and certain individual specific service level agreements ("SLAs") entered into in connection with the Merger. The framework agreement covers general terms relating to services provided by the Company, including the subject and areas of service, performance of services, reporting and performance evaluation, remuneration and payment conditions, limitation of liability, rights of auditing and instruction term and termination and obligation of secrecy. The individual SLAs are based on standard templates giving a description of services provided by the Company, assessment of resources for the individual services, and quality parameters for the services and review meetings as well as rates and remuneration.

In providing these services, the Company must apply the same care and diligence that it uses in the relevant business areas for its own business. RBI receives customary fees from RZB for rendering these services. The fees may be adjusted from time to time in line with fees charged by RBI for comparable services rendered e.g. to the RBG.

RZB and RBI have also entered into SLAs pursuant to which RZB provide certain services to RBI, for which RBI pays customary fees.

The framework agreement and/or SLAs can be terminated by either party at any time upon six months´ notice before the end of the year.

Staffing interlocks

Some members of the Company's Supervisory Board are managers of RZB or RBG members or hold other positions with entities in the RZB Group (excluding RBI) or with entities of the RBG. In addition, the Company's CRO, Johann Strobl, is also a management board member of RZB in order to implement a consistent risk strategy throughout the RZB Group. For more information on the Company's Supervisory and Management Board members, see "*Management and Corporate Governance*".

Certain persons employed with RZB or RBG have been nominated to the supervisory boards or hold other key positions of various Network Banks or other RBI subsidiaries.

Acquisition of minority shareholdings from RZB and Raiffeisen Landesbanken

In March 2012, RBI acquired from RZB RZB's minority shareholdings in RBI's Network Banks in Slovakia (Tatra banka, a.s.) and the Czech Republic (Raiffeisenbank a.s.) for at arms' length purchase prices. As a result, RBI's stake in Tatra banka, a.s increased from 65.77% to 78.78% of the share capital (and from 74.38% to 89.11% of the voting rights), and the stake in Raiffeisenbank a.s. increased from 51% to 75%.

In December 2012, RBI – via holding companies – acquired minority shareholdings in Raiffeisen Bank Zrt., Hungary, from Raiffeisenlandesbank Burgenland und Revisionsverband, registrierte Genossenschaft mit beschränkter Haftung, Raiffeisen-Landesbank Steiermark AG, Raiffeisenlandesbank Oberösterreich Aktiengesellschaft and RAIFFEISENLANDESBANK

NIEDERÖSTERREICH-WIEN AG or respective holding companies. As a result, RBI's stake in Raiffeisen Bank Zrt. increased from 70.31% to 100%.

In addition, RBI acquired the minority shareholdings in Raiffeisen Banka d.d., Slovenia from Raiffeisen-Landesbank Steiermark AG in 2013 and – via its holding companies – from Raiffeisenlandesbank Burgenland und Revisionsverband, registrierte Genossenschaft mit beschränkter Haftung in 2012. As a result, RBI's stake in Raiffeisen Banka d.d. increased from 89.38% to 99.299%. Additionally, in May 2012 RBI – via its holding companies – acquired the minority shareholding in Raiffeisen Bank d.d. Bosna i Hercegovina from Raiffeisen-Landesbank Steiermark AG and increased its stake in Raiffeisen Bank d.d. Bosna i Hercegovina from 96.99% to 99.99%. Further, RBI - via its holding companies - acquired the minority shareholdings in Raiffeisenbank Austria d.d., Croatia from a holding company owned by Raiffeisen-Landesbank Steiermark AG, Raiffeisenlandesbank Oberösterreich Aktiengesellschaft and Raiffeisenverband Salzburg, registrierte Genossenschaft mit beschränkter Haftung in July 2013 and increased its stake in Raiffeisenbank Austria d.d. from 75% to 100%.

Marketing and licensing agreements

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

In addition, the name Raiffeisen and the traditional "*Giebelkreuz*" logo, which forms also part of the Raiffeisen Bank International logo, have been registered as trademarks by the *Österreichischer Raiffeisenverband* ("ÖRV"). RBI and certain members of the RBG are members of ÖRV. The Company may use these trademarks also by virtue of its membership in the ÖRV. The use of these trademarks by any member outside Austria as a part of a company name or logo requires approval by a simple majority of the ÖRV's corporate body. Furthermore, the use of the Raiffeisen name and "*Giebelkreuz*" logo in relation to banking or financial products and services by any other member of the RBG outside Austria requires prior agreement with RZB.

Certain of RBI's subsidiaries have concluded individual trademark license agreements with ÖRV. These subsidiaries include: Raiffeisenbank (Bulgaria) EAD; Raiffeisenbank Austria d.d., Croatia; Raiffeisen-Centrobank S.A. (now: Raiffeisen Bank Polska S.A.), Poland; ZAO Raiffeisenbank, Russia; Raiffeisenbank a.s., Czech Republic and Unicbank Rt. (now: Raiffeisen Bank Zrt.), Hungary. Each of these agreements may be terminated if RBI ceases to be a member of RBG, or, together with other members of RBG, ceases to hold at least 50% of the respective Network Bank's equity. Some of these license agreements have recently expired and are expected to be replaced by new licenses consistent in accordance with group-wide policies aligned with RBI's main shareholder RZB.

Furthermore, the Company benefits from the Raiffeisen publicity centrally organized by RZB and contributes to the marketing budget of RGB's Austrian promotion activities.

Shareholders' agreement (*Syndikatsvertrag*) with respect to Raiffeisenbank a.s., Czech Republic

With respect to the participations in Raiffeisenbank a.s., Czech Republic, RBI has entered into a shareholders agreement with Raiffeisenlandesbank Oberösterreich Aktiengesellschaft, which indirectly holds a 25 % stake in the Network Bank.

The agreement allows for Raiffeisenlandesbank Oberösterreich Aktiengesellschaft to nominate one member of the supervisory board of the Network Bank. RBI has retained the power to appoint the majority of the members of the supervisory board of Raiffeisenbank a.s., Czech Republic.

In addition, the shareholders' agreement contains limitations on the disposal of shares. Each party generally has a right of first refusal in the event of a transfer of shares by the other party, except where shares are transferred to a subsidiary of the respective shareholder, provided the subsidiary agrees to adhere to the provisions of the shareholders' agreement. RBI has agreed with Raiffeisenlandesbank Oberösterreich Aktiengesellschaft that as a part of its general duty of loyalty as shareholder it will not undertake any actions that could be detrimental to the economic success of the Network Bank.

The shareholders' agreement with respect to Raiffeisenbank a.s., Czech Republic is presently in effect until the end of 2018 and thereafter be automatically extended for five years, unless it is terminated with a notice period of one year. In the event that RZB ceases to hold a majority of the equity in RBI, the shareholders' agreement shall be terminated automatically.

Raiffeisen Bank International's business premises

A major part of the Company's business premises in Vienna is leased on an arm's length basis from "RALT Raiffeisen-Leasing Gesellschaft m.b.H. & Co KG", a subsidiary of RZB.

FINANCIAL INFORMATION, CERTAIN RATIOS AND OTHER FINANCIAL MEASURES BY COUNTRY

The tables below present certain selected financial data for each of the countries (other than Austria) in which the Group operates. The data presented below are derived from the Group's accounting records. These data are regularly collected in connection with the Group's financial reporting and management information systems. Unless stated otherwise, the financial information, financial ratios and other financial measures presented by country in the tables of this section are own calculations based on internal data.

Czech Republic

	As of and for the nine months ended September 30,		As of and for the year ended December 31,		
	2013	2012	2012	2011	2010
	(in EUR million) (except percentages)				
	(unaudited)		(unaudited)		
Total assets	8,274	9,054	8,938	8,789	7,908
Loans and advances to customers	6,289	6,368	6,380	6,538	6,483
Hereof corporate	43.4%	43.6%	44.0%	42.3%	42.3%
Hereof retail	56.2%	56.2%	55.8%	57.6%	57.4%
Hereof foreign currency	9.4%	6.8%	7.1%	6.9%	7.1%
Deposits from customers	5,804	6,317	6,319	6,039	5,035
Operating income	292	298	395	422	392
Net interest income	177	197	257	278	281
Net fee and commission income	96	92	125	127	110
Net trading income	10	5	5	7	(3)
Other net operating income	9	5	8	10	3
Net provisioning for impairment losses	(26)	(35)	(75)	(79)	(94)
General administrative expenses	(182)	(168)	(237)	(237)	(205)
Other results	(3)	14	16	11	(5)
Profit before tax	82	109	99	117	89
Profit after tax	65	85	78	91	69
Return on equity before tax	15.9%	23.9%	16.3%	20.8%	19.0%
Return on equity after tax	12.6%	18.6%	12.8%	16.2%	14.7%
Net interest margin (avg. interest bearing assets)	3.03%	3.20%	3.14%	3.40%	n.a.
Loan/deposit ratio	108.3%	100.8%	101.0%	108.2%	128.8%
Cost/income ratio	62.2%	56.5%	60.0%	56.1%	52.2%
Business outlets	130	132	132	129	112
Number of employees	2.832	3.044	3,066	3,012	2,894
Number of customers	483,302	487,292	486,261	470,666	423,371
Provisioning ratio (avg. loans and advances to customers)	0.55%	0.73%	1.16%	1.39%	1.53%
NPL ratio	6.6%	6.6%	6.8%	6.8%	n.a.
NPL coverage ratio	62.7%	59.2%	60.2%	60.4%	n.a.

Hungary

	As of and for the nine months ended September 30,		As of and for the year ended December 31,		
	2013	2012	2012	2011	2010
	(in EUR million) (except percentages)				
	(unaudited)		(unaudited)		
Total assets	6,270	7,401	7,155	7,320	8,534
Loans and advances to customers	5,161	5,434	5,231	5,564	6,279
Hereof corporate	53.0%	56.0%	55.8%	53.2%	51.6%
Hereof retail	36.0%	38.6%	37.9%	42.5%	45.1%
Hereof foreign currency	61.7%	62.2%	63.3%	75.9%	72.5%
Deposits from customers	4,082	4,984	4,927	4,578	4,785
Operating income	185	182	243	384	449
Net interest income	149	177	239	298	340
Net fee and commission income	84	57	77	90	99
Net trading income	(16)	(45)	(62)	38	24
Other net operating income	(32)	(8)	(12)	(42)	(15)
Net provisioning for impairment losses	(97)	(147)	(241)	(478)	(196)
General administrative expenses	(137)	(145)	(197)	(217)	(231)
Other results	(29)	17	34	(64)	(50)

	As of and for the nine months ended September 30,		As of and for the year ended December 31,		
	2013	2012	2012	2011	2010
			(in EUR million) (except percentages)		
	(unaudited)		(unaudited)		
Profit before tax	(78)	(93)	(162)	(375)	(28)
Profit after tax	(81)	(97)	(174)	(355)	(20)
Return on equity before tax	–	–	–	–	–
Return on equity after tax	–	–	–	–	–
Net interest margin (avg. interest bearing assets)	3.15%	3.36%	3.43%	3.87%	n.a.
Loan/deposit ratio	126.4%	109.9%	106.2%	121.5%	131.2%
Cost/income ratio	73.7%	79.4%	81.4%	56.5%	51.6%
Business outlets	124	125	125	134	144
Number of employees	2,715	2,904	2,865	2,977	3,244
Number of customers	604,565	631,653	622,990	643,257	640,806
Provisioning ratio (avg. loans and advances to customers)	2.50%	3.57%	4.47%	6.95%	3.07%
NPL ratio	29.1%	27.7%	28.1%	22.7%	n.a.
NPL coverage ratio	60.9%	57.9%	61.1%	61.7%	n.a.

Slovakia

	As of and for the nine months ended September 30,		As of and for the year ended December 31,		
	2013	2012	2012	2011	2010
			(in EUR million) (except percentages)		
	(unaudited)		(unaudited)		
Total assets	9,769	9,794	9,667	9,682	8,972
Loans and advances to customers	6,911	6,652	6,645	6,636	6,011
Hereof corporate	47.3%	49.5%	49.3%	52.0%	53.3%
Hereof retail	52.5%	50.3%	50.5%	47.8%	46.4%
Hereof foreign currency	0.6%	0.7%	0.9%	0.9%	1.6%
Deposits from customers	7,321	7,213	7,233	7,207	6,816
Operating income	352	328	452	456	406
Net interest income	229	217	291	304	280
Net fee and commission income	100	96	132	129	126
Net trading income	3	6	6	(1)	(2)
Other net operating income	19	8	22	25	3
Net provisioning for impairment losses	(29)	(24)	(41)	(17)	(49)
General administrative expenses	(183)	(178)	(250)	(251)	(237)
Other results	(33)	(16)	(27)	(4)	2
Profit before tax	106	109	134	185	122
Profit after tax	83	84	106	149	93
Return on equity before tax	14.9%	15.5%	14.2%	21.0%	16.7%
Return on equity after tax	11.7%	11.9%	11.2%	16.9%	12.6%
Net interest margin (avg. interest bearing assets)	3.37%	3.15%	3.18%	3.50%	n.a.
Loan/deposit ratio	94.4%	92.2%	91.9%	92.1%	88.2%
Cost/income ratio	52.2%	54.2%	55.3%	55.0%	58.3%
Business outlets	163	152	163	156	159
Number of employees	3,844	3,823	3,827	3,805	3,693
Number of customers	889,023	830,408	840,728	788,215	735,722
Provisioning ratio (avg. loans and advances to customers)	0.58%	0.49%	0.61%	0.26%	0.83%
NPL ratio	5.4%	5.2%	5.1%	5.1%	n.a.
NPL coverage ratio	62.7%	60.0%	64.2%	61.6%	n.a.

Slovenia

	As of and for the nine months ended September 30,		As of and for the year ended December 31,		
	2013	2012	2012	2011	2010
			(in EUR million) (except percentages)		
	(unaudited)		(unaudited)		
Total assets	1,339	1,651	1,612	1,732	1,611
Loans and advances to customers	1,097	1,275	1,225	1,303	1,317
Hereof corporate	61.1%	62.5%	62.4%	61.7%	69.1%
Hereof retail	31.8%	31.3%	31.2%	32.1%	30.0%

	As of and for the nine months ended September 30,		As of and for the year ended December 31,		
	2013	2012	2012	2011	2010
	(in EUR million) (except percentages)				
	(unaudited)		(unaudited)		
Hereof foreign currency	4.3%	5.0%	4.9%	6.9%	9.5%
Deposits from customers	397	489	495	464	447
Operating income	21	25	34	39	39
Net interest income	15	18	25	31	31
Net fee and commission income	6	6	8	8	6
Net trading income	1	0	1	0	(1)
Other net operating income	0	0	0	0	2
Net provisioning for impairment losses	(34)	(9)	(34)	(15)	(9)
General administrative expenses	(16)	(18)	(24)	(26)	(27)
Other results	(1)	0	0	(4)	0
Profit before tax	(29)	(3)	(24)	(6)	4
Profit after tax	(29)	(2)	(25)	(6)	3
Return on equity before tax	–	–	–	–	4.6%
Return on equity after tax	–	–	–	–	3.3%
Net interest margin (avg. interest bearing assets)	1.45%	1.56%	1.57%	1.93%	n.a.
Loan/deposit ratio	276.1%	260.4%	247.6%	281.0%	294.7%
Cost/income ratio	75.2%	73.0%	72.0%	66.6%	68.3%
Business outlets	17	17	17	17	17
Number of employees	253	321	310	323	352
Number of customers	65,719	67,914	68,593	67,526	66,899
Provisioning ratio (avg. loans and advances to customers)	3.86%	0.93%	2.67%	1.50%	0.69%
NPL ratio	20.3%	10.5%	14.7%	6.7%	n.a.
NPL coverage ratio	50.1%	41.9%	43.5%	56.0%	n.a.

Poland

	As of and for the nine months ended September 30,		As of and for the year ended December 31,		
	2013	2012	2012	2011	2010
	(in EUR million) (except percentages)				
	(unaudited)		(unaudited)		
Total assets	12,708	13,711	13,428	7,368	6,928
Loans and advances to customers	9,832	10,561	10,451	5,340	5,127
Hereof corporate	33.0%	32.3%	32.3%	61.8%	57.2%
Hereof retail	66.8%	67.6%	67.6%	37.6%	41.9%
Hereof foreign currency	55.6%	54.0%	54.0%	39.8%	36.2%
Deposits from customers	7,053	7,920	7,901	4,356	3,896
Operating income	387	321	460	378	327
Net interest income	233	186	269	191	178
Net fee and commission income	123	112	154	138	132
Net trading income	8	19	19	32	23
Other net operating income	23	4	17	16	(6)
Net provisioning for impairment losses	(74)	(77)	(127)	(58)	(61)
General administrative expenses	(266)	(215)	(329)	(209)	(184)
Other results	(2)	0	2	0	0
Profit before tax	45	30	6	112	82
Profit after tax	35	22	1	88	60
Return on equity before tax	4.2%	3.7%	0.6%	15.8%	12.6%
Return on equity after tax	3.2%	2.7%	0.1%	12.4%	9.2%
Net interest margin (avg. interest bearing assets)	2.52%	2.46%	2.53%	2.89%	n.a.
Loan/deposit ratio	139.4%	133.3%	132.3%	122.6%	131.6%
Cost/income ratio	68.7%	66.9%	71.6%	55.2%	56.2%
Business outlets	371	422	416	116	123
Number of employees	6,124	6,471	6,656	3,169	3,071
Number of customers	806,789	891,009	871,102	246,586	242,781
Provisioning ratio (avg. loans and advances to customers)	0.97%	1.29%	1.61%	0.25%	1.23%
NPL ratio	10.3%	9.2%	9.8%	6.4%	n.a.
NPL coverage ratio	71.6%	72.2%	73.4%	58.0%	n.a.

Albania

	As of and for the nine months ended September 30,		As of and for the year ended December 31,		
	2013	2012	2012	2011	2010
	(in EUR million) (except percentages)				
	(unaudited)		(unaudited)		
Total assets	2,161	2,361	2,289	2,330	2,009
Loans and advances to customers	899	968	974	972	776
Hereof corporate	69.4%	67.9%	68.7%	65.6%	62.6%
Hereof retail	30.6%	32.1%	31.3%	34.4%	37.4%
Hereof foreign currency	65.5%	67.8%	64.6%	57.6%	63.5%
Deposits from customers	1,856	2,116	2,037	2,005	1,704
Operating income	81	78	103	108	110
Net interest income	57	59	77	87	87
Net fee and commission income	7	6	8	8	8
Net trading income	16	14	19	14	15
Other net operating income	1	0	(1)	(1)	0
Net provisioning for impairment losses	(18)	(12)	(20)	(14)	(31)
General administrative expenses	(30)	(29)	(42)	(39)	(35)
Other results	0	0	0	0	0
Profit before tax	33	36	41	55	43
Profit after tax	30	32	37	49	39
Return on equity before tax	23.6%	27.0%	22.7%	29.6%	27.4%
Return on equity after tax	21.1%	24.1%	20.8%	26.4%	24.5%
Net interest margin (avg. interest bearing assets)	4.08%	3.94%	3.91%	4.83%	n.a.
Loan/deposit ratio	48.4%	45.7%	47.8%	48.5%	45.5%
Cost/income ratio	37.1%	37.6%	40.9%	35.8%	32.3%
Business outlets	105	105	105	105	105
Number of employees	1,389	1,419	1,388	1,427	1,343
Number of customers	724,770	698,367	712,875	692,142	635,145
Provisioning ratio (avg. loans and advances to customers)	2.54%	1.68%	2.08%	0.81%	4.25%
NPL ratio	14.6%	11.6%	11.6%	11.1%	n.a.
NPL coverage ratio	58,9%	74,5%	72.3%	72.5%	n.a.

Bosnia & Herzegovina

	As of and for the nine months ended September 30,		As of and for the year ended December 31,		
	2013	2012	2012	2011	2010
	(in EUR million) (except percentages)				
	(unaudited)		(unaudited)		
Total assets	2,013	1,990	1,983	2,170	2,052
Loans and advances to customers	1,258	1,307	1,259	1,358	1,350
Hereof corporate	37.1%	41.7%	39.5%	42.8%	42.4%
Hereof retail	62.1%	57.6%	59.8%	56.2%	55.8%
Hereof foreign currency	74.6%	74.7%	73.5%	74.2%	75.5%
Deposits from customers	1,556	1,521	1,526	1,660	1,516
Operating income	82	79	105	115	104
Net interest income	55	54	72	78	74
Net fee and commission income	23	23	31	32	30
Net trading income	2	1	1	1	1
Other net operating income	2	0	0	4	0
Net provisioning for impairment losses	(7)	(15)	(21)	(20)	(28)
General administrative expenses	(46)	(45)	(63)	(66)	(67)
Other results	(1)	2	2	(2)	(1)
Profit before tax	29	20	23	27	9
Profit after tax	26	18	19	23	7
Return on equity before tax	16.0%	11.0%	9.6%	11.1%	3.8%
Return on equity after tax	14.3%	9.8%	8.1%	9.5%	3.1%
Net interest margin (avg. interest bearing assets)	3.90%	3.70%	3.72%	3.86%	n.a.
Loan/deposit ratio	80.9%	85.9%	82.5%	81.8%	89.1%
Cost/income ratio	55.7%	57.4%	60.1%	57.7%	64.1%
Business outlets	98	98	98	98	98
Number of employees	1,504	1,558	1,561	1,569	1,640
Number of customers	496,807	489,483	496,107	591,507	638,528
Provisioning ratio (avg. loans and advances to customers)	0.75%	1.52%	1.57%	0.98%	2.03%
NPL ratio	11.4%	12.7%	10.7%	9.4%	n.a.
NPL coverage ratio	54,6%	47,7%	55.6%	54.4%	n.a.

Bulgaria

	As of and for the nine months ended September 30,		As of and for the year ended December 31,		
	2013	2012	2012	2011	2010
			(in EUR million) (except percentages)		
	(unaudited)		(unaudited)		
Total assets	3,409	3,581	3,486	3,681	3,790
Loans and advances to customers	2,629	2,893	2,883	2,974	2,816
Hereof corporate	44.4%	45.5%	45.9%	44.2%	41.6%
Hereof retail	55.1%	53.9%	53.5%	55.3%	57.9%
Hereof foreign currency	71.6%	75.6%	75.0%	78.3%	78.6%
Deposits from customers	2,157	2,227	2,156	2,171	2,056
Operating income	128	134	178	213	229
Net interest income	98	103	136	168	188
Net fee and commission income	28	28	37	37	35
Net trading income	2	4	5	7	7
Other net operating income	0	0	(1)	1	(1)
Net provisioning for impairment losses	(53)	(51)	(76)	(79)	(98)
General administrative expenses	(68)	(69)	(93)	(98)	(96)
Other results	(1)	0	1	0	1
Profit before tax	6	14	11	37	35
Profit after tax	6	13	10	34	32
Return on equity before tax	1.7%	3.9%	2.2%	7.5%	7.7%
Return on equity after tax	1.7%	3.7%	2.1%	6.9%	7.1%
Net interest margin (avg. interest bearing assets)	3.95%	3.90%	3.92%	4.75%	n.a.
Loan/deposit ratio	121.9%	129.9%	133.7%	137.0%	137.0%
Cost/income ratio	52.8%	51.3%	52.1%	45.9%	42.2%
Business outlets	178	184	183	187	190
Number of employees	3,029	3,136	3,119	3,271	3,241
Number of customers	738,588	786,863	791,751	775,580	736,622
Provisioning ratio (avg. loans and advances to customers)	2.59%	2.33%	2.58%	2.97%	3.40%
NPL ratio	20.0%	18.0%	18.2%	16.1%	n.a.
NPL coverage ratio	51.2%	47.7%	50.5%	48.5%	n.a.

Croatia

	As of and for the nine months ended September 30,		As of and for the year ended December 31,		
	2013	2012	2012	2011	2010
			(in EUR million) (except percentages)		
	(unaudited)		(unaudited)		
Total assets	4,948	5,293	5,097	5,465	5,858
Loans and advances to customers	3,468	3,694	3,525	3,830	3,814
Hereof corporate	41.5%	41.2%	39.7%	39.9%	38.1%
Hereof retail	49.0%	48.2%	49.4%	48.6%	50.2%
Hereof foreign currency	60.9%	64.3%	61.2%	67.4%	72.2%
Deposits from customers	3,012	3,159	3,040	3,121	3,102
Operating income	180	198	255	268	294
Net interest income	112	114	152	175	174
Net fee and commission income	43	43	57	66	72
Net trading income	7	18	18	1	21
Other net operating income	19	23	28	26	27
Net provisioning for impairment losses	(48)	(34)	(52)	(52)	(68)
General administrative expenses	(98)	(104)	(137)	(151)	(157)
Other results	2	(6)	(10)	(13)	(6)
Profit before tax	37	54	56	52	63
Profit after tax	29	44	45	42	50
Return on equity before tax	6.9%	9.5%	7.7%	6.6%	8.3%
Return on equity after tax	5.5%	7.7%	6.2%	5.3%	6.6%
Net interest margin (avg. interest bearing assets)	3.43%	3.13%	3.18%	3.62%	n.a.
Loan/deposit ratio	115.9%	116.6%	116.0%	122.7%	123.0%
Cost/income ratio	54.2%	52.6%	53.5%	56.3%	53.4%
Business outlets	76	79	79	81	84
Number of employees	2,040	2,056	2,066	2,083	2,216
Number of customers	474,668	482,265	479,399	538,817	544,239
Provisioning ratio (avg. loans and advances to customers)	1.82%	1.21%	1.41%	1.03%	1.80%
NPL ratio	13.8%	11.9%	12.2%	10.3%	n.a.
NPL coverage ratio	64.4%	56.2%	61.9%	54.4%	n.a.

Kosovo

	As of and for the nine months ended September 30,		As of and for the year ended December 31,		
	2013	2012	2012	2011	2010
	(in EUR million) (except percentages)				
	(unaudited)		(unaudited)		
Total assets	654	649	629	680	673
Loans and advances to customers	454	427	428	428	386
Hereof corporate	39.4%	36.2%	37.7%	33.8%	29.9%
Hereof retail	60.6%	63.8%	62.3%	66.2%	70.1%
Hereof foreign currency	0.0%	0.0%	0.0%	0.0%	0.0%
Deposits from customers	515	524	514	557	550
Operating income	35	35	46	47	42
Net interest income	29	29	38	39	35
Net fee and commission income	6	6	8	8	7
Net trading income	0	0	0	0	0
Other net operating income	0	0	0	0	0
Net provisioning for impairment losses	(3)	(4)	(5)	(6)	(6)
General administrative expenses	(18)	(19)	(27)	(26)	(24)
Other results	0	0	0	(1)	0
Profit before tax	14	12	15	14	12
Profit after tax	13	10	13	13	10
Return on equity before tax	20.9%	17.9%	16.8%	15.7%	15.1%
Return on equity after tax	18.7%	15.9%	14.9%	14.1%	13.2%
Net interest margin (avg. interest bearing assets)	6.20%	6.03%	5.96%	5.75%	n.a.
Loan/deposit ratio	88.0%	81.4%	83.3%	76.9%	70.2%
Cost/income ratio	51.8%	55.5%	57.9%	56.4%	57.8%
Business outlets	51	54	52	54	52
Number of employees	701	697	688	720	693
Number of customers	246,190	269,087	273,486	252,343	266,122
Provisioning ratio (avg. loans and advances to customers)	1.03%	1.28%	1.10%	0.56%	1.52%
NPL ratio	8.8%	8.5%	8.1%	9.2%	n.a.
NPL coverage ratio	60.7%	74.1%	77.0%	68.7%	n.a.

Romania

	As of and for the nine months ended September 30,		As of and for the year ended December 31,		
	2013	2012	2012	2011	2010
	(in EUR million) (except percentages)				
	(unaudited)		(unaudited)		
Total assets	6,315	6,090	5,982	6,359	6,227
Loans and advances to customers	4,396	4,217	4,226	4,428	4,247
Hereof corporate	34.1%	35.3%	35.3%	37.1%	34.2%
Hereof retail	62.7%	62.0%	61.9%	60.8%	60.2%
Hereof foreign currency	52.5%	56.9%	51.8%	52.1%	52.1%
Deposits from customers	4,144	3,813	3,781	3,904	3,631
Operating income	343	346	458	469	453
Net interest income	212	229	303	268	238
Net fee and commission income	118	109	143	179	202
Net trading income	11	7	9	15	13
Other net operating income	3	1	3	6	0
Net provisioning for impairment losses	(75)	(74)	(99)	(68)	(72)
General administrative expenses	(200)	(194)	(263)	(286)	(276)
Other results	14	6	6	(1)	12
Profit before tax	81	84	101	113	116
Profit after tax	81	72	86	94	101
Return on equity before tax	20.1%	23.4%	20.5%	23.1%	28.2%
Return on equity after tax	19.8%	20.1%	17.5%	19.3%	24.5%
Net interest margin (avg. interest bearing assets)	4.65%	5.08%	5.08%	4.51%	n.a.
Loan/deposit ratio	106.1%	110.6%	111.8%	113.4%	116.9%
Cost/income ratio	58.2%	55.9%	57.6%	61.1%	61.0%
Business outlets	529	530	527	551	543
Number of employees	5.383	5.660	5,486	6,030	6,219
Number of customers	2,009,889	1,995,123	1,974,315	1,913,601	1,903,304
Provisioning ratio (avg. loans and advances to	2.33%	2.29%	2.29%	1.42%	1.72%

	As of and for the nine months ended September 30,		As of and for the year ended December 31,		
	2013	2012	2012	2011	2010
			(in EUR million) (except percentages)		
	(unaudited)		(unaudited)		
customers)					
NPL ratio	10.8%	10.3%	9.9%	9.3%	n.a.
NPL coverage ratio	70.5%	72.4%	69.5%	70.6%	n.a.

Serbia

	As of and for the nine months ended September 30,		As of and for the year ended December 31,		
	2013	2012	2012	2011	2010
			(in EUR million) (except percentages)		
	(unaudited)		(unaudited)		
Total assets	1,862	1,975	1,883	2,207	2,129
Loans and advances to customers	1,167	1,280	1,204	1,331	1,391
Hereof corporate	49.3%	55.9%	53.1%	53.8%	55.5%
Hereof retail	48.1%	41.2%	44.4%	43.1%	41.6%
Hereof foreign currency	67.0%	67.7%	66.6%	66.2%	65.3%
Deposits from customers	1,119	1,165	1,139	1,176	1,085
Operating income	114	96	132	147	141
Net interest income	83	66	91	104	103
Net fee and commission income	27	26	35	35	33
Net trading income	2	0	1	3	0
Other net operating income	2	4	5	4	4
Net provisioning for impairment losses	(14)	(9)	(15)	(18)	(32)
General administrative expenses	(56)	(57)	(78)	(81)	(82)
Other results	1	11	13	6	1
Profit before tax	45	41	51	54	27
Profit after tax	39	38	47	50	26
Return on equity before tax	13.3%	11.7%	10.8%	11.0%	5.9%
Return on equity after tax	11.6%	10.8%	10.0%	10.2%	5.6%
Net interest margin (avg. interest bearing assets)	6.21%	4.58%	4.77%	5.10%	n.a.
Loan/deposit ratio	104.3%	109.8%	105.7%	113.1%	128.3%
Cost/income ratio	49.0%	59.2%	59.5%	54.9%	58.3%
Business outlets	84	85	85	85	95
Number of employees	1,666	1,776	1,769	1,765	1,848
Number of customers	586,174	526,210	550,790	508,503	501,553
Provisioning ratio (avg. loans and advances to customers)	1.58%	0.90%	1.20%	0.77%	2.31%
NPL ratio	13.5%	11.2%	12.5%	12.6%	n.a.
NPL coverage ratio	77.2%	75.6%	75.9%	60.0%	n.a.

Russia

	As of and for the nine months ended September 30,		As of and for the year ended December 31,		
	2013	2012	2012	2011	2010
			(in EUR million) (except percentages)		
	(unaudited)		(unaudited)		
Total assets	15,796	15,443	15,635	14,476	12,442
Loans and advances to customers	10,173	9,113	9,669	9,073	7,601
Hereof corporate	57.0%	64.5%	64.1%	70.2%	72.5%
Hereof retail	43.0%	35.5%	35.9%	29.7%	26.9%
Hereof foreign currency	34.3%	47.4%	44.2%	48.5%	44.7%
Deposits from customers	10,329	10,088	9,609	9,320	6,764
Operating income	894	834	1.098	852	770
Net interest income	542	551	749	590	507
Net fee and commission income	231	211	285	238	214
Net trading income	121	65	69	38	74
Other net operating income	0	8	(5)	(14)	(26)
Net provisioning for impairment losses	(19)	13	16	42	(77)
General administrative expenses	(392)	(360)	(511)	(488)	(415)
Other results	24	(2)	(5)	27	(11)
Profit before tax	507	485	599	434	267

	As of and for the nine months ended September 30,		As of and for the year ended December 31,		
	2013	2012	2012	2011	2010
	(in EUR million) (except percentages)				
	(unaudited)		(unaudited)		
Profit after tax	382	383	473	322	214
Return on equity before tax	34.1%	34.5%	31.9%	36.9%	16.8%
Return on equity after tax	25.8%	27.2%	25.2%	27.3%	13.4%
Net interest margin (avg. interest bearing assets)	4.81%	5.23%	5.29%	5.18%	n.a.
Loan/deposit ratio	98.5%	90.3%	100.6%	97.3%	112.4%
Cost/income ratio	43.8%	43.2%	46.5%	57.2%	53.9%
Business outlets	192	193	186	191	198
Number of employees	8,572	8,018	8,155	8,475	8,618
Number of customers	2,523,700	2,216,261	2,288,175	2,135,551	1,860,036
Provisioning ratio (avg. loans and advances to customers)	0.26%	(0.19)%	(0.17)%	(0.43)%	1.10%
NPL ratio	4.4%	5.8%	5.0%	5.8%	n.a.
NPL coverage ratio	101.9%	97.1%	100.0%	100.2%	n.a.

Belarus

	As of and for the nine months ended September 30,		As of and for the year ended December 31,		
	2013	2012	2012	2011	2010
	(in EUR million) (except percentages)				
	(unaudited)		(unaudited)		
Total assets	1,450	1,331	1,355	1,223	1,512
Loans and advances to customers	1,013	789	869	772	1.096
Hereof corporate	73.9%	72.4%	73.8%	72.2%	53.4%
Hereof retail	26.1%	27.6%	26.2%	27.8%	46.6%
Hereof foreign currency	70.6%	73.4%	70.9%	66.1%	51.1%
Deposits from customers	857	850	872	668	854
Operating income	109	82	95	105	149
Net interest income	65	50	65	68	85
Net fee and commission income	47	44	60	45	56
Net trading income	(1)	(10)	(26)	(6)	8
Other net operating income	(1)	(1)	(3)	(1)	(1)
Net provisioning for impairment losses	0	(2)	18	(18)	(13)
General administrative expenses	(55)	(48)	(67)	(54)	(65)
Other results	0	0	0	0	0
Profit before tax	54	32	46	33	71
Profit after tax	43	20	26	6	51
Return on equity before tax	37.1%	24.1%	25.8%	16.6%	44.9%
Return on equity after tax	29.2%	14.7%	14.4%	2.8%	31.9%
Net interest margin (avg. interest bearing assets)	6.56%	5.64%	5.46%	5.17%	n.a.
Loan/deposit ratio	118.2%	92.8%	99.6%	115.6%	128.3%
Cost/income ratio	49.9%	58.6%	70.9%	51.4%	43.9%
Business outlets	100	100	100	101	96
Number of employees	2,228	2,168	2,190	2,210	2,223
Number of customers	707,229	685,846	691,925	790,811	833,239
Provisioning ratio (avg. loans and advances to customers)	0.06%	0.33%	(2.24)%	1.37%	1.24%
NPL ratio	0.7%	1.5%	1.1%	2.0%	n.a.
NPL coverage ratio	500.2%	470.4%	363.6%	341.0%	n.a.

Ukraine

	As of and for the nine months ended September 30,		As of and for the year ended December 31,		
	2013	2012	2012	2011	2010
	(in EUR million) (except percentages)				
	(unaudited)		(unaudited)		
Total assets	4,495	4,978	4,922	5,467	5,544
Loans and advances to customers	3,619	3,932	3,715	4,248	4,148
Hereof corporate	54.0%	51.4%	52.0%	51.3%	45.9%
Hereof retail	46.0%	48.6%	48.0%	48.7%	54.1%
Hereof foreign currency	48.0%	53.5%	51.6%	56.8%	65.6%

	As of and for the nine months ended September 30,		As of and for the year ended December 31,		
	2013	2012	2012	2011	2010
	(in EUR million) (except percentages)				
	(unaudited)		(unaudited)		
Deposits from customers	2,652	2,607	2,646	2,631	2,555
Operating income	356	378	505	475	468
Net interest income	241	266	350	343	333
Net fee and commission income	109	109	150	131	127
Net trading income	9	5	7	6	15
Other net operating income	(3)	(1)	(2)	(5)	(7)
Net provisioning for impairment losses	(95)	(73)	(107)	(108)	(200)
General administrative expenses	(213)	(230)	(316)	(281)	(280)
Other results	44	(27)	(22)	(15)	27
Profit before tax	91	48	60	70	14
Profit after tax	72	34	33	47	28
Return on equity before tax	15.3%	7.8%	7.5%	9.3%	1.7%
Return on equity after tax	12.0%	5.5%	4.1%	6.2%	3.4%
Net interest margin (avg. interest bearing assets)	7.51%	7.62%	7.58%	7.22%	n.a.
Loan/deposit ratio	136.5%	150.8%	140.4%	161.5%	162.3%
Cost/income ratio	59.9%	60.7%	62.6%	59.2%	60.0%
Business outlets	818	826	825	909	931
Number of employees	13,324	14,493	13,849	15,267	15,432
Number of customers	3,084,830	3,033,169	3,029,424	3,380,743	3,902,438
Provisioning ratio (avg. loans and advances to customers)	3.44%	2.39%	2.68%	2.20%	4.69%
NPL ratio	32.6%	37.4%	34.7%	34.8%	n.a.
NPL coverage ratio	70.2%	65.5%	68.4%	65.7%	n.a.

SELECTED STATISTICAL INFORMATION

The statistical data presented below are derived from the Group's consolidated financial information and from its statistical and accounting records. These data are regularly collected in connection with the Group's financial reporting and management information systems. Unless stated otherwise, statistical information presented in the tables of this section are own calculations based on internal data.

Average balances and interest rates

The following table sets forth the average balances of the Group's assets and liabilities for the nine months ended September 30, 2013 and for the years ended December 31, 2012, 2011 and 2010 and provides the amount of interest income or expense relating to interest-bearing assets and liabilities, respectively, as well as the average annual interest rates. For purposes of the following table, averages are calculated on the basis of monthly closing balances throughout the relevant period.

Average balances and interest rates

	For the nine months ended September 30,			**For the financial year ended December 31,**								
	2013			**2012**			**2011**			**2010**		
	Average Balance	**Interest Income/ Expense**	**Average Rate p.a.**	**Average Balance**	**Interest Income/ Expense**	**Average Rate p.a.**	**Average Balance**	**Interest Income/ Expense**	**Average Rate p.a.**	**Average Balance**	**Interest Income/ Expense**	**Average Rate p.a.**
	(in EUR million)		**(in %)**	**(in EUR million)**		**(in %)**	**(in EUR million)**		**(in %)**	**(in EUR million)**		**(in %)**
	(unaudited)											
Assets												
Loans and advances to banks	21,099	197	1.2	24,635	372	1.5	25,939	504	1.9	31,775	533	1.7
Loans and advances to customers	79,538	3,501	5.9	80,202	4,900	6.1	75,949	4,778	6.3	72,148	4,591	6.4
Leasing claims	2,883	143	6.6	3,009	217	7.2	3,061	222	7.3	3,137	221	7.1
Other current financial assets	9,320	267	3.8	9,177	384	4.2	8,349	328	3.9	7,581	251	3.3
Financial investments	4,424	140	4.2	4,836	225	4.6	9,748	443	4.5	11,501	446	3.9
Derivative financial instruments (non-trading)		302			362			289			311	
Subtotal: interest-earning assets (A)	**117,264**	**4,551**	**5.2**	121,858	6,460	5.3	123,045	6,563	5.3	126,142	6,353	5.0
Shares and Equity Participations	628	13	2.8	682	19	2.8	683	51	7.5	720	12	1.6
Subtotal: income-earning assets (B)	**117,892**	**4,564**	**5.2**	**122,540**	**6,479**	**5.3**	**123,728**	**6,615**	**5.3**	**126,862**	**6,365**	**5.0**
Non-interest-income-earning assets (including cash reserve and tangible and intangible fixed assets)	13,199	0	0.0	23,809	0	0.0	16,981	0	0	15,813	0	0.0
Total Assets	131,091	4,564	4.6	**146,349**	**6,479**	**4.4**	**140,709**	**6,615**	**4.7**	**142,675**	**6,365**	**4.5**
Liabilities												
Deposits from banks	28,231	308	1.5	36,922	666	1.8	36,227	659	1.8	45,038	681	1.5
Deposits from customers	66,975	1,029	2.0	68,749	1,633	2.4	63,561	1,411	2.2	55,654	1,251	2.2
Debts securities issued	11,873	279	3.1	13,340	454	3.4	16,086	616	3.8	18,242	610	3.3
Subordinated capital	3,875	142	4.9	3,886	211	5.4	4,070	219	5.4	4,203	198	4.7
Non-trading derivatives					0			0			0	
Total interest-bearing liabilities (C)	**110,953**	**1,757**	**2.1**	**122,898**	**2,964**	**2.4**	**119,943**	**2,905**	**2.4**	**123,137**	**2,740**	**2.2**
Total non-interest-bearing liabilities (1)	20,138	30	**0.2**	23,451	43		20,766	42		19,538	46	
Total liabilities and equity	**131,091**	**1,787**	**1.8**	**146,349**	**3,007**	**2.1**	**140,709**	**2,947**	**2.1**	**142,675**	**2,787**	**2.0**
Net interest earned (A minus C)		2,793			3,496			3,658			3,613	
Net interest income		2,776			3,472			3,667			3,578	
Net interest income on interest bearing assets			3.08			2.66			2.90			3.11

Change in interest income/expense volume and rates analysis

The following table analyses the change in interest and similar income and interest and similar expenses (net interest income) attributable to changes in the average volume of interest-earning assets and interest-bearing liabilities and changes in their respective interest rates for the nine months ended September 30, 2013 (compared to 2012) and for the years ended December 31, 2012 (compared to 2011) and 2011 (compared to 2010). Volume and rate variances have been calculated based on movements in average balances over the respective period and changes in interest rates on average interest-earning assets and average interest-bearing liabilities.

Change in interest income/expense – volume and rate analysis

	For the nine months ended September 30,			For the financial year ended December 31,					
	2013 compared to 2012			2012 compared to 2011			2011 compared to 2010		
	(in EUR million, unaudited)								
	Net change	Volume-related change	Rate-related change	Net change	Volume -related change	Rate-related change	Net change	Volume-related change	Rate-related change
Interest and similar income									
Interest income									
from loans and advances to banks	(181)	(16)	(164)	(131)	(2)	(130)	(29)	284	(313)
from loans and advances to customers	(213)	103	(315)	125	244	(119)	173	1,218	(1,045)
from financial assets available-for-sale	(4)	26	(30)	57	11	45	77	182	(105)
from financial investments held-to-maturity	(31)	(82)	50	(218)	(181)	(37)	(3)	25	(28)
from derivative financial instruments (non-trading)	41	41		73	73		(23)	(23)	
Current income									
Interest income and income from securities and participating interests	(3)	(3)		(32)	(32)		40	40	
Other interest-like income	(4)	(4)		(9)	(9)		15	15	
Total interest income	**(396)**	**63**	**(459)**	**(136)**	**105**	**(240)**	**250**	**1,742**	**(1,492)**
Interest and similar expenses									
Interest expenses									
on deposits from banks	(327)	(19)	(308)	7	(28)	34	(22)	242	(264)
on deposits from customers	(168)	34	(202)	222	99	123	160	312	(152)
on liabilities evidenced by paper	(62)	(62)		(162)	(69)	(93)	6	352	(346)
on subordinated capital	(18)	0	(18)	(8)	(2)	(6)	21	52	(30)
on derivative financial instruments (non-trading)									
Other interest-like expenses	1	1		1	1		(4)	(4)	
Total interest expense	(574)	(46)	(528)	59	1	58	161	954	(793)
Net interest income	**179**	**110**	**69**	**(195)**	**104**	**(299)**	**89**	**788**	**(699)**

Investment portfolio

In accordance with IFRS, the Group segregates its investment portfolio into several valuation categories: financial assets at fair value through profit and loss (comprising trading assets and designated financial instruments at fair value, ("aFV")), financial assets held to maturity ("htM") and financial assets available for sale ("afS"). See also "*Operating and Financial Review—Critical Accounting Policies—Financial instruments at fair value (IAS 39)*". The following table sets forth the Group's trading portfolio, liquidity portfolio and investment portfolio and the respective allocation to these valuation categories as of September 30, 2013 as well as December 31, 2012, 2011 and 2010.

Investment portfolio

	As of September 30,	As of December 31,		
	2013	2012	2011	2010
	(in EUR million, unaudited)			
Trading portfolio				
Fixed-interest securities				
Bonds and notes issued by public sector	2,028	1,813	1,320	1,954
Bonds and notes of non-public issuers	1,887	906	1,787	2,060
Variable-yield securities				
Shares and other variable-yield securities	300	270	168	358
Mutual funds	17	7	42	72
Total Trading portfolio	**4,232**	**2,997**	**3,317**	**4,444**

Investment portfolio

	As of September 30,	As of December 31,		
	2013	2012	2011	2010
	(in EUR million, unaudited)			
Financial assets at fair value through profit or loss				
Fixed-interest securities				
Bonds and notes issued by public sector	6,773	6,309	5,708	4,732
Bonds and notes of non-public issuers	2,055	1,881	1,398	3,059
Variable-yield securities				
Shares and other variable-yield securities	28	33	89	97
Mutual funds	122	125	165	183
Total financial assets at fair value through profit or loss	**8,979**	**8,348**	**7,360**	**8,070**
Financial assets available for sale				
Equity participations:				
Interest in affiliated companies	364	338	291	233
Other interests	107	118	153	161
Total financial assets available for sale	**471**	**456**	**444**	**394**
Financial assets held to maturity				
Fixed-interest securities				
Bonds and notes issued by public sector	4,045	4,070	4,526	8,842
Bonds and notes of non-public issuers	273	461	763	2,325
Total financial assets held to maturity	**4,318**	**4,531**	**5,289**	**11,167**
Investments in associates				
Companies accounted for using the equity method	5	5	5	5
Total investments in associates	**5**	**5**	**5**	**5**
Total securities	**18,005**	**16,337**	**19,837**	**24,080**

The following table sets forth information on the Group's credit exposure on loans to banks and customers, as well as the total credit exposure on securities and derivatives, contingent liabilities and undrawn credit facilities (including commitments and revocable credit lines) for the nine months ended September 30, 2013 and as of December 31, 2012, 2011, 2010, 2009 and 2008.

Credit exposure

	As of September 30,	As of December 31,				
	2013	2012	2011	2010	2009	2008
	(in EUR million, unaudited)					
Balances at central banks	3,148	4,272	9,348	3,167	2,812	5,467
Loans and advances to banks	21,589	22,323	25,748	21,532	10,310	9,038
of which domestic (Austrian)	7,652	10,046	13,127	10,794	5,673	3,125
of which foreign	13,937	12,277	12,621	10,738	4,637	5,913
of which central banks	1,550	1,720	1,817	1,484	1,952	3,664
of which commercial banks	20,038	20,602	23,925	20,038	8,336	5,355
of which multilateral development banks	1	1	6	10	23	19
Loans and advances to customers	82,431	83,343	81,576	75,657	50,515	57,902
of which domestic (Austrian)	7,100	8,399	7,855	7,914	32	24
of which foreign	75,332	74,944	73,721	67,743	50,483	57,878
of which Sovereigns	1,639	1,387	1,340	1,493	1,158	1,104
of which corporate customers	53,725	55,484	58,897	53,174	29,187	34,621
of which corporate customers - large	50,501	52,213	55,222	49,201	25,372	29,564
of which corporate customers - small and medium-sized entities	3,224	3,272	3,674-	3,829	3,815	5,057
of which retail customers	26,946	26,435	21,295	20,990	20,142	22,136
of which retail – Private Individuals	24,072	23,489	19,004	18,549	17,790	19,268
of which retail – Micro SME	2,874	2,946	2,291	2,441	2,352	2,868
of which mortgage loans	19,659	21,018	17,944	16,888	17,875	17,249
of which financial leasing	2,914	2,909	3,064	3,109	3,267	4,009
Securities	17,062	15,441	18,924	22,951	10,107	7,169
Derivatives	4,580	8,220	8,623	5,103	333	2,355
Contingent liabilities	11,661	11,707	13,280	11,856	4,668	5,052

Credit exposure

	As of September 30,	As of December 31,				
	2013	2012	2011	2010	2009	2008
	(in EUR million, unaudited)					
Undrawn credit facilities	27,289	26,833	27,473	23,749	10,041	13,190
Total credit exposure	**167,760**	**172,140**	**184,972**	**164,015**	**88,786**	**100,174**

Maturity structure of assets and liabilities

The following table sets forth the remaining maturity of certain of the Group's assets and liabilities as of December 31, 2012.

Maturity structure of assets and liabilities

	As of December 31, 2012				
	Without maturity or payable on demand	Up to one year	Between one and five years	More than five years	Total
	(in EUR million, unaudited)				
Assets					
Cash reserve	6,557				6,557
Loans and advances to banks	2,568	17,247	1,574	935	22,323
Loans and advances to customers	8,284	28,824	27,418	18,818	83,343
Impairment losses on loans and advances	(5,642)				(5,642)
Trading assets	321	2,503	3,248	3,742	9,813
Investments in associates	5				5
Financial investments	558	7,158	4,637	1,001	13,355
Sundry assets	3,498	1,408	873	582	6,361
Total	**16,149**	**57,140**	**37,750**	**25,078**	**136,116**
Liabilities					
Deposits from banks	3,962	15,894	7,979	2,351	30,186
Deposits from customers	31,951	28,290	3,750	2,305	66,297
Debt securities issued		4,245	8,560	485	13,290
Subordinated liabilities		42	468	3,426	3,937
Trading liabilities	539	1,308	3,305	3,672	8,824
Sundry liabilities	1,461	1,156	56	35	2,708
Equity	10,873				10,873
Total	**48,786**	**50,936**	**24,119**	**12,274**	**136,116**

Non-performing loans

The following table sets forth the Group's exposure to non-performing loans to banks and customers and by geographic regions, including off-balance sheet exposure in the form of contingent liabilities and undrawn credit facilities as of September 30, 2013 as well as of December 31, 2012, 2011, 2010, 2009 and 2008. See also "*Risk Management—Credit Risk—Non-performing loans and provisioning*".

Non-performing loans

	As of September 30,	As of December 31,				
	2013	2012	2011	2010	2009	2008
	(in EUR million, unless otherwise stated, unaudited)					
By Balance Sheet positions						
Loans and advances to banks	171	202	241	268	4	0
Loans and advances to customers	8,478	8,183	7.056	6,790	4,442	1,780
Total	**8,649**	**8,385**	**7.297**	**7,058**	**4,447**	**1,780**
Total loans and advances	104,020	105,667	107,324	97,189	60,825	66,940
In % of total loans and advances	8%	8%	7%	7%	7%	3%
By Region						
CE	3,514	3,447	2,478	2,288	1,741	820
SEE	1,952	1,808	1,726	1,329	987	383
Russia	444	489	524	670	648	-
CIS	1,186	1,307	1,506	1,428	1,071	578
Other	1,552	1,333	1,059	1,343	-	-
Total	**8,649**	**8,385**	**7,292**	**7,058**	**4,447**	**1,780**

Summary of loan loss experience

The following table sets forth the development of the Group's loan loss provisions for the nine months ended September 30, 2013 and the years ended December 31, 2012, 2011, 2010, 2009 and 2008. See also "*Operating and Financial Review—Key factors affecting the Group's results of operations—Asset quality and loan impairment charges*" and "*Risk Management—Credit Risk—Non-performing loans and provisioning*".

Summary of loan loss experience

	For the nine months ended September 30,	**For the financial year ended December 31,**				
	2013	**2012**	**2011**	**2010**	**2009**	**2008**
	(in EUR million, unaudited)					
Balance at beginning of period	**5,793**	**5,204**	**4,888**	**3,154**	**1,711**	**1,171**
Changes in consolidated Group	**(30)**	**428**	**58**	**1,072**	**-**	**-**
Additions	**1,562**	**2,111**	**2,016**	**2,118**	**2,310**	**1,140**
Austrian customers						
Loans and advances to banks	0	0	0	0	0	0
Loans and advances to customers	75	43	(9)	27	0	0
Foreign customers						
Loans and advances to banks	(1)	2	(4)	8	0	4
Loans and advances to customers	1,179	1,629	1,682	1,639	1,816	700
Off-balance sheet obligations	34	75	66	54	19	28
Portfolio-based loan loss provisions	274	361	281	391	474	408
Releases and Usage	**1,352**	**1,959**	**1,656**	**1,608**	**827**	**468**
Austrian customers						
Loans and advances to banks	0	(42)	0	0	0	0
Loans and advances to customers	34	9	48	9	0	0
Foreign customers						
Loans and advances to banks	8	22	84	182	0	1
Loans and advances to customers	1,010	1,343	1,112	990	512	300
Off-balance sheet obligations	54	61	26	38	26	38
Portfolio-based loan loss provisions	246	525	386	390	288	130
Transfers, exchange differences	**(128)**	**52**	**(102)**	**153**	**(40)**	**(132)**
Balance at end of period	**5,845**	**5,836**	**5,204**	**4,888**	**3,154**	**1,711**
Austrian customers						
Loans and advances to banks	1	16	59	0	0	0
Loans and advances to customers	208	157	112	170	0	0
Foreign customers						
Loans and advances to banks	119	130	150	236	3	4
Loans and advances to customers	4,855	4,436	4,033	3,541	2,354	1,070
Off-balance sheet obligations and portfolio-based loan loss provisions	662	1,054	851	941	796	636

Breakdown of funding sources

The following table sets forth the average (based on month-end closing balances) of the Group's sources of deposits and borrowed funds for the nine months ended September 30, 2013 and for the years ended December 31, 2012, 2011 and 2010, broken down by major categories and the percentage of these categories of total funding. See also "*Operating and Financial Review—Liquidity and capital resources—Sources of funding*" and "*Risk Management—Liquidity Risk*".

Breakdown of funding sources

	For the nine months September 30,		**For the year ended December 31,**					
	2013		**2012**		**2011**		**2010**	
	(in EUR million)	**(in %)**	**(in EUR million)**	**(in %)**	**(in EUR million)**	**(in %)**	**(in EUR million)**	**(in %)**
	(unaudited)							
Deposits								
Deposits from customers								
Savings deposits	2,748	2	1,983	2	1,380	1	1,441	1
Time deposits by customers	33,457	29	37,716	32	36,255	30	31,379	25
Sight deposits by customers	33,457	29	29,050	24	25,927	22	22,834	19

Breakdown of funding sources

	For the nine months September 30, 2013		For the year ended December 31, 2012		2011		2010	
	(in EUR million)	(in %)	(in EUR million)	(in %)	(in EUR million)	(in %)	(in EUR million)	(in %)
	(unaudited)							
Deposits by banks								
Sight deposits by banks	5,040	4	3,368	3	2,636	2	2,105	2
Time deposits by banks	25,269	22	33,555	27	33,591	28	42,933	35
Total deposits	**99,971**	**86**	**105,672**	**86**	**99,788**	**83**	**100,692**	**82**
of which local (Austrian)	20,746	18	25,188	20	25,085	21	26,360	21
of which foreign	76,537	66	80,484	65	74,702	62	74,332	60
Debt securities issued								
Bonds and notes issued	11,407	10	12,187	10	14,472	12	17,134	14
Money market instruments issued	374	0	505	0	908	1	516	0
Other debt securities issued	92	0	648	1	706	1	592	0
Total debt securities issued	**11,873**	**10**	**13,340**	**11**	**16,086**	**13**	**18,242**	**15**
Subordinated liabilities	3,570	3	3,332	3	3,450	3	3,516	3
Supplementary capital	305	0	554	0	620	1	688	1
Total funding	**115,719**	**100**	**122,898**	**100**	**119,943**	**100**	**123,137**	**100**

Return on equity and assets

The following table presents the Group's return on assets, return on equity, dividend payout ratio and equity to assets ratio for the nine months ended September 30, 2013 as well as the years ended December 31, 2012, 2011 and 2010. See also "*Selected Consolidated Financial Data*" and "*Operating and Financial Review*".

Return on equity and assets

	For the nine months ended September 30, 2013	For the year ended December 31, 2012	2011	2010
	(in %, unaudited)			
Return on assets				
Return on assets before tax	0.70	0.70	0.98	0.90
Return on assets after tax	0.46	0.51	0.69	0.83
Return on equity				
Return on equity before tax	8.64	9.65	13.69	13.69
Return on equity after tax	5.71	7.00	9.71	12.52
Consolidated return on equity	5.42	7.43	10.79	12.95
Dividend payout ratio[1]	n.a.	43.0	26.7	23.0
Equity to assets ratio	7.90	7.99	7.44	7.93
	(in EUR million, unaudited)			
Dividend paid	229	229	205	205
Net income	411	725	968	1,087
Average Equity	10,750	10,686	10,032	9,400
	(in numbers, unaudited)			
Number of shares	195,505,124	195,505,124	195,505,124	195,505,124

[1] Calculated on the basis of consolidated profit after deduction of dividends for participation capital and participation rights.

MANAGEMENT AND CORPORATE GOVERNANCE

General

The Company has a two-tier board structure, consisting of a Management Board (*Vorstand*) and the Supervisory Board (*Aufsichtsrat*). The Management Board is responsible for the executive management and represents the Company towards third parties. The Supervisory Board is responsible for supervising the management and internal controls of the Company. Members of the Management Board are appointed by the Supervisory Board. Members of the Supervisory Board are elected by the General Meeting (*Hauptversammlung*). Under Austrian law, the Company's works council has a right to delegate one third of the Supervisory Board members. The members of the Management Board and Supervisory Board may be contacted at the Company's business address at Am Stadtpark 9, A-1030 Vienna, Austria. The corporate bodies of the Company are bound by applicable Austrian law, the Articles of Association of the Company (*Satzung*), the rules of procedure for the Management Board (*Geschäftsordnung für den Vorstand*) and the rules of procedure for the Supervisory Board, both as adopted by the Supervisory Board, and are in compliance with the Austrian Code of Corporate Governance (the "ACGC"). The following is a summary of the most important provisions of the Company's corporate framework.

Management Board

Appointment and duties of the Management Board

The members of the Management Board are appointed by the Supervisory Board for a maximum period of five years; re-appointment is possible. Pursuant to Section 6 of the Articles of Association, the Management Board consists of a minimum of two to a maximum of ten members. Persons who have reached the age of 68 years may not be appointed. The Supervisory Board may remove a member of the Management Board prior to the expiration of its term for cause, such as gross negligence or deliberate breach of duty.

The Company is represented either by two members of the Management Board acting jointly, or by one member of the Management Board acting together with a person having a joint statutory power of attorney (*Gesamtprokura*). Subject to statutory restrictions, the Company shall also be jointly represented by two persons each having statutory power of attorney acting jointly.

The Management Board reports to the Supervisory Board at least annually regarding fundamental questions of future business policy as well as the future development of the assets, financial and earnings positions of the Company based on a forecast (yearly report). The Management Board reports to the Supervisory Board regularly, at least quarterly, on the course of the business, and the situation of the Company in comparison to the forecast and by taking into account the future development (quarterly report). The Supervisory Board adopts the rules of procedure of the Management Board, including the allocation of responsibilities. Resolutions of the Management Board are adopted by simple majority of the votes cast. In the case of a deadlock, the Chairman of the Management Board has a decisive vote.

The Management Board is not subject to legally binding instructions from the shareholders or from the Supervisory Board. Pursuant to the Stock Corporation Act, the Articles of Association and the rules of procedure for the Management Board, certain management measures or significant transactions require the prior consent of the Supervisory Board (or the Working Committee). A failure by the Management Board to obtain such consent does not affect the validity of the transaction, but may render the Management Board liable for damages. The consent of the Supervisory Board (or the Working Committee) is required for material decisions including:

- determination of general principles of the Group's business policy;

- acquisition, disposal and encumbrance of real estate exceeding certain thresholds pursuant to the rules of procedure for the Management Board;

- adoption of the Group's annual budget and investment plan;
- investments exceeding certain thresholds;
- establishment or closing down of certain lines of business and production methods;
- issuance of bonds or conclusion of loan or credit agreements if they exceed certain thresholds;
- granting of loans and credits or assumption of liabilities of third parties, each outside of the ordinary course of business, and exceeding certain thresholds;
- establishment or closing down of branch offices;
- conclusion of contracts with Supervisory Board members or companies in which a member of the Supervisory Board has a considerable economic interest relating to the performance of services outside their respective scope of activities as Supervisory Board members for the Company or a subsidiary for remuneration which is not insignificant;
- the acceptance of senior positions within the Company by persons who acted as the Company's auditors within the last two years;
- the establishment, closing or liquidation of a subsidiary and acquisition or disposal of a participation in a subsidiary, company or business (either directly or indirectly) exceeding certain thresholds pursuant to the rules of procedure for the Management Board;
- the granting of statutory powers of attorney (*Prokura*);
- guidelines for the remuneration system;
- capital increases resolved on the basis of authorized and conditional capital; and
- measures concerning the participation in the General Meeting by electronic means and broadcasting of the General Meeting, as described in Article 14 para 5 of the Articles of Association.

Members of the Management Board

Currently, the Management Board consists of the following six members:

Name	Appointed as of	Term expiration	Responsibility
Karl Sevelda	September 22, 2010 (1)	June 30, 2017	Chairman and Chief Executive Officer ("CEO"): Group strategy; human resources; internal audit; legal & compliance; management secretariat; international business units; participations; organization & internal control system; public relations; marketing & event management.
Johann Strobl	September 22, 2010 (1)	June 30, 2017	Deputy Chairman and Chief Risk Officer ("CRO"): Credit management corporates; retail risk management; financial institutions & country risk & group portfolio management; risk controlling; risk excellence & projects; workout.
Aris Bogdaneris	October 1, 2004	December 31, 2015	Chief Operating Officer ("COO"): Consumer banking; Group and Austrian IT; Group project management office; head office operations; internal operations & IT; lean & service excellence; small business & premium banking.
Klemens Breuer	January 30, 2012(2)	December 31, 2015	Capital markets; investment banking products; institutional clients; Raiffeisen Research, business management & development.

Name	Appointed as of	Term expiration	Responsibility
Martin Grüll	January 3, 2005	June 30, 2017	Chief Financial Officer ("CFO"): Investor relations; planning & finance; tax management; treasury.
Peter Lennkh	October 1, 2004	December 31, 2015	Corporate customers; corporate sales management & development; group products; network corporate customers & support.

(1) With effect as of October 10, 2010.

(2) With effect as of April 16, 2012.

Source: Internal data.

Karl Sevelda

Karl Sevelda, born on January 31, 1950, graduated from the University of Economics and Business Administration, Vienna with a doctor's degree. He started his professional career with Creditanstalt Bankverein where he served until his assignment at RZB in 1998. Mr. Sevelda was responsible for Austrian and multinational corporate clients, corporate, trade and export finance and customer services as a member of the RZB management board until the Merger in 2010. Until Mr. Sevelda became Chairman of the Management Board of the Company on June 7, 2013, he was responsible for corporate customers. As CEO, he is, amongst others, responsible for group strategy, network management, participations, human resources, internal audit, legal and compliance.

Johann Strobl

Johann Strobl, born on September 18, 1959, graduated from the University of Economics and Business Administration, Vienna. In 1989 he started his professional career with Creditanstalt-Bankverein. He was afterwards active for Bank Austria-Creditanstalt in leading managing positions in the treasury and risk management as well as divisional board member of Hypo Vereinsbank, Munich. From 2004 to 2007 he was member of the management board of Bank Austria-Creditanstalt as CRO and chief financial officer until he joined the RZB Management Board as CRO, which he still carries out parallel to his position as CRO in the Company. On June 7, 2013 Mr. Strobl became Deputy Chairman of the Company.

Aris Bogdaneris

Aris Bogdaneris, born on October 26, 1963, graduated from the Johns Hopkins University, Washington with a Master´s Degree in International Economics and International Relations in 1992. Following his career with Citicorp in Toronto he later worked in the Corporate Finance Division at ABN AMRO in Budapest and Warsaw. In 1995 Mr. Bogdaneris joined General Electric Company in the U.S. and undertook various assignments with GE Capital in France, Germany, Japan, Singapore, Mexico and the U.S. In 2000, he became member of the management board (COO) and in 2003, he took over the position as CEO of Budapest Bank (100% subsidiary of GE Capital). In October 2004, Mr. Bogdaneris became member of the management board responsible for retail banking at Raiffeisen International. Later, his responsibilities were enhanced by operations and IT.

Klemens Breuer

Klemens Breuer was born in 1967, graduated from RWTH Aachen University in business administration and has been active in the finance sector since 1993. Breuer held several leading positions in the capital markets and treasury operations at WestLB and Deutsche Bank in Düsseldorf, Frankfurt and London. He was part of the management board at WestLB and was in this function responsible for markets and investment banking. Klemens Breuer had been on the Management Board at WestLB since 2008. Mr. Breuer joined the RBI Management Board on April 16, 2012.

Martin Grüll

Martin Grüll, born on October 25, 1959, graduated from the University of Economics and Business Administration, Vienna with a master's degree and started his professional career with RZB in the international loan department in 1982. From 1988 to 1998, he led the international corporate banking division of RZB, and became later head of international corporate banking. In 1998, he joined Bank Austria Handelsbank AG as a member of the management board and served as chairman of the management board until 2002. In 2002, Mr. Grüll was appointed group executive manager for Central & Eastern Europe at Bank Austria Creditanstalt AG and he held this function until his assignment with Raiffeisen International as CFO and CRO in 2005. In the Company, Mr. Grüll is CFO.

Peter Lennkh

Peter Lennkh, born on June 10, 1963, graduated from the University of Economics and Business Administration, Vienna with a master's degree and started his professional career with RZB as an account manager in the international department in 1988. From 1990 to 1997 he held several leading managing positions outside RZB until he re-joined RZB. At RZB Mr. Lennkh has held several positions, including division head of international corporate customers, and managing director of Raiffeisen Leasing International and Raiffeisen Property International. In 1999 he was appointed head of trade and export finance division until 2004 in RZB. Mr. Lennkh was responsible for corporate customers business and network coordination as a board member of Raiffeisen International from 2004 to 2010. As Management Board member of the Company Mr. Lennkh is responsible for corporate customers.

Management Board compensation

Management Board compensation is awarded and paid in compliance with the key compensation principles adopted and periodically reviewed by the Supervisory Board on the basis of § 39b of the Banking Act. In accordance with § 39 (2) in conjunction with § 39b of the Banking Act, RBI's Supervisory Board approved the "General Principles of the Remuneration Policy and Practice" in 2011. The Remuneration Committee is responsible for monitoring and implementation of these policies and practices. Remuneration of the Management Board and other "risk personnel" must comply with these principles. The principles apply to bonus payments for 2011 and subsequent years.

The following table sets out the remuneration of the members of the Management Board of the Company in 2012 and 2011:

Compensation Management Board[1] **in TEUR**	**2012**	**2011**
Fixed remunerations[2]	5,752	5,431
Bonus (performance-related)	2,153	793
Share-based remuneration (performance-related)	3,835	373
Payments to pension funds and business insurances	210	1,703
Other remunerations	1,838	1,694
Total	**13,788**	**9,621**
hereof remunerations of affiliated companies	568	144

[1] Includes compensation paid to Herbert Stepic and Patrick Butler, who resigned as members of the Management Board in June 2013 and April 2012, respectively.

[2] The number includes salaries and benefits in kind. .

Source: Annual Report 2012 and internal data.

The following table shows the remuneration paid to each single member of the Management Board in 2012 (excluding share-based payments):

Compensation Management Board	**Financial year ended December 31, 2012**			
(EUR thousand (rounded))	**Fixed**	**Bonuses for 2011**	**Other**	**Total**
Herbert Stepic[1]	1,607	611	448	2,666
Karl Sevelda	782	303	67	1,152
Johann Strobl	757	319	64	1,140
Aris Bogdaneris	747	231	112	1,090
Klemens Breuer	540	-	1,010	1,550
Patrick Butler[2]	153	280	51	484
Martin Grüll	658	240	239	1,137

Compensation Management Board	Financial year ended December 31, 2012			
(EUR thousand (rounded))	**Fixed**	**Bonuses for 2011**	**Other**	**Total**
Peter Lennkh	508	169	57	734
Total	**5,752**	**2,153**	**2,048**	**9,953**

(1) Herbert Stepic resigned as chairman and member of the Management Board in June 2013.

(2) Patrick Butler resigned as member of the Management Board in April 2012. In addition, EUR 511,000 consisting of fixed and other remuneration was paid from April 16, 2012 to December 31, 2012 due to contractual agreements.

Source: Annual Report 2012.

The performance-based components for a certain financial year usually consist of bonus payments for the previous financial year that are linked to the achievement of the Company's goals relating to profit after tax, return on risk adjusted capital and the cost/income ratio, as well as the achievement of annually agreed personal goals and the value of an allocation of shares under the share incentive program (see "—*Share incentive program*"). Payment of bonuses is deferred as required by the Banking Act. The bonus payments for 2010 for three members who joined RBI from RZB in connection with the Merger were measured in accordance with a criteria defined by RZB on the basis of return on equity. In accordance with the contractual provisions applicable to these persons until the end of 2010, bonus payments totaling EUR 940,500 were paid. A part of this amount was due for payment in 2012 (EUR 297,000) and a part will be due in 2013 (EUR 643,500). The amount actually paid will be determined in the discretion of the Personnel Committee of RBI's Supervisory Board.

Expenditure for severance payments and pensions

Six Management Board members are treated essentially in the same way as employees; the Company makes a basic contribution to a pension fund and an additional contribution if the employee makes an own contribution in the same amount. Four Management Board members receive additional individual pension benefits, which are financed by a reinsurance policy.

In the event of a termination of their function or service contract and departure from the Company, one member of the Management Board is entitled to severance payments in accordance with the Salaried Employees Act (*Angestelltengesetz*) and the pay scale agreement of the banking sector, two members in accordance with contractual arrangements and three members in accordance with the Employee Benefit Act (*Betriebliches Mitarbeitervorsorgegesetz*). In principle, severance payment claims under the Salaried Employees Act or contractual arrangements expire if the employee terminates the employment relationship.

Furthermore, protection is in place against occupational disability risk through one pension fund and/or on the basis of an individual pension benefit, which is secured by a reinsurance policy. The contracts for members of the Management Board are concluded for the duration of their term in office and are limited to a maximum of five years. In case of an early termination of office by a member of the Management Board without cause, the severance payments will not exceed the remuneration for two years.

Supervisory Board

Appointment, duties and procedures of the Supervisory Board

According to the Company's Articles of Association the Supervisory Board shall consist of three to 15 members elected by the General Meeting or appointed by RZB. RZB as core shareholder has the right to appoint up to one-third of these Supervisory Board members, but has not exercised such right in the past. Currently, the Supervisory Board consists of total 15 members, ten thereof elected by the General Meeting. In addition to the members elected by the General Meeting or appointed by RZB, Austrian labor law provides the right for the works council to delegate members to the Supervisory Board. For every two elected or appointed Supervisory Board members, the works council may appoint one employee representative to the Supervisory Board. Currently, five members have been delegated by the works council to the Supervisory Board.

Unless a member was elected for a shorter term of office, the term of office of every member of the Supervisory Board elected by the General Meeting runs until the close of that General Meeting which votes on the discharge from liability for the fourth financial year after such election, not counting the financial year in which such election is effected. Re-election is permitted.

Only those persons who have not reached the age of 75 years may be elected or re-elected as members of the Supervisory Board. The General Meeting may remove any Supervisory Board member it has elected by simple majority of the votes cast at a General Meeting. Members of the Supervisory Board delegated by the works council can be removed only by the works council. Persons holding eight or more offices as supervisory board members (chair functions counting twice) in companies listed on a stock exchange shall not be elected members of the Supervisory Board. The General Meeting may waive this restriction by a simple majority of votes to the extent permitted by law.

The Supervisory Board is responsible for supervising the management of the Company. Supervision is exercised by review, discussion and approval, as required, of reports prepared by the Management Board. In addition, the Supervisory Board may request reports on specific matters relating to the Company or the Group. Certain material decisions of the Management Board require prior consent of the Supervisory Board (see "*—Management Board—Appointment, duties and procedures of the Management Board*"). The Supervisory Board represents the Company in transactions with members of the Management Board and appoints and removes the members of the Management Board.

The Supervisory Board elects a chairman and up to three deputy chairpersons. Members of the Supervisory Board may resign by written notice to the chairman of the Supervisory Board. In the event an elected member resigns before expiry of his term, a replacement member has to be elected as soon as possible but no later than at the next general General Meeting for the remainder of the term, if this is required to comply with legal provisions or appropriate for the due fulfillment of the obligations of the Supervisory Board. The Supervisory Board issues its own rules of procedure (*Geschäftsordnung für den Aufsichtsrat*).

The Supervisory Board meets at least quarterly. The higher of (i) half of the members and (ii) three members elected by the General Meeting or appointed by RZB must be present at a meeting to constitute a quorum. Members of the Supervisory Board may authorize another member of the Supervisory Board to represent them at meetings. Resolutions of the Supervisory Board are adopted by simple majority of the votes cast, unless the Articles of Association or the rules of procedure for the Supervisory Board stipulate otherwise. In the case of a deadlock, the chairman of the Supervisory Board may cast the decisive vote. Resolutions of the Supervisory Board may also be adopted in writing or by telefax or e-mail, by telephone or by similar means of communication, provided that none of the members of the supervisory board objects to this procedure to adopt resolutions.

Members of the Supervisory Board

The current members of the Supervisory Board are:

Name	Elected	Term expiration	Position
Walter Rothensteiner	May 11, 2001	General Meeting discharging for business year 2015	Chairman
Erwin Hameseder	July 8, 2010[1]	General Meeting discharging for business year 2014	First deputy chairman
Heinrich Schaller	June, 20, 2012	General Meeting discharging for business year 2016	Second deputy chairman
Markus Mair	July 8, 2010[1]	General Meeting discharging for business year 2014	Third deputy chairman
Stewart D. Gager	January 24, 2005	General Meeting discharging for business year 2013	Member
Kurt Geiger	June 9, 2009	General Meeting discharging for business year 2013	Member
Johannes Schuster	July 8, 2010[1]	General Meeting discharging for business year 2014	Member
Klaus Buchleitner	June 26, 2013	General Meeting discharging for business year 2014	Member
Christian Teufl	July 8, 2010[1]	General Meeting discharging for business year 2014	Member
Günther Reibersdorfer	June, 20, 2012	General Meeting discharging for business year 2016	Member
Martin Prater	October 10, 2010	n.a.[2]	Member
Rudolf Kortenhof	October 10, 2010	n.a.[2]	Member
Peter Anzeletti-Reikl	October 10, 2010	n.a.[2]	Member
Susanne Unger	January 18, 2012	n.a.[2]	Member
Helge Rechberger	October 10, 2010	n.a.[2]	Member

[1] With effect as of October 10, 2010.

[2] The term of the works council representatives is indefinite. However, works council representatives may be replaced by the works council at any time.

Source: Internal data.

Members elected by the General Meeting

Walter Rothensteiner

Walter Rothensteiner, born on March 7, 1953, is CEO and chairman of the management board of RZB. In this function he is responsible for, inter alia accounting, controlling, human resources, audit, legal & compliance, participation management, tax. He graduated from the University of Economics and Business Administration, Vienna with a doctor degree and started his professional career with Raiffeisenlandesbank Niederösterreich-Wien reg. Gen. m. b. H., where he was employed from 1975 until 1990. At the end of his employment at this bank he was a member of the board of directors. He was appointed board member of Leipnik Lundenburger Industrie Aktiengesellschaft (1987 – 1995) and of Agrana Beteiligungs AG (1991 – 1994). Since 1995, Mr. Rothensteiner is chairman of the management board and general director of RZB. Since June 2012, he is also general attorney of Österreichischer Raiffeisenverband.

Erwin Hameseder

Erwin Hameseder, born May 28, 1956, graduated from the law school of the University of Vienna. He started his career with Raiffeisen Landesbank Niederösterreich-Wien reg. Gen. m. b. H, where he worked from 1987 through 1988 in the legal department, then until 1994 in the portfolio administration; in 1991 he was granted general power of attorney and worked as portfolio divisional manager until 1994. Afterwards he became director of Raiffeisen-Holding Niederösterreich-Wien reg. Gen. m. b. H and held this position until 2012. Between 2007 and 2012, he was in addition CEO and general director of Raiffeisenlandesbank NÖ-Wien AG. Since Mai 2012, Mr. Hameseder is chairman (*Obmann*) of Raiffeisen-Holding NÖ-Wien reg. Gen.m.b.H.

Heinrich Schaller

Heinrich Schaller, born on November 11, 1959, graduated from the law school of the University of Linz. He started his career with Raiffeisen Zentralbank Österreich AG, where he worked from 1987 to 2000 (at last as Divisional Head of Treasury). Between 2000 and 2006, Mr. Schaller worked for Raiffeisenlandesbank Oberösterreich Aktiengesellschaft (at last as member of the board of management). Thereafter he became member of the board of management of Wiener Börse AG (2006 to 2012). Since March 2012, Mr. Schaller is Chief Executive Officer of Raiffeisenlandesbank Oberösterreich Aktiengesellschaft.

Stewart Gager

Stewart Gager, born on November 15, 1940, is financial consultant and principal of Popham Financial Consulting. He graduated with honors in political science and economics from Duke University. After US Marine Corps service as an officer, he worked for the Chase Manhattan Bank in various positions. He was appointed Senior Vice President in 1981. After 21 years at Chase Manhattan Bank, he was appointed to various positions at HSBC/Midland Bank to include Group Risk Management Director and Managing Director Americas. Returning to Chase Manhattan Bank between 1995 and 1999, he was appointed Managing Director responsible globally for shipping, aerospace and real estate groups. Since 1999, Mr. Gager is owner of Popham Financial Consulting, New York.

Markus Mair

Markus Mair, born December 27, 1964, graduated from the law school of the University of Vienna. In 1992, he started his career as clerk in the Austrian Parliament with focus on foreign affairs, social matters and agriculture. In 1994 he began to work for Raiffeisen-Landesbank Steiermark AG with a traineeship program, passed a Herrenstein General Manager Degree and worked for corporate customers. From 1996 until 2003 he headed the staff section of the general secretary and was granted general power of attorney; from 1996 through 2000 he headed the euro coordination project within today's Raiffeisen-Landesbank Steiermark AG and the Styrian Raiffeisen Landesbanken group; he became director and was appointed managing director competent for distribution, marketing, securities, home savings and insurance business, management consultation and “training and education”. From January 1, 2006 until September 30, 2013 he was general director of Raiffeisen-Landesbank Steiermark AG. Effective October 1, 2013 Mr. Mair became CEO of Styria Media Group.

Kurt Geiger

Kurt Geiger, born on March 17, 1946, graduated from the law school of the University of Innsbruck. In 1972, he started his career at the Credit Association for Reconstruction in Frankfurt. From 1974 to 1975 he was working for Deutsche Anlagen Leasing in Mainz. In 1976 he joined Chase Manhattan Bank and worked in Frankfurt, New York, London as well as in Hong Kong. He has been appointed as client relationship manager and team leader in London and as managing director for corporate advisory. He worked as deputy risk officer for restructurings and workouts and area manager ship finance in Hong Kong. From 1993 until 2008 he worked for EBRD in London as head of financial institutions & private equity and was appointed chairman of the equity committee.

Johannes Schuster

Johannes Schuster, born on May 7, 1970, graduated from the University of Economics and Business Administration, Vienna. He started his activity in the economics department of Raiffeisen Landesbank Oberösterreich AG in 1997. In 1999 he joined RZB as head of group headquarters and executive secretariat. From 2002 to 2006 he has been appointed as member of the founding managing board and authorized signatory of ÖVK Vorsorgekasse AG in Vienna. From 2002 until today he is working as Managing Director and authorized signatory of Österreichische Raiffeisen-Einlagensicherung eGen in Vienna. In 2010 Mr. Schuster was appointed member of the managing board of RZB.

Klaus Buchleitner

Klaus Buchleitner, born on January 21, 1964, graduated from the University of Economics and Business Administration, Vienna and from the law school of the University of Vienna. He started his career in 1989 at Girozentrale BANK AG in Controlling and Strategic Management. In 1995, he joined Raiffeisen Ware Austria AG, where he was chief financial officer from 1997 to 2002 and chairman of the management board from 2002 to 2012. In addition, Mr. Buchleitner was chairman of the management board of BayWa AG, München, from 2003 to 2012. Moreover, he is a member of the supervisory board of Raiffeisen Zentralbank Österreich AG since 2003. Since June 1, 2012, Mr. Buchleitner is managing director of RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN registrierte Genossenschaft mit beschränkter Haftung and chairman of the management board of RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG.

Christian Teufl

Christian Teufl, born on May 7, 1952, graduated from the University of Economics and Business Administration, Vienna. In 1979 he started his career as audit assistant and worked since 1981 as Tax Advisor at Interrevision Wirtschaftstreuhand- und BeratungsgmbH Nfg. KG in Vienna. In 1986 he started to work for RZB. In 1995 he was appointed as head of division subsidiaries and equity investments; in January 2013, Mr. Teufl retired from this position. Since 1998 he is member of the board of management at Leipnik-Lundenburger Invest Beteiligungs AG, Vienna.

Günther Reibersdorfer

Günther Reibersdorfer, born on July 25, 1954, graduated from the University of Economics and Business Administration, Vienna. He started his career with Raiffeisenverband Salzburg reg. Gen.m.b.H, where he has been employed since 1982 in different positions. After being managing director between 2001 and 2003 and deputy chairman between 2003 and 2005, Mr. Reibersdorfer is Chief Executive Officer of Raiffeisenverband Salzburg reg. Gen.m.b.H since 2005.

Members delegated by the works council

Martin Prater

Martin Prater, born August 5, 1953, started his activity with the Raiffeisen Group 1969 with an internship at the Raiffeisen Lagerhaus Dobermannsdorf, followed by internships with Zentralsparkasse (1970), Girozentrale in the contracts' department (1971). Since 1971 he worked with RZB, until 2008 in the accounting department. 1994 he was granted general power of attorney and was appointed departmental director in 1998. He is member of the works council since 1975 and member of the Supervisory Board since January 11, 1991. Since January 1, 1999, he is also a member of the working committee and the audit committee of RZB. On October 11, 2007 he has become head of the works council and was released from his duties for his works council activities since January 1, 2009.

Rudolf Kortenhof

Rudolf Kortenhof, born November 9, 1961, graduated from the University for Economics and Business Administration, Vienna and worked from 1988 until 1989 in an accounting firm and developed software for accountants and tax advisers. 1990 he began his career with Creditanstalt-Bankverein and was until 1997 active in the organisational area, heading the areas data processing and organisational projects. Since 1997 he worked with RZB as international IT controller, coordinated the specialist divisions for the management areas external affairs and was member in various project management committees. He was member of the EURO project core team and year 2000 bug coordinator for the CEE subsidiaries, head of the IT-controlling department and of the competence centre services as well and is presently account manager for Austrian corporate customers.

Peter Anzeletti-Reikl

Peter Anzeletti-Reikl, born September 12, 1965 studied commercial and business information technology in Vienna. He started his career with Raiffeisen Zentralbank in April 1989 in the IT-support and became later system administrator and trainer. In 1993 he founded the help desk and became its team-leader; from 2002 through 2009 he was team leader for commodity services. He is member of the works council since 1996; He was also 50% released from his duties for his works council activities since January 1, 2009 and is now working in IT sourcing management.

Susanne Unger

Susanne Unger, born 1961 studied law at the University of Vienna and started her professional career at GiroCredit der österreichischen Sparkassen AG as member of the legal department; afterwards she worked for Software Daten Service GmbH as project manager responsible for the development of banking software. In 1997 she joined RZB where she held various functions in the areas of organization, provider management and contracts management. She is member of the works council since 2008.

Helge Rechberger

Helge Rechberger, born September 27, 1967, studied information management in Linz and began his career with RZB in 1993 in the political economy and financial analysis department. From 1993 through 1996 he set up the "share analysis for established foreign securities markets" and is since 1996 head of the RZB share market analysis; from 1998 through 1999 he was coordinator of RZB research focused in CEE and SEE. He was granted general power of attorney in fall, 2000 and since 2001 is divisional director of Raiffeisen Research.

Committees of the Supervisory Board

According to the Articles of Association, the Supervisory Board may establish committees. The tasks and powers of such committees are determined by the Supervisory Board. According to the Stock Corporation Act, the Supervisory Board is obliged to establish an Audit Committee

(*Prüfungsausschuss*) which is responsible, in particular, for monitoring financial reporting processes, overseeing the audit of the financial statements and consolidated financial statements, examining and preparing the adoption of the annual financial statements, the proposal for the utilization of the profit, and the management report. The Audit Committee shall also examine the consolidated financial statements, if any, as well as the proposal for the selection of an auditor, and it shall report on these matters to the Supervisory Board.

According to the Banking Act and the Articles of Association, the Supervisory Board is obliged to establish a Remuneration Committee (*Vergütungsausschuss*) to supervise the Company's remuneration policy, practices and performance-based remuneration.

The Supervisory Board has established a Working Committee (*Arbeitsausschuss*), an Audit Committee (*Prüfungsausschuss*), a Personnel Committee (*Personalausschuss*), a Remuneration Committee (*Vergütungsausschuss*), a Nomination Committee (*Nominierungsausschuss*) and a Risk Committee (*Risikoausschuss*). The Supervisory Board has adopted rules of procedure for these Committees.

Works council delegates may be represented in committees in proportion to their representation on the Supervisory Board (except for meetings of the Personnel Committee and the Remuneration Committee which deal with the relations between the Company and the members of the Management Board).

Working Committee

The Working Committee is responsible for all matters that are brought before it by the Supervisory Board. Thus it is called on to approve matters not reserved for the Supervisory Board. In particular, these include the establishment, closing and liquidation of any subsidiary company and acquisition and disposal of a participation in a subsidiary company exceeding certain thresholds, the conclusion and termination of syndicate and voting agreements with shareholders, the execution of functions in the management bodies of other companies (which are not affiliates of the Company) by members of the Management Board, and the appointment of persons to the Management Boards and supervisory bodies of banks within the Group. Furthermore, the Working Committee approves the acceptance of operational banking risk above a certain level.

The current members of the Working Committee are Walter Rothensteiner (chairman), Erwin Hameseder (first deputy chairman), Heinrich Schaller (second deputy chairman), Markus Mair (third deputy chairman), Johannes Schuster (member), Martin Prater (member), Rudolf Kortenhof (member) and Peter Anzeletti-Reikl (member).

Audit Committee

The competences of the Audit Committee are determined by the Stock Corporation Act and regulated by the rules of procedures of the Supervisory Board and the Audit Committee. The Audit Committee oversees the accounting process and the effectiveness of the Company's internal control system, internal audit system and risk management system. Its tasks include supervising the annual audit of the financial statements and of the consolidated financial statements, as well as testing and supervising the independence of the Group's auditors, in particular with respect to the additional work performed for the audited company. The Committee audits the annual financial statements, the management report, the consolidated financial statements and the Group management report, as well as the preparation of their findings; it also audits the proposal for the appropriation of earnings and the Corporate governance report. It presents a report on the results of its audits to the Supervisory Board. The Committee is also responsible for preparing the recommendation of the Supervisory Board for the selection of the external auditors and bank auditors. The Audit Committee also discusses the contents of the management letter.

One member of the Audit Committee must be a financial expert with special knowledge and practical experience in finance and accounting and reporting (*Finanzexperte*). Persons who were members of the Management Board, executives or auditors of the Company or persons having certified the consolidated financial statements of the Company within the last three years may not be financial expert or chairman of the Audit Committee.

The current members of the Audit Committee are Walter Rothensteiner (chairman), Erwin Hameseder (first deputy chairman), Heinrich Schaller (second deputy chairman), Markus Mair (third deputy chairman), Johannes Schuster (member), Martin Prater (member), Rudolf Kortenhof (member) and Peter Anzeletti-Reikl (member). The Supervisory Board considers that the elected members of the Audit Committee qualify as financial experts.

Personnel Committee

The competences of the Personnel and Compensation Committee are regulated by the rules of procedures of the Supervisory Board and the Personnel and Compensation Committee and cover the legal relationship between the Company and the active and the retired members of the Management Board, with the exception of the appointment and the revocation of the appointment of such members. In particular, it is responsible for approving the bonus allocation and the allotment of stock to members of the Management Board through the SIP (see "*—Share incentive program*"). It serves as remuneration committee within the meaning of the ACGC.

The current members of the Personnel Committee are Walter Rothensteiner (chairman), Erwin Hameseder (first deputy chairman), Heinrich Schaller (second deputy chairman), Markus Mair (third deputy chairman) and Johannes Schuster (member).

Remuneration Committee

The competencies of the Remuneration Committee are governed by the rules of procedures of the Supervisory Board and the Remuneration Committee: they include, within the meaning of Sections 39b and 39c of the Banking Act, in particular approving the general principles of the remuneration policy and practices, the review of the remuneration policy, remuneration practices and remunerative incentive structures and the responsibility for their implementation. Moreover, the Remuneration Committee reviews the remuneration of senior risk management executives and senior executives holding compliance functions.

The composition of the Remuneration Committee aims to enable an assessment of these topics with independence and integrity. The Remuneration Committee consists of at least three members of the Supervisory Board. One member must be a remuneration expert (*Vergütungsexperte*) with special knowledge and practical experience in remuneration policy. Persons who were directors (*Geschäftsleiter*) or managing employees (*leitende Angestellte*) of the Company within the last three years or are for other reasons not independent and impartial may not be remuneration expert or chairman of the Remuneration Committee.

The current members of the Remuneration Committee are Walter Rothensteiner (chairman), Erwin Hameseder (first deputy chairman), Heinrich Schaller (second deputy chairman), Markus Mair (Third deputy chairman), Johannes Schuster (member), Martin Prater (member), Rudolf Kortenhof (member) and Peter Anzeletti-Reikl (member). The Supervisory Board considers that the chairman Walter Rothensteiner qualifies as remuneration expert (*Vergütungsexperte*). The Remuneration Committee meets at least once a year.

Nomination Committee

The competences of the Nomination Committee are regulated by the rules of procedures of the Supervisory Board and the Nomination Committee. It is in particular responsible for identifying candidates for filling vacancies in the Management Board, providing support to the Supervisory Board in preparing proposals to be submitted to the General Meeting for filling vacancies in the Supervisory Board, performing assessments of the structure, size, composition and performance of the Management Board and the Supervisory Board, annual assessments of the knowledge, skills and experience of both the individual members of the Management Board and the Supervisory Board as well as of the respective corporate body in its entirety and reviewing the course taken by the Management Board in respect of the selection of senior management. The Nomination Committee serves as nomination committee within the meaning of the ACGC and § 29 Austrian Banking Act.

The current members of the Nomination Committee are Walter Rothensteiner (chairman), Erwin Hameseder (first deputy chairman), Heinrich Schaller (second deputy chairman), Johannes Schuster (third deputy chairman), Martin Prater, Peter Anzeletti-Reikl and Rudolf Kortenhof (member).

Risk Committee

The competences of the Risk Committee are regulated by the rules of procedures of the Supervisory Board. The Risk Committee consists of at least three members of the Supervisory Board who have the expertise and experience required for monitoring the implementation of the risk strategy. It is in particular responsible for advising the Management Board in respect of the current and future risk orientation for investments and risk strategy, monitoring the implementation of such risk strategy in connection with control, monitoring and limitation of risks pursuant to the Austrian Banking Act, with the equity base and with liquidity, reviewing whether the business model and risk strategy are appropriately reflected in the pricing of the services and products offered and reviewing, whether risk, capital, liquidity and the probability and timing of profit realization are appropriately reflected in the incentives offered by the internal remuneration system. The Risk Committee serves as risk committee within the meaning of § 39d Austrian Banking Act.

The current members of the Risk Committee are Walter Rothensteiner (chairman), Erwin Hameseder (first deputy chairman), Heinrich Schaller (second deputy chairman), Johannes Schuster (third deputy chairman), Martin Prater, Peter Anzeletti-Reikl and Rudolf Kortenhof (member).

Supervisory Board compensation

According to the Articles of Association, each member of the Supervisory Board receives reimbursement for cash expenses. Furthermore, each Supervisory Board member receives an annual remuneration in line with the Supervisory Board member's duties, the duration of the term and the situation of the Company which is determined annually by the annual General Meeting. The annual General Meeting on June 26, 2013 resolved upon an annual remuneration for the members of the Supervisory Board for the 2012 financial year totaling EUR 550.000 (attendance fees were not paid) as follows:

The following table shows the remuneration paid to each member of the Supervisory Board for the business year 2012:

Remuneration	Payment in 2013 for 2012
Chairman of the Supervisory Board	70,000
Deputy Chairperson of the Supervisory Board	60,000
Member of the Supervisory Board	50,000

Source: Internal data.

A D&O (directors and officers) pecuniary damage and liability insurance was taken out for the Supervisory Board, the Management Board and key executives. The costs for this insurance will be borne by the Company. As a joint insurance premium is paid, it is not possible to attribute these costs to the individual members of the Supervisory Board. Members of the Supervisory Board are not entitled to pension benefits after termination of their duties.

Duty of loyalty and care

Members of the Management Board and the Supervisory Board owe a duty of loyalty and care to the Company. In carrying out their duties they must exercise the standard of care of a prudent and diligent business person. They are required to take into account a broad range of considerations when making their decisions, including the Company's interests and those of the shareholders, employees, creditors, and the public.

Under Austrian stock corporation law, shareholders and other parties are prohibited from giving instructions to the Management Board or the Supervisory Board and from using their influence to their own advantage to cause a member of the Management Board or the Supervisory Board to act in a way that is harmful to the Company or the shareholders. The third party exerting influence to its own advantage and the Board members who have neglected their duties by taking such actions may be jointly and severally liable for damages caused to the Company and its shareholders.

Generally, a shareholder has no direct recourse against members of the Supervisory Board or Management Board in the event that they are believed to have breached their duty. Only the Company itself has a direct recourse against the members of the Management Board and the Supervisory Board and may waive the right to a recourse or settle these claims only if five or more years have passed since the alleged breach and if the shareholders of the Company approve the waiver or settlement at a General Meeting by a simple majority of the votes cast, provided that a minority of shareholders holding 5% or more of the Company's share capital in the aggregate do not oppose such resolutions.

Certain additional information about board members

Activities performed outside the Group

The following table sets out the names of companies and business partnerships (excluding subsidiaries of the Company) of which each of the members of the Supervisory Board and Management Board has been a member of the administrative, management or supervisory boards or partner (as the case may be) at any time in the five years prior to the date of this prospectus. Functions and memberships in associations (like associations, chamber of commerce, trade unions, social security institutions, etc.) are not included. "MB" denotes "management board", "SB" denotes "supervisory board, "D" denotes (managing) director of a limited liability company or of a co-operative society and "P" denotes (limited) partner of a partnership.

Name	Name of the Company/Partnership	Position	Current function
Management Board			
Karl Sevelda	BestLine Privatstiftung	MB	yes
	Österreichische Kontrollbank AG	SB	yes
	"MILLETERTIUS" Kreihsler Immobilienhandel KG	P	yes
	"SECUNDUS" FRANKE IMMOBILIEN HANDEL KG	P	yes
	Michael Stranz Immobilienverwaltung Gamma KG	P	yes
	Dio Innenausbau und Immobilientreuhand GmbH & Co KG	P	yes
	Raiffeisen-Leasing Management GmbH	SB	no
	BENE AG	SB	no
	Bene Privatstiftung	MB	no
	Herbert Depisch Privatstiftung	MB	no
	Rail Cargo Austria AG	SB	no
Johann Strobl	Raiffeisen Zentralbank Österreich AG	MB	yes
	Österreichische Raiffeisen-Einlagensicherung eGen	D	yes
	Raiffeisen Leasing Management GmbH	SB	yes
Aris Bogdaneris	Visa Worldwide Pte. Limited (Senior Client Council)	n.a.	yes
Klemens Breuer	FMS Wertmanagement	SB	yes
	Deka Bank Deutsche Girozentral	SB	no
	readybank ag	n.a.	no
	Weberbank Actiengesellschaft	n.a.	no
	Westdeutsche ImmobilienBank AG	SB	no
	WestLB Mellon Asset Management Kapitalanlagegesellschaft m.b.H.	SB	no
Martin Grüll	Stefan Stolitzka Privatstiftung	MB	yes
Mr. Peter Lennkh	Raiffeisen Leasing Management GmbH	SB	yes
Supervisory Board			
Walter Rothensteiner	Casinos Austria Aktiengesellschaft	SB	yes
	Casinos Austria International Holding GmbH	SB	yes
	KURIER Redaktionsgesellschaft m.b.H.	SB	yes

Name	Name of the Company/Partnership	Position	Current function
	KURIER Zeitungsverlag und Druckerei GmbH	SB	yes
	Kathrein Privatbank Aktiengesellschaft	SB	yes
	LEIPNIK-LUNDENBURGER INVEST Beteiligungaktiengesellschaft	SB	yes
	Oesterreichische Kontrollbank Aktiengesellschaft	SB	yes
	Raiffeisen Informatik GmbH	SB	yes
	UNIQA Insurance Group AG	SB	yes
	Valida Holding AG	SB	yes
	Wiener Staatsoper GmbH	SB	yes
	Österreichische Lotterien Gesellschaft m.b.H.	SB	yes
	Austria Versicherungsverein auf Gegenseitigkeit Privatstiftung	SB	yes
	Oesterreichische Nationalbank AG	Member of General Council	yes
	HK Privatstiftung	MB	yes
	Raiffeisen Zentralbank Österreich Aktiengesellschaft	MB	yes
	Österreichische Raiffeisen-Einlagensicherung eGen	SB	yes
	Raiffeisen International Beteiligungs GmbH	D	yes
	Raiffeisen Centrobank AG	SB	yes
	Raiffeisen Bausparkasse Gesellschaft m.b.H.	SB	no
	Valida Plus AG	SB	no
	Österreichische Galerien Belvedere	SB	no
	Valida Pensions AG	SB	no
	Österreichische Volksbanken-Aktiengesellschaft	SB	no
	Cembra Beteiligungs AG	MB	no
Erwin Hameseder	AGRANA Beteiligungs-Aktiengesellschaft	SB	yes
	AGRANA Zucker, Stärke und Frucht Holding AG	SB	yes
	ARS BOHEMIAE – Privatstiftung Rotter	MB	yes
	Dr. Erwin Pröll Privatstiftung	MB	yes
	Medial Beteiligungs-Gesellschaft m.b.H.	D	yes
	Mediaprint Zeitungs- und Zeitschriftenverlag Gesellschaft m.b.H.	SB	yes
	Medicur – Holding Gesellschaft m.b.H.	D	yes
	Printmedien Beteiligungsgesellschaft m.b.H.	D	yes
	RAIFFEISEN HOLDING NIEDERÖSTERREICH WIEN registrierte Genossenschaft mit beschränkter Haftung	SB	yes
	RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG	SB	yes
	STRABAG SE	SB	yes
	Südzucker AG, Mannheim, Deutschland	SB	yes
	UNIQA Insurance Group AG	SB	yes
	Z&S Zucker und Stärke Holding AG	SB	yes
	LEIPNIK-LUNDENBURGER INVEST Beteiligungs Aktiengesellschaft	SB	yes
	Raiffeisen Zentralbank Österreich-AG AG	SB	yes
	Raiffeisen Kundengarantiegemeinschaft NÖ-Wien	MB	yes
	Solidaritätsverein der Raiffeisen Bankengruppe NÖ-Wien	MB	yes
	RWA Raiffeisen Ware Austria AG	SB	yes
	RWA Raiffeisen Ware Austria Handel und Vermögensverwaltung eGen	SB	yes
	Raiffeisen-Landesbanken-Holding GmbH	D	no
	RAIFFEISEN-REVISIONSVERBAND NIEDERÖSTERREICH-WIEN eGen	MB	no
	R-Landesbanken Beteiligung GmbH	D	no
	Flughafen Wien Aktiengesellschaft	SB	no
	Raiffeisen Bausparkasse Gesellschaft m.b.H.	SB	no
	Österreichische Raiffeisen-Einlagensicherung eGen	D	no
	RAIFFEISEN HOLDING NIEDERÖSTERREICH WIEN registrierte Genossenschaft mit beschränkter Haftung	D	no
	RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG	MB	no
	Raiffeisen-Einlagensicherung Niederösterreich-Wien registrierte Genossenschaft mit beschränkter Haftung	D	no
	RAIFFEISEN-HOLDING NÖ-Wien Beteiligungs GmbH	D	no
	“CARPETA” Holding GmbH	D	no
	“CLEMENTIA” Holding GmbH	D	no
	Medicur Sendeanlagen GmbH	D	no
	NÖM AG	SB	no
	NÖM International AG	SB	no
	Cembra Beteiligungs AG	SB	no
	VK Mühlen AG, Hamburg, Deutschland	SB	no
	Raiffeisen Kundengarantiegemeinschaft Österreich (“RKÖ“)	MB	no
	“TALIS” Holding GmbH	D	no
Heinrich Schaller	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	MB	yes
	SALZBURGER LANDES-HYPOTHEKENBANK AKTIENGESELLSCHAFT	SB	yes
	voestalpine AG	SB	yes
	Österreichische Raiffeisen-Einlagensicherung eGen	D	yes
	Raiffeisen Zentralbank Österreich Aktiengesellschaft	SB	yes

Name	Name of the Company/Partnership	Position	Current function
	Raiffeisenverband Oberösterreich eGen	D	yes
	Raiffeisen-Einlagensicherung Oberösterreich registrierte Genossenschaft mit beschränkter Haftung	D	yes
	Raiffeisen-Kredit-Garantiegesellschaft m.b.H.	SB	yes
	PRIVAT BANK AG der Raiffeisenlandesbank Oberösterreich	SB	yes
	Oberösterreichische Landesbank Aktiengesellschaft	SB	yes
	AMAG Austria Metall AG	SB	yes
	R-Landesbanken-Beteiligung GmbH	D	yes
	Raiffeisen Landesbanken-Holding GmbH	D	yes
	Salinen Austria AG	SB	yes
	Österreichische Salinen AG	SB	yes
	VIVATIS Holding AG	SB	yes
	OÖ Wohnbau Gesellschaft für den Wohnbau gemeinnützige GmbH	SB	yes
	OÖ Wohnbau gemeinnützige Wohnbau und Beteiligung GmbH	SB	yes
	Privatstiftung der RLB Oberösterriech AG	MB	yes
	RBG OÖ Verbund e.Gen	D	yes
	Raiffeisen-Landesbanken-Holding reg. Gmbh	D	yes
	Energie AG OÖ		yes
	CEESEG Aktiengesellschaft	MB	no
	Wiener Börse AG	MB	no
	Central European Gas Hub AG	SB	no
	EXAA Abwicklungsstelle für Energieprodukte AG	SB	no
Markus Mair	Energie Steiermark AG	SB	yes
	Regionalmedien Austria AG	SB	yes
	Styria Media Group AG	MB	yes
	SAG Immobilien AG	MB	yes
	Österreichische Raiffeisen-Einlagensicherung eGen	D	yes
	R-Landesbanken-Beteiligung GmbH	D	yes
	Styria Media Regional GmbH	D	yes
	Styria Media Group AG	SB	no
	GRAWE-Vermögensverwaltung	SB	no
	Grazer Wechselseitige Versicherung Aktiengesellschaft	SB	no
	KONKRETA Beteiligungsverwaltungs GmbH	D	no
	Landes-Hypothekenbank Steiermark Aktiengesellschaft	SB	no
	NWB Beteiligungs GmbH	D	no
	Österreichische Raiffeisen-Einlagensicherung registrierte Genossenschaft mit beschränkter Haftung	D	no
	Raiffeisen – Einlagensicherung Steiermark registrierte Genossenschaft mit beschränkter Haftung	D	no
	Raiffeisen-Landesbanken-Holding GmbH	D	no
	Raiffeisen-Landesbank Steiermark AG (former RLB Steiermark reg. Gen.m.b.H.)	MB	no
	Raiffeisen Zentralbank Österreich Aktiengesellschaft	SB	no
	R-Landesbanken-Beteiligung GmbH	D	no
	RLB-Stmk Management GmbH	D	no
	SAG Immobilien AG	SB	no
	Raiffeisen Bausparkasse Gesellschaft m.b.H.	SB	no
	Oesterreichische Kontrollbank AG	SB	no
	Valida Pension AG	SB	no
	Raiffeisen Kapitalanlage-Gesellschaft mit beschränkter Haftung	SB	no
	Raiffeisen Vermögensverwaltungsbank AG	SB	no
	Raiffeisen Wohnbaubank AG	SB	no
	RVS Raiffeisen Vertrieb u. Service GmbH (vormals RVD Raiffeisen Versicherungs-Maklerdienst Steiermark GesmbH)	D	no
	UNIQA Insurance Group AG	SB	no
Stewart Gager	Strategic Active Trading Funds PLC	SB	yes
Kurt Geiger	Demir Bank OJSC	SB	yes
	Alpha Associates AG, Zurich	n.a.	yes
	Accession Mezzanine LTD	n.a.	yes
	TBIF KARDAN N.V.	SB	no
	Syntek AG München	SB	no
	KCM LTD Astana	D	no
Johannes Schuster	Raiffeisen Zentralbank Österreich Aktiengesellschaft	MB	yes
	Österreichische Raiffeisen-Einlagensicherung eGen	D	yes
	Raiffeisen International Beteiligungs GmbH	D	yes
	Raiffeisen e-force GmbH	SB	yes
	Raiffeisen Factor Bank AG	SB	yes
	Raiffeisen Informatik GmbH	SB	yes
	card complete Service Bank AG	SB	yes
	Raiffeisen Wohnbaubank Aktiengesellschaft	SB	yes

Name	Name of the Company/Partnership	Position	Current function
	Raiffeisen Versicherung AG	SB	yes
	RSC Raiffeisen Daten Service Center GmbH	SB	yes
	Raiffeisen-Leasing Gesellschaft m.b.H.	SB	yes
	Raiffeisen-Leasing Management GmbH	SB	yes
	Raiffeisen Bausparkasse Gesellschaft m.b.H	SB	yes
	UNIQA Insurance Group AG	SB	yes
	Raiffeisen Software Solutions und Service GmbH	SB	yes
	PayLife Bank GmbH	SB	no
	GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination GmbH	SB	no
	PSA Payment Services Austria GmbH	SB	no
	Raiffeisen Vermögensverwaltungsbank AG	SB	no
Klaus Buchleitner	RAIFFEISENLANDESBANK NIEDERÖSTERREICH-WIEN AG	MB	yes
	Raiffeisen Zentralbank Österreich AG	SB	yes
	Österreichische Raiffeisen Einlagensicherung eGen	D	yes
	Raiffeisen Kundengarantiegemeinschaft Österreich (“RKÖ“)	MB	yes
	Raiffeisen Einlagensicherung NÖ-Wien reg Genossenschaft m.b.H	D	yes
	Raiffeisen-Revisionsverband NÖ-Wien eGen	D	yes
	Solidaritätsverein der Raiffeisen-Bankgruppe NÖ-Wien	MB	yes
	BayWa AG	SB	yes
	LEIPNIK_LUDENBURGER INVEST Beteiligung AG	SB	yes
	Niederösterreichische Versicherung AG	SB	yes
	NÖ Kulturwirtschaft GesmbH	SB	yes
	NÖM AG	SB	yes
	NÖM International AG	SB	yes
	„CARPETA“ Holding GmbH	D	yes
	Raiffeisen Landesbanken Holding GmbH	D	yes
	R-Landesbanken-Beteiligung GmbH	D	yes
	Raiffeisen-Holding NÖ-Wien reg Genossenschaft m.b.H	D	yes
	BayWa AG	MB	no
	Raiffeisen Ware Austria AG	MB	no
	„UNSER LAGERHAUS“ WARENHANDELS-GESELLSCHAFT m.b.H	SB	no
	ifb Austria GmbH	SB	no
	Raiffeisen-Holding NÖ-Wien reg. Genossenschaft m.b.H	D	no
	Raiffeisen Lagerhaus GmbH	SB	no
	RWA Raiffeisen Ware Austria Handel und Vermögensverwaltung eGen	D	no
	RI-Solutions GmbH Gesellschaft für Retail-Informationssysteme, Services und Lösungen mbH	D	no
Christian Teufl	LEIPNIK-LUNDENBURGER INVEST Beteiligungs Aktiengesellschaft	MB	yes
	Marchfelder Zuckerfabriken Gesellschaft m.b.H	D	yes
	VK Mühlen Aktiengesellschaft-Hamburg	SB	yes
	Österreichische Rundfunksender GmbH	SB	no
	Raiffeisen-Invest-Gesellschaft m.b.H	D	no
	Raffeisen-Leasing GmbH	SB	no
	Raiffeisen-Leasing Management GmbH	SB	no
	SALVELINUS Handels- und Beteiligungsgesellschaft m.b.H	D	no
	VECTRA Handels- und Beteiligungsgesellschaft m.b.H	D	no
	AGRANA Beteiligungs-Aktiengesellschaft	SB	no
	AGRANA Zucker, Stärke und Frucht Holding AG	SB	no
	BL Syndikat Beteiligungs Gesellschaft m.b.H	D	no
	EPAMEDIA – Europäische Plakat- und Aussenmedien GmbH	SB	no
	Zucker-Beteiligungsgesellschaft m.b.H	D	no
	Zucker Invest GmbH	D	no
	Zuckermarkt - Studiengesellschaft m.b.H	D	no
	Z&S Zucker und Stärke Holding AG	SB	no
	Raiffeisen Centrobank AG	SB	no
	Aviso Zeta AG	SB	no
	Kathrein Privatbank Aktiengesellschaft	SB	no
	Österreichische Bundesbahnen-Holding Aktiengesellschaft	SB	no
	RBI Private Equity Holding GmbH	SB	no
	Goodmills Group GmbH	D	no
	St. Wolfgang Beteiligung G.m.b.H	D	no
	Zucker Vermögensverwaltungs GmbH	D	no
	Estezet Beteiligungsgesellschaft m.b.H.	D	no
	SEMPER CONSTANTIA PRIVATBANK Aktiengesellschaft	SB	no
	Raiffeisen Informatik GmbH	SB	no
	MAZ Beteiligungs GmbH	D	no
Günther Reibersdorfer	Österreichische Raiffeisen-Einlagensicherung eGen	D	yes
	Raiffeisenverband Salzburg registrierte Genossenschaft mit beschränkter Haftung	D	yes

			Current
Name	Name of the Company/Partnership	Position	function
	Raiffeisenverband Salzburg Anteils- und Beteiligungsverwaltungs GmbH	D	yes
	Raiffeisen-Einlagensicherung Salzburg registrierte Genossenschaft mit beschränkter Haftung	D	yes
	GEISLINGER GmbH	SB	yes
	Porsche Bank Aktiengesellschaft	SB	yes
	Raiffeisen Zentralbank Österreich Aktiengesellschaft	SB	yes
	Salzburger Landes-Versicherung Aktiengesellschaft	SB	yes
	Agroconsult Austria Gesellschaft m.b.H.	D	yes
	Landwirtschaftliche Besitzfestigungsgenossenschaft Salzburg registrierte Genossenschaft mit beschränkter Haftung	D	yes
	FLEIWA Salzburger Fleischwarenzentrale registrierte Genossenschaft mit beschränkter Haftung	D	yes
	Salzburger Viehvermarktung registrierte Genossenschaft mit beschränkter Haftung	Vice-principal	yes
	UNIQA Insurance Group AG	SB	yes
	RAIFFEISEN BETEILIGUNG GmbH	D	yes
	Salzburg München Bank AG	SB	yes
	Raiffeisen Bausparkasse Gesellschaft m.b.H.	SB	no
	Salzburger Biotechnik registrierte Genossenschaft mit beschränkter Haftung	D	no
	Lagerhaus Salzachtal registrierte Genossenschaft mit beschränkter Haftung	D	no
	Lagerhaus Pinzgau registrierte Genossenschaft mit beschränkter Haftung	D	no
	Bürgschaftsbank Salzburg GmbH	SB	no
	BVG Liegenschaftsverwaltung GmbH	SB	no
	RAIFFEISEN REALITÄTEN registrierte Genossenschaft mit beschränkter Haftung	D	no
	Fremdenverkehrs GmbH	SB	no
	Salzburger Unternehmensbeteiligungsgesellschaft mbH	SB	no
	Raiffeisen Warenbetriebe Salzburg GmbH	D	no
	Mittelstandsbeteiligungs GmbH	SB	no
	Privatstiftung zur Förderung der Mittelstandspolitik in Wirtschaft und Gesellschaft	MB	no
Martin Prater	Valida Pensionskassen AG	SB	yes
Peter Anzeletti-Reikl	-	-	-
Rudolf Kortenhof	Raiffeisen Zentralbank AG	SB	no
Susanne Unger	-	-	-
Helge Rechberger	-	-	-

Conflicts of interest and conduct of board members

Each member of the Management Board must immediately disclose any conflict of interest to the Supervisory Board and inform the other members of the Management Board of the conflict. Management Board members may hold offices, including supervisory board positions in unrelated companies, subject only to the approval of the Working Committee of the Supervisory Board.

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

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

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

Individual members of the Management and the Supervisory Board own capital stock of the Company or of its subsidiaries, the disposal of which is not subject to restrictions.

Conduct of board members

Within the five years prior to the date of this prospectus, no member of the Management Board or Supervisory Board:

- has been convicted in relation to fraudulent offences;
- has been associated with bankruptcies, receiverships or liquidations in his capacity as a member of the administrative, management or supervisory body or as a senior manager of a company;
- has been officially and publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies), except as set forth below; or
- has been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

In August 2011, all six board members who had served on the management board of Raiffeisen International in 2009 (thereof, Messrs. Grüll, Bogdaneris and Lennkh currently serve on the Management Board of the Company) for delayed ad-hoc announcements regarding the Merger, holding that the envisaged transaction should have been announced on November 4, 2009, rather than on February 22, 2010. All individuals so fined take the view that the charges are unfounded and appealed these decisions to the independent administrative panel (*Unabhängiger Verwaltungssenat*), which confirmed the FMA's decision. The affected board members have since filed a complaint with the Austrian Higher Administrative Court (*Verwaltungsgerichtshof*) as court of last instance to appeal against the fine. The appeal is currently pending.

In December 2013, based on an anonymous report, the Austrian State Attorney searched the offices of Karl Sevelda at the premises of RBI. The anonymous report alleges that Mr. Sevelda, in his previous function as board director of a private foundation, committed a breach of fiduciary duties towards the private foundation in connection with the private foundation's sale of assets. The investigations by the Austrian State Attorney's Office are still pending. The private foundation is not affiliated with the Group. Mr. Sevelda has informed RBI that the accusation as unjustified in all respects.

Shares held by board members

As of the date of this prospectus the following members of the Management and Supervisory Board held shares in the Company:

Name	Ownership in Shares of the Company	Options on Shares of the Company
Management Board		
Karl Sevelda	5,317	53,170
Johann Strobl	6,000	52,337
Aris Bogdaneris	6.571	52,004
Klemens Breuer	3,814	38,137
Martin Grüll	22,473	45,324
Peter Lennkh	16,835	36,031
Supervisory Board		
Walter Rothensteiner	3,000	-
Erwin Hameseder	18,358	-
Heinrich Schaller	216	-
Markus Mair	170	-
Stewart D. Gager	115	-
Kurt Geiger	1,450	-
Johannes Schuster	-	-
Klaus Buchleitner	-	-
Christian Teufl	-	-
Günther Reibersdorfer	-	-
Martin Prater	-	-

Name	Ownership in Shares of the Company	Options on Shares of the Company
Rudolf Kortenhof	-	-
Peter Anzeletti-Reikl	40	-
Susanne Unger	224	-
Helge Rechberger	-	-
Total	**84,583**	**277,003**

Source: Internal data.

Share incentive program

To align the incentives of the Company's senior management with the Group's goal of a long term increase of company value and to attract and retain key performers, a share incentive program for the Company's Management Board members, senior employees in leadership functions and the management board members of the Network Banks and other Group companies ("Eligible Employees") has been implemented (the "SIP"). Supervisory Board members are not included in this program. The SIP offers performance-based allocation of RBI shares for Eligible Employees.

To participate in the SIP, Eligible Employees must make a personal investment of 10% in RBI shares (10% of the allocation value which corresponds to a percentage of the annual base salary of each Eligible Employee). Once the participant has made this personal investment, the participant will receive a conditional grant of a specific number of shares (contingent shares). The right to receive RBI shares will accrue only at the end of the vesting period. The relevant performance criteria used to determine how many RBI shares the Eligible Employee will receive from the contingent shares after expiration of the vesting period are: the targeted average return on equity (ROE) and the total shareholder return (TSR) for RBI shares in relation to TSRs of shares in the EURO STOXX BANKS index. For the purpose of determining the number of shares which the Eligible Employee shall receive, both performance criteria are given a weighting of 50% each.

Moreover, beneficiaries have to be in active service for RBI with certain exceptions leading to a pro rata pay out (retirement, death, termination by the Company, termination by mutual consent, permanent disability, termination by employee for reason, expiry of contract and temporary absence in case of illness). The participation in the SIP is voluntary.

Share-based remuneration

In 2012, the 2009 allotment of the Company's SIP matured. For members of the Management Board, 146,573 shares became due which represented a value of EUR 3,835,082 (based on a share price of EUR 26.165 on the valuation day, April 2, 2012). However, of these 146,573 shares, only 73,288 shares were transferred, because eligible parties were granted the option of accepting a cash settlement instead of around a half of the matured shares in order to offset the wage tax payable at the time of transfer. The number of own shares was subsequently reduced by the lower number of actually transferred shares.

Because of the Merger, no SIP tranche was issued in 2010. Therefore there has not been any share-based remuneration transaction in 2013.

Under the SIP, new tranches have been issued each year beginning with 2011. This means that on the date of this prospectus, contingent shares for three tranches were allocated. As of December 31, 2013, the number of these contingent shares was 987,740 (of which 215,032 were attributable to the 2011 allocation, 406,040 to the 2012 allocation and 366,668 to the 2013 allocation).

The terms and conditions of the SIP have been amended to comply with the new remuneration principles provided for by CRD III and § 39b of the Banking Act. Assuming that all performance criteria are overachieved to the maximum cap of 150% performance achievement, an overall maximum of up to 1,481,610 shares could in total be disbursed to all Eligible Employees at the end of the vesting period for all three of the tranches currently launched.

Compliance with the Austrian Corporate Governance Code

The ACGC creates a body of rules and regulations for responsible management and guidance of companies in Austria. The ACGC was published by the Austrian Working Group on Corporate Governance, a group of organizations and individuals in 2002 and has been amended most recently in July 2012.

The ACGC applies primarily to Austrian stock market-listed companies that undertake to adhere to its principles. In addition, the Vienna Stock Exchange requires compliance with ACGC under provisions applicable for companies the shares of which are traded in the Prime Market Segment. The ACGC is based on statutory provisions of Austrian corporate law, securities law and capital markets law ("legal requirements", "L-Rules"). In addition, the ACGC contains rules considered to be a part of common international practice, such as the principles set out in the OECD Principles of Corporate Governance and the recommendations of the European Commission. Non-compliance with some of these rules must be explained ("comply or explain", "C-Rules"). The ACGC also contains rules that are voluntary and do not require explanation in the case of deviations ("recommendation", "R-Rules").

The principal rules and recommendations of the ACGC include:

- equal treatment of shareholders under equal circumstances;
- management board's information and reporting duties should be determined by the supervisory board;
- remuneration for members of the management board should consider the scope of activities, responsibility and personal performance as well as the achievement of targets, the size and economic situation of the company and comprise fixed and business performance related components (based on long-term indicators); the individual remuneration for each member of the management board should be reported in the annual financial statements;
- stock option plans for members of the management board should be approved by the shareholders' meeting and be based on objective parameters to be defined in advance; subsequent changes of the parameters are not permitted;
- the number and distribution of the options granted, the exercise prices and the respective estimated values at the time they are issued and upon exercise should be reported in the annual financial statements;
- conflicts of interests of members of the management board and the supervisory board should be disclosed in the annual financial statements;
- the majority of members of the supervisory board should be independent of the company and its management and the supervisory board should define the criteria that constitute independence;
- supervisory board committees should be established, in particular a remuneration committee (for remuneration and other issues with management board members) and a nomination committee (for succession planning in the management board); the remuneration committee and the nomination committee may be identical;
- supervisory board members may not assume any functions on the boards of other enterprises that are competitors of the company;
- the number of members of the supervisory board (excluding employees' representatives) should be ten or less; supervisory board members should not sit on the supervisory boards of more than eight other listed companies (the function as a chairperson counts twice);
- annual and quarterly financial statements (drawn up according to internationally recognized accounting standards) should be published in a timely manner (within four and two months,

respectively) and must remain publicly accessible for at least five years;

- communication structures should be established to meet information needs of shareholders in a timely and adequate manner, in particular by using the internet; dates essential for shareholders should be communicated sufficiently in advance; consolidated financial statements and interim reports should be published on the company's website in German and English;
- any director's dealings should be disclosed on the company's website directly or by referring to the website of the FMA;
- the independent auditors should make regular assessments of the company's risk management; and
- an annual report regarding compliance with the ACGC should be included in the annual financial statements posted on the company's website.

The Company currently complies in full with all "L-Rules". It deviates from the C-Rule 45 with the following explanation and justification: According to C-Rule 45, supervisory board members may not assume any functions on the boards of other enterprises which are competitors of the Company. However, some of the Supervisory Board members hold management functions in the Company's core shareholder RZB or the RZB Group or in the RBG. The Company regards this to be advantageous, because know-how and experience specific to the industry are applied to the exercising of supervisory functions of the Supervisory Board, to the benefit of the Company. In accordance with R-Rule 62, an external institution was commissioned to evaluate the Company's compliance with the ACGC. The report on this external evaluation is publicly available on RBI's website.

DESCRIPTION OF THE SHARE CAPITAL OF THE COMPANY AND THE ARTICLES OF ASSOCIATION

The following is a summary of the material terms of the Shares as set out in the Articles of Association and certain relevant provisions of the Stock Corporation Act. This description is a summary and does not include all the information contained in the Articles of Association. The Company encourages a review of the full Articles of Association, which are available for inspection at the Company's principal office at Stadtpark 9, A-1030 Vienna or on the internet (www.rbinternational.com). The information on the Company's website is not incorporated by reference into this prospectus.

The Articles of Association were last amended at the general General Meeting held on June 26, 2013.

Share capital and shares

Prior to the Offering, the Company's issued and fully paid-in share capital amounts to EUR 596,290,628.20, divided into 195,505,124 fully paid-in no-par value ordinary bearer shares (*auf Inhaber lautende Stückaktien*) each representing a calculated notional amount of EUR 3.05 of the share capital. Following completion of the Offering and assuming that all New Shares are issued, the Company's issued and fully paid-in share capital will amount to EUR 893,586.065.90, divided into 292,979,038 no-par value ordinary bearer shares. Each Share will represent a calculated notional amount of EUR 3.05 of the share capital.

All Shares of the Company including the New Shares are issued under Austrian law. The Existing Shares are and the New Shares will be freely tradable. The Company is not aware of any restrictions that limit the rights of non-Austrians to own the Shares or to exercise voting rights in accordance with the procedures described below.

Development of the Share Capital since 2008

As of January 1, 2008 the Company's share capital amounted to EUR 471,735,875 divided into 154,667,500 no-par value ordinary bearer shares. In the course of the Merger, RBI increased its share capital from EUR 471,735,875.00 by EUR 124,554,753.20 to EUR 596,290,628.20 by issuing 40,837,624 new shares subscribed for by RZB. The Merger was recorded in the commercial register and became effective in October 10, 2010.

Capital Increase in connection with the Offering – authorized capital

In a General Meeting held on June 26, 2013, the Company's shareholders resolved to authorize the Management Board, subject to approval of the Supervisory Board, to increase the Company's share capital from EUR 596,290,628.20 by up to EUR 298,145,314.10 in one or several tranches, by issuing up to 97,752,562 new no-par value ordinary bearer shares against contribution in cash or in kind, until July 27, 2018 (authorized capital/*genehmigtes Kapital*) with the right to exclude the statutory subscription right of the shareholders with the consent of the Supervisory Board (i) if the capital increase is in return for a contribution in kind or (ii) if the capital increase is in return for a contribution in cash and the shares issued while excluding the subscription right of the shareholders, taken together, do not exceed 10 % of the share capital of the Company. The New Shares will be issued based on this authorized capital pursuant to the resolutions of the Management Board and the Supervisory Board dated January 21, 2014 to increase the Company's share capital from EUR 596,290,628.20 by up to EUR 297,295,437.70 by issuing up to 97,473,914 new no-par value ordinary bearer shares up to EUR 893,586,065.90. The New Shares will carry dividend rights from and including the financial year 2013. The Offer and Subscription Price and the exact volume of the capital increase will be determined by a separate resolution to be adopted by the Management Board with the approval of the Project Committee of the Supervisory Board which is expected to be passed on or about January 22, 2014. In connection with the Offering, holders of Participation Capital 2008/2009 will not be granted compensation in accordance with § 23 para. 5 Banking Act.

The capital increase for New Shares acquired in the Pre-placement which are attributable to the Waived Subscription Rights is expected to be registered with the commercial register on or about January 24, 2014, the capital increase for the Claw-back Shares is expected to be registered on or about February 10, 2014. Following a capital increase in the full amount of the resolutions of the Management Board and the Supervisory Board, the share capital will amount to EUR 893,586,065.90, divided into 292,979,038 no-par value ordinary bearer shares.

Convertible bonds

The General Meeting held on June 26, 2013 authorized the Management Board, with consent of the Supervisory Board, to issue convertible bonds with a total nominal amount of up to EUR 2,000,000,000 and with conversion or subscription rights for up to 39,101,024 new no-par value ordinary bearer shares, also in several tranches, in accordance with § 173 para. 2 of the Stock Corporation Act. The shareholders' pre-emptive rights to the convertible bonds are excluded. The authorization is valid for 5 years from the day of the resolution.

Conditional capital

The General Meeting held on June 26, 2013 resolved a conditional capital increase by up to EUR 119,258,123.20 by issuing up to 39,101,024 new no-par value ordinary bearer shares, for the purpose of issuing new shares to holders of convertible bonds issued on the basis of the shareholders' resolution of even date. Such capital increase may only take place to the extent that holders of convertible bonds exercise conversion rights for shares in the Company; so far, the Company has not issued any convertible bonds.

Conversion and option rights

There are currently no options or rights of conversion in respect of the Shares other than the options granted under the Company's stock option plan described under "*Management and Corporate Governance—Share Incentive Program*".

Form and certification of the Shares, transferability

Form and contents of the share certificates are determined by the Management Board with the consent of the Supervisory Board. Shareholders have no right to request the issuance of individual share certificates.

The Company's 195,505,124 Existing Shares are represented by a modifiable global certificate (*Zwischensammelurkunde*). The modifiable global certificate is deposited with the clearing system of OeKB, Am Hof 4, A-1011 Vienna, Austria. The Company's ordinary bearer shares are freely transferable without the prior approval of the Management Board and the Supervisory Board.

The New Shares will be represented by one or more modifiable global certificates deposited with the clearing system of OeKB, Am Hof 4, A-1011 Vienna, Austria. Title to the Company's New Shares will therefore be transferred in accordance with the rules of that clearing system (see "*Market Information—The Vienna Stock Exchange—Trading and settlement*").

General provisions regarding a change of the share capital

Austrian law permits a stock corporation to increase its share capital in any of the following ways:

- through a shareholders' resolution on the issuance of new shares against contributions in kind or in cash (ordinary capital increase; *ordentliche Kapitalerhöhung*);

- through a shareholders' resolution authorizing the management board, subject to approval of the supervisory board, to issue new shares up to a specified amount (not exceeding 50% of the issued share capital) within a specified period, which may not exceed five years (authorized capital; *genehmigtes Kapital*);

- through a shareholders' resolution on the issuance of new shares up to a specified amount for specific purposes, such as for employee stock options (not exceeding 10% of the issued share capital), for conversion rights granted to holders of convertible bonds or for use as consideration in a merger (not exceeding 50% of the issued share capital) (conditional capital; *bedingtes Kapital*);

- through a shareholders' resolution authorizing the management board to effect a conditional capital increase with the approval of the supervisory board in order to grant stock options to employees, executives and members of the management board up to a certain nominal amount (not exceeding 10% of the issued share capital) (authorized conditional capital; *genehmigtes bedingtes Kapital*); or

- through a shareholders' resolution authorizing the conversion of unrestricted reserves or retained earnings into share capital, with or without the issuance of new shares (*Kapitalberichtigung*).

According to Austrian stock corporation law and the Articles of Association, an ordinary capital increase at the Company requires approval by a simple majority of the share capital present or represented at the shareholders' meeting. However, if the subscription rights of existing shareholders are to be excluded, a 75% majority of the share capital present or represented at the shareholders' meeting is required. Shareholder resolutions approving authorized capital, conditional capital or authorized conditional capital, require a 75% majority of the share capital present or represented at the shareholders' meeting.

Authorization to acquire own shares

Pursuant to the Stock Corporation Act, the Company may purchase its own shares only in the following limited circumstances:

- upon approval of the shareholders' meeting, for a period not exceeding 30 months and limited to a total of 10% of the issued share capital, if the shares are listed on a regulated market (such as the Official Market of the Vienna Stock Exchange), or if the shares are intended to be offered to the employees, executives, management board members and supervisory board members of the Company or of certain affiliated companies; the resolution must determine a minimum and a maximum consideration, provided that the Company keeps sufficient reserves;

- where the shares are acquired without payment of consideration or where the Company is acting as agent on a commission basis;

- to prevent substantial, immediately threatened damage to the Company (subject to the limitation of 10% of the overall share capital), provided that the Company keeps sufficient reserves;

- by way of a universal legal succession (i.e., succession by merger);

- for the purpose of indemnifying minority shareholders, provided that the Company keeps sufficient reserves; or

- as part of a redemption of shares in accordance with the rules for capital decreases and as approved by the shareholders' meeting.

The General Meeting on June 20, 2012 authorized the repurchase of up to 10% of the issued share capital pursuant to § 65 para. 1 no. 8 of the Stock Corporation Act for a period of 30 months commencing on June 20, 2012. No own shares have been repurchased since the authorization was issued in June 2012. Prior to the Offering, the Company held 557,295 Shares, representing 0.29% of the share capital and an aggregated calculated notional amount of the Company's share capital of EUR 1.7 million.

The Management Board was authorized, subject to the consent of the Supervisory Board, to sell previously acquired treasury stock by other means than over the stock exchange or by a public offer, whereby in analogy to the exclusion of subscription rights of the shareholders, an equal treatment of shareholders may be effectively excluded under certain circumstances.

The General Meeting on June 20, 2012 also authorized the repurchase of up to 5% of the issued share capital pursuant to § 65 para. 1 no. 7 of the Stock Corporation Act for the purpose of securities trading for a period of 30 months commencing on June 20, 2012. The consideration for each share so acquired has to be in a range of 50%-200% of the closing price at the Vienna Stock Exchange on the last day of trading preceding the acquisition.

General provisions regarding subscription rights

Under Austrian law, shareholders are generally entitled to subscription rights (*Bezugsrechte*) allowing them to subscribe for any new shares (including securities convertible into shares, securities with warrants to purchase shares, securities with profit participation or participation certificates) to maintain their existing share in the share capital. Such subscription rights are in proportion to the number of shares held by the shareholder. Shareholders may waive or transfer their subscription rights.

The shareholders' subscription rights may be excluded by a resolution of 75% of the share capital present or represented at the shareholders' meeting. A shareholders' resolution resolving upon an authorized capital may exclude the subscription rights or authorize the Management Board to exclude the subscription rights with a majority of 75% of the share capital present or represented at the shareholders' meeting. The decision of the Management Board to issue the shares from authorized capital and to exclude the shareholders' subscription rights requires the approval by the Supervisory Board and a statement by the Management Board as to the reason why the shareholders' subscription rights are excluded. If shares are issued from a conditional capital, there are no subscription rights.

Subscription rights are not deemed to be excluded when new shares are subscribed for by a credit institution, in order to offer the new shares to the existing shareholders.

Pursuant to the Stock Corporation Act, the period to exercise subscription rights may not last less than two weeks. The Management Board must publish a notice of the issue price and the commencement and duration of the subscription period in the Official Gazette (*Amtsblatt zur Wiener Zeitung*).

Treasury shares are not entitled to subscription rights.

General Meeting

Convention of General Meetings

The ordinary General Meeting is convened by the Management Board or the Supervisory Board. The General Meetings take place at the registered seat of the Company in Vienna, Austria. A shareholder or a group of shareholders holding at least 5% of the share capital during at least three months before the application may demand the convention of a General Meeting. The ordinary General Meeting is to be held at least once a year; pursuant to the Company's Articles of Association the ordinary General Meeting is to be held no later than eight months after the end of the preceding financial year.

The Company must publish an invitation notice of the General Meeting; the minimum period between the publication of the invitation notice and the day of the General Meeting must be 28 days in case of an ordinary General Meeting and 21 days respectively in case of an extraordinary General Meeting. Shareholders may appoint proxies to represent them at General Meetings.

For the right to participate in the General Meeting and to exercise voting and other shareholder rights, shares held at the end of the tenth day before the General Meeting (the "record date") are relevant. In case of deposited bearer shares shareholders have to prove that they held the shares on the record-date by submitting a deposit certificate (*Depotbestätigung*). The depository may be a credit institution having its registered seat in a member state of the European Economic Area or a full member of the OECD. Holders of shares which are not deposited may use a confirmation issued by the Company or by an Austrian notary public. All such evidence must be received by the Company at the address as specified in the notice announcing the General Meeting at least three business days before the General Meeting. Saturdays, Good Friday, December 24 and December 31 do not count as business days.

Voting rights and majority requirements

Each Share entitles its holder to one vote at the General Meeting. The General Meeting has a quorum if at least one shareholder or its representative with voting power is present. Resolutions of the General Meeting are passed with simple majority of the votes cast or, in matters which require a majority of the share capital, with simple majority of the share capital present, unless mandatory law requires a higher majority.

A majority of 90% of the entire share capital is required for an upstream merger pursuant to the Transformation Act (*Umwandlungsgesetz*), with certain exceptions, for a spin-off disproportionate to shareholdings pursuant to the Spin-Off Act (*Spaltungsgesetz*) or for a squeeze-out pursuant to the Austrian Act on the Squeeze-out of Minority Shareholders (*Gesellschafter-Ausschlussgesetz*) (see "*Regulation of Austrian Securities Markets—Squeeze-out of minority shareholders*").

Under Austrian mandatory law, among others, the following measures require a majority of at least 75% of the share capital present or represented at a General Meeting:

- change of the business objectives;
- increase of share capital with a simultaneous exclusion of subscription rights;
- creation of authorized capital or conditional capital;
- decrease of share capital;
- exclusion of subscription rights for convertible bonds, participating bonds and participation rights;
- dissolution of the Company or continuation of the dissolved company;
- transformation of the Company into a limited liability company (GmbH);
- approval of a merger or a spin-off (proportionate to shareholdings);
- amendment of the Articles of Association;
- transfer of all or a majority of the assets of the Company;
- approval of profit pools or agreements on the operation of the business;
- post-formation acquisition (*Nachgründung*); and
- disposal of treasury shares other than over the stock exchange or in a public offer.

A shareholder or a group of shareholders holding at least 20% of the share capital may object to settlements or waivers of liability claims of the Company against members of the Management Board or the Supervisory Board.

A shareholder or a group of shareholders holding at least 10% of the share capital may in particular:

- apply for the appointment of a special auditor to audit activities with respect to the management of the Company, if these activities took place within the previous two years and if the General Meeting objected to such application before;
- veto the appointment of a special auditor and request a court to appoint another special auditor;
- request an adjournment of the General Meeting if the annual financial statements are found to be incorrect by the shareholders who require such adjournment;
- request a court to recall a member of the Supervisory Board for cause; and
- request the assertion of damage claims by the Company against members of the Management Board or the Supervisory Board or certain other parties, if the claim is not obviously unfounded.

A shareholder or a group of shareholders holding at least 5% of the share capital may in particular:

- request that a General Meeting be convened or, if such request is not complied with within a reasonable time period, request a court to convene a General Meeting or, upon court approval, convene a General Meeting themselves (for this purpose the applicants must hold the stake during at least three months before the application);
- request that a topic be put on the agenda of the General Meeting;
- request the assertion of damage claims of the Company against members of the Management Board or the Supervisory Board or certain other parties, if a special report reveals facts which may entitle to such damage claims;
- request court appointment of another auditor of the financial statements for cause;
- appeal a shareholders' resolution, if such resolution provides for amortization, accumulated depreciation, reserves and accruals exceeding the limit set by law or the Articles of Association;
- apply for the appointment or removal for cause of liquidators; and
- apply for an audit of the annual financial statements during liquidation.

A shareholder or a group of shareholders with an aggregate shareholding of at least 1% of the share capital is entitled to submit proposals on the resolutions to be adapted to each item of the agenda of an already announced General Meeting and request that the proposals, including the reasons therefore, are made available on the Company's website.

Change or impairment of shareholder's rights

The Stock Corporation Act contains provisions that protect the rights of individual shareholders. As a general rule, shareholders must be treated equally under equal circumstances, unless the concerned shareholders agree otherwise. Furthermore, measures affecting shareholders' rights generally require a shareholders' resolution. The rights of holders of the shares as a group can be changed by amendment of the Articles of Association.

The Articles of Association do not provide for more stringent conditions for the exercise of shareholders' rights than those provided by law. In addition, the Articles of Association do not allow changes to, or restrictions on, shareholders' rights under less stringent conditions than those provided by law.

Neither Austrian law nor the Articles of Association restrict the right of non-resident or foreign holders of the shares to hold or vote the shares.

Dividend rights

The New Shares carry dividend rights for the financial year starting January 1, 2013 and the following financial years.

Each shareholder is entitled to receive dividends, if and to the extent the distribution of dividends is resolved upon by the General Meeting. A dividend payout is based on the unconsolidated financial statements prepared in accordance with the Austrian Commercial Code (*Unternehmensgesetzbuch*) and Austrian GAAP, and on the distributable profits contained therein. Based on the proposal of the Management Board and the report by the Supervisory Board, the General Meeting resolves whether dividends will be paid for any financial year and on the amount and timing of any such dividend payments. The General Meeting is bound to the annual financial statements prepared by the Management Board and approved by the Supervisory Board. It is, however, not bound to the Management Board's proposal for the distribution of the net profit. In case the Supervisory Board denies its approval to the annual financial statements prepared by the Management Board or if the Management Board and the Supervisory Board decide so, the General Meeting is responsible for the approval of the annual financial statements. Shareholders participate in dividends pro rata to the number of their shares.

If not resolved differently by the General Meeting, dividend payout has to occur ten days after the General Meeting resolving on the dividends. Dividends that have not been collected by shareholders within three years of their becoming payable are deemed forfeited and become part of the Company's statutory reserve (*gesetzliche Rücklage*). Dividend payout (after deduction of the capital gains tax) is effected through crediting of the respective dividend to the custodial bank of the shareholder. See also "*Dividend Policy*".

Dissolution

The dissolution of the Company requires a majority of at least 75% of the share capital present or represented at the General Meeting. If the Company is dissolved, any assets remaining after repayment of the outstanding debts and supplementary capital will be distributed pro rata to the shareholders.

GENERAL INFORMATION ABOUT THE COMPANY

Legal and commercial name, registered seat, financial year, duration

Raiffeisen Bank International AG, is a stock corporation (*Aktiengesellschaft*) formed under Austrian law with unlimited duration, with its registered seat in Vienna and its business address at Am Stadtpark 9, A-1030 Vienna, Austria; its telephone number is +43 (1) 717 07-0 and its website is www.rbinternational.com. The information on the Company's website is not incorporated by reference into this prospectus. The Company's as well as the Group's commercial name is "Raiffeisen Bank International" or "RBI". The Company is registered with the commercial register under FN 122119m since July 9, 1991. The Company's financial year is identical with the calendar year.

Corporate history and development, restructuring to improve steering function

The Company was established in 1991 under the corporate name DOIRE *Handels- und Beteiligungsgesellschaft* and was converted into a joint-stock company in 2001. Following a number of changes in the Company's name, in 2003, the name of the Company was changed to Raiffeisen International Bank-Holding AG. In April 2005, the Company completed its initial public offering, and since April 25, 2005 its Shares have been traded on the Prime Market Segment of the Vienna Stock Exchange. In September, 2007, the Company increased its share capital in a secondary public offering. In 2010, Raiffeisen International took over the principal business areas of RZB as a result of the Merger and changed its name to Raiffeisen Bank International AG.

The Company is a licensed bank and, in addition, acts as a holding company providing management and control functions for its CEE network banks and other subsidiaries.

Raiffeisen International began to build its Network in CEE through start-up ventures and organic growth and attempted to enter new markets early ahead of competition where it expanded locally in line with customer needs. In addition it made several acquisitions since 2000 in order to develop its network faster and to strongly intensify its retail activities. The Group bought banks in Bosnia & Herzegovina, Romania, Slovenia, Kosovo, Belarus, Albania, Ukraine, Russia, the Czech Republic and Poland.

The stakes in the Network Banks, which have been held directly by RBI so far, except from the share in Raiffeisen Bank Zrt., Hungary, are currently transferred to wholly-owned holding companies of RBI in order to bundle the stakes of the Network Banks corresponding to the geographic segments Central Europe, Southeastern Europe and CIS Other (including, in this case, Russia). The geographical allocation is intended to improve the Company's management, steering and control functions over the Network Banks.

Corporate purpose

The Company's business objectives as stated in Article 2 of its Articles of Association is to engage in the banking business of any kind pursuant to § 1 para. 1 of the Banking Act and associated transactions, with the exception of any investment fund business, real estate investment fund business, participation fund business, severance and retirement fund business, building savings and loan business, and the issuance of mortgage bonds and municipal bonds. Furthermore the objectives include:

- consulting and management services of any kind for the business enterprises in which participations have been acquired or in companies which are otherwise affiliated with the Company;
- services of any kind which are directly or indirectly connected with the purpose of the Company, including in particular the activities set out in § 1 paras. 2 and 3 of the Banking Act, the performance of management consulting services, including company organisation services in the field of automatic data processing and information technology.

In compliance with applicable law the Company is authorised to raise supplementary capital, subordinated capital, and short-term subordinated capital as well as hybrid capital pursuant to the

Banking Act, and to issue financial instruments that are comparable thereto. Furthermore the Company may issue covered bonds in accordance with the Austrian Law on Covered Bank Bonds of 27 December 1905.

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

Material subsidiaries

The Issuer is the holding company of the Group. The Company considers the following companies to be its material subsidiaries:

Name of company	Country of incorporation	Registered seat	Percentage of ownership
Raiffeisen Bank Zrt.	Hungary	Budapest	100.0%
Tatra banka, a.s.	Slovakia	Bratislava	78.8%[1]
Raiffeisenbank a.s.	Czech Republic	Prague	75.0%
Raiffeisen Bank S.A.	Rumania	Bucharest	99.5%
Raiffeisen Bank Aval JSC	Ukraine	Kiev	96.2%
ZAO Raiffeisenbank	Russia	Moscow	100.0%
Raiffeisen Bank Polska S.A.	Poland	Warsaw	100.0%

(1) As Tatra banka, a.s. has issued non-voting preferred shares, the Company's share of voting rights in the Network Bank differs from the percentage ownership set forth above. The Company's share of voting rights in Tatra banka, a.s. is 89.1%.

Source: Annual Report 2012.

Notices

Pursuant to the Company's Articles of Association, the Company's notices shall be made by publication in the Official Gazette of the Wiener Zeitung (*Amtsblatt zur Wiener Zeitung*) and may also be published on a publicly accessible internet site provided that this method of publication is in compliance with statutory requirements.

Depository and paying agent

The depository bank (*Verwahrstelle*) for the Shares is Oesterreichische Kontrollbank Aktiengesellschaft, Am Hof 4, A-1010 Vienna, Austria.

The paying agent (*Zahlstelle*) is RCB. RCB also acts as a Joint Global Coordinator in connection with the Offering, see "*Plan of Distribution*". The depository (*Hinterlegungsstelle*) may also be any credit institution having its registered seat in a member state of the European Economic Area or in a country that is a full member of the OECD.

REGULATION OF AUSTRIAN SECURITIES MARKETS

The overview of Austrian securities markets regulation set forth below is for general information only and contains certain significant issues of Austrian securities markets regulation. The overview does not purport to be a comprehensive description of all the topics discussed below.

Notification and disclosure of shareholdings

The following provisions of the Stock Exchange Act on the disclosure of major shareholdings as a rule apply in relation to issuers of securities listed on a regulated market in the EU if the home member state of the issuer is Austria and, as far as notifications to the Vienna Stock Exchange are required, only to issuers of securities listed on a regulated market located in Austria.

Any person (irrespective of whether domestic or foreign) whose voting interest in such an issuer reaches, exceeds or falls below 4%, 5%, 10%, 15%, 20%, 25%, 30%, 35%, 40%, 45%, 50%, 75% or 90% through acquisition or disposal of shares and/or certain other financial instruments listed in section 91a Stock Exchange Act must give written notification to the issuer, the stock exchange and the FMA. Additionally, issuers are entitled to provide for a further threshold value of 3% in their articles of associations. Such notification must be made without undue delay, but no later than two trading days after noting or having the possibility to note that the relevant thresholds have been reached, exceeded or are no longer met. For the purpose of calculating the shareholding, voting rights of shares owned by a third party are attributed to the person who exercises or may influence the exercise of voting rights attached to such shares. The notification has to state the number of voting rights after such an acquisition or sale of shares, if applicable, the chain of controlling companies through which the voting rights are actually exercised, the date on which the respective thresholds have been reached or exceeded and the name of the shareholder as well as the name of the person who is authorized to exercise the respective voting rights. The same applies, among other things, to shares that are subject to option and trust arrangements and to banks that exercise voting rights on behalf of their depositaries by virtue of special voting proxies. The Company is required to publish any such event and information without undue delay after being notified thereof, but in any case within two trading days of such notification. In addition, the Company is also obliged to publish any changes of the share capital and voting right thresholds as described above at the end of the calendar month of the respective change. Publications must be made through an EU-wide electronic information dissemination system.

In case the disclosure requirements are not complied with, voting rights may be temporarily suspended and administrative fines of up to EUR 150,000 may be imposed.

Directors' Dealings

The provisions of the Stock Exchange Act on the disclosure of directors' dealings primarily apply in relation to issuers having their registered office in Austria whose shares are listed on the Official Market (*Amtlicher Handel*) or the Second Regulated Market (*Geregelter Freiverkehr*) of an Austrian stock exchange.

Persons who undertake managerial responsibilities within an issuer and, where applicable, persons closely associated with them, must publish without delay and notify the FMA within five working days of the existence of any transactions conducted on their own account relating to shares of the issuer, or to derivatives or other financial instruments linked to them. Such notification requirement does not apply if the aggregated value of such person's transactions does not reach EUR 5,000 per calendar year. Persons undertaking managerial responsibilities are in particular members of the management board and the supervisory board of a stock corporation. The same rules apply to persons who have a close relationship with persons undertaking managerial responsibilities, for example spouses, dependent children as well as any other family members who have lived in the same household for at least one year. Persons who have such close relationships are, in addition, legal entities, fiduciary institutions or partnerships which are managed by such a person or which are directly or indirectly controlled by such a person, or which have been established for the benefit of such a person or whose business interests, to a large extent, are similar to those of such a person. Violations of directors' dealings constitute an administrative offence and may be fined by the FMA in an amount of up to EUR 60,000.

Cartel approval

In addition to the above notification and disclosure obligations under the Stock Exchange Act, under certain circumstances, the acquisition of shares or other methods of obtaining control of a company within the meaning of the Austrian Cartel Act (*Kartellgesetz*) may be subject to the Austrian Cartel Court's approval.

Insider trading and ad-hoc information

Austrian law prohibits the abuse of insider information in Austria or by Austrian citizens abroad with regard to financial instruments admitted to trading on a regulated market in Austria or financial instrument not admitted to a regulated market provided that such financial instrument depends on the value of a financial instrument that is admitted to a regulated market or has applied for admission to a regulated market. Austrian law further prohibits the abuse of insider information in Austria with regard to financial instruments admitted to trading on a regulated market in another EU member state or for which a request for admission to trading on such market has been made. Inside information is defined as detailed information not known to the public which, directly or indirectly, concerns one or more issuers of financial instruments, or one or more financial instruments, and which would, if it were publicly known, substantially influence the quoted value of such financial instruments or of derivatives linked to them, because a reasonable investor would likely use such information as the basis for his investment decision.

An insider is any person who has access to inside information either due to his position as a member of the administrative, managing or supervisory body of an issuer or due to his profession, occupation, responsibilities or shareholding (so-called "*Primärinsider*"). Any person who gains access to inside information by way of a criminal offence is also an insider.

Any insider who uses inside information with the intent to gain a financial advantage for himself or a third party by buying or selling financial instruments or by offering or recommending such instruments to third parties, or who provides access to such information to third parties without being required to do so, is subject to a criminal penalty of up to three years' imprisonment. If the financial advantage achieved exceeds EUR 50,000, the penalty is between six months' and five years' imprisonment. If this criminal offence is performed by a person who is not an insider, but has inside information which has been made available to him by an insider (so-called "*Sekundärinsider*"), he is subject to a criminal penalty of up to one year's imprisonment. If the financial advantage achieved exceeds EUR 50,000, the penalty is up to three years' imprisonment.

Pursuant to the Stock Exchange Act, every issuer is obliged to inform its employees and other persons providing services to it about the prohibition on the abuse of inside information; to issue internal directives for the communication of information within the company; and to monitor compliance. Furthermore, issuers are obliged to take organizational measures to prevent the abuse of inside information or its disclosure to third parties.

The Issuers' Compliance Regulation (*Emittenten-Compliance-Verordnung 2007*) enacted by the FMA regulates such measures in further detail (e.g. permanent and ad-hoc confidentiality areas and blocking periods regarding trading in financial instruments). Also, it does not only cover inside information as defined above, but expands its scope of application to so called compliance-relevant information (*Compliance-relevante Information*). A compliance-relevant information is defined as an inside information or any other confidential and price-sensitive information (which may not yet be qualified as inside information). A confidential and price-sensitive information comprises all information not publicly known which would, if it were known to a reasonable investor who regularly trades related financial instrument on the respective market, be considered as relevant by such investor when making his investment decision.

In addition, it requires each issuer whose securities are admitted to the Official Market or the Second Regulated Market in Austria to issue a compliance directive (*Compliance-Richtlinie*). These compliance directives must be submitted to the FMA. Furthermore, issuers are obligated to provide an annual operational report (*Tätigkeitsbericht*), as defined in the Issuers' Compliance Regulation, within five months of the end of an Issuer's financial year to its supervisory board as well as to the FMA.

Issuers are required to establish a register of those persons working for them or being otherwise engaged by the issuer who have access to inside information, whether on a regular or occasional basis. Issuers are also required to regularly update this register and transmit it to the FMA whenever requested.

Furthermore, the Stock Exchange Act requires issuers of securities listed on a regulated market within the EU the home member state of which is Austria to disclose to the public without delay any inside information that directly concerns them (so-called ad-hoc information). Material changes to published inside information have to be published and identified as such. The issuer is required to publish ad-hoc information via an EU-wide electronic information dissemination system and on its website. Prior to publishing relevant information, the issuer is required to communicate the ad-hoc information to the FMA and the Vienna Stock Exchange. The issuer may delay the public disclosure of such information if such disclosure might harm the issuer's legitimate interests provided that such delay would not be likely to mislead the public and provided that the issuer is able to ensure the confidentiality. The issuer must inform the FMA if it decides to delay such public disclosure.

Violations of these rules constitute an administrative offence and may be fined by the FMA in the amount of up to EUR 60,000.

Market manipulation

Market manipulation refers to transactions or trade orders which give, or are likely to give, false or misleading signals as to the supply of, demand for, or price of, financial instruments, or which secure, by a person, or persons acting in collaboration, the price of one or several financial instruments at an abnormal or artificial level, unless the person who entered into the transactions or issued the trade orders has legitimate reasons for doing so and these transactions or trade orders conform to accepted market practices on the regulated market concerned. Market manipulation also comprises transactions or trade orders which employ fictitious devices or any other form of deception or contrivance. Finally, market manipulation includes dissemination of information through the media, including the internet, or by any other means, which gives, or is likely to give, false or misleading signals as to financial instruments, including the dissemination of rumors and false or misleading news, where the person who made the dissemination knew, or ought to have known, that the information was false or misleading. Market manipulation is subject to an administrative fine of up to EUR 150,000, which may be imposed by the FMA. Additionally, any pecuniary advantage attained by such transaction or trade order is to be declared forfeit by the FMA.

On October 20, 2011 the European Commission adopted proposals for a regulation on insider dealing and market manipulation, and for a directive on criminal sanctions for insider dealing and market manipulation which were amended on July 25, 2012 to prohibit also the manipulation of benchmarks, such as LIBOR and EURIBOR, and make such manipulation a criminal offence. The proposals include, amongst others, an increase in the scope of the market abuse regime, substantially increased administrative fines, the sanctioning of attempted market manipulation and whistleblower regulations. As of the date of this Prospectus, these proposals are still under review and have not yet become effective.

Takeover Act

The Austrian Takeover Act (*Übernahmegesetz*) (the "Takeover Act") primarily applies to public offers for the acquisition of shares of stock corporations registered in Austria, which shares are admitted to the Official or Second Regulated Market of the Vienna Stock Exchange. The primary purpose of the

Takeover Act is to ensure that all shareholders of a company being acquired are treated equally and that the shareholders receive a fair compensation for their shares in case of a change of control.

The Takeover Act provides that any public offer for the acquisition of shares of an Austrian company listed on an exchange in Austria has to be prepared and published in accordance with the requirements of the Takeover Act and be submitted to the Takeover Commission (*Übernahmekommission*) prior to its publication. Any person (or parties acting in concert) who acquires a controlling interest in an Austrian company listed on an exchange in Austria has to disclose that fact to the Takeover Commission without undue delay and make an offer to all other shareholders to purchase their shares in such company within 20 stock exchange trading days ("mandatory offer").

An interest shall be deemed to be controlling if more than 30% of the voting stock of a company is obtained. Acquisitions of voting rights not exceeding 30% will in no case trigger a mandatory offer ("safe harbor"). In the event of a holding of between 26% and 30%, the voting rights exceeding a participation of 26% are suspended unless such suspension is explicitly lifted by the Takeover Commission. The Takeover Commission, upon application, may impose conditions on the offeror instead of the suspension of voting rights.

In the event of a "passive" acquisition of control (i.e. where an investor acquires a controlling interest without own effort, e.g. because the hitherto controlling shareholder sells its shares or a shareholders' agreement is terminated), there is no requirement to launch a mandatory offer if the acquirer of a controlling interest could not reasonably expect the acquisition of control at the time of acquiring the participation. However, such shareholder may only exercise 26% of his voting rights unless the Takeover Commission, upon request, revokes the suspension of voting rights. Otherwise, the same provisions as outlined above apply (e.g. suspension of voting rights).

Under the "creeping-in" rule, the extension of an existing controlling interest shall also trigger a mandatory offer, if a person with a controlling interest who does not have a majority of the voting rights of a listed company acquires an additional 2% or more of the voting rights within a period of 12 months. The "creeping-in" rule, accordingly, only applies to a shareholding between 30% and 50%.

As a rule, the price for a voluntary public offer can be freely determined. The price for a mandatory offer and a voluntary offer to gain control (i) must be at least equal to the average stock exchange price weighted according to the respective trading volume during the preceding six months before the day on which the intent to bid was announced and (ii) must be at least equal to the highest share price that the bidder or a legal entity acting jointly with the bidder has paid or agreed to pay during the last twelve months before publication of the offer. Under certain circumstances, an appropriate price is to be set for a mandatory offer.

The Takeover Act requires that the offeror prepares an offer document to be examined by an independent expert, either a qualified auditor or bank, before these offer documents are filed with the Takeover Commission and the target company. The management board and the supervisory board of the target company must issue a statement on the offer immediately after publication of the offer document which is also subject to mandatory examination by an independent expert. Any offers providing for a higher consideration or competing offers must follow the same rules. From the time of the publication of an offeror's intention to submit a public offer, the management board and the supervisory board of the target company generally may not undertake measures to jeopardize the offer. During such period, the offeror and the parties acting in concert must refrain from selling any shares in the target company and from purchasing target shares for a higher consideration than offered in the offer. The acceptance period for an offer may not be less than two weeks and not more than ten weeks, calculated in each case from the date of the publication of the offering document. In certain instances, such as in the case of a mandatory offer, there is a follow-up period of three months after the publication of the results of the offering within which the offer can be accepted.

The Takeover Commission monitors adherence to the Takeover Act and is authorized to penalize violations of takeover law. In addition to other civil and administrative sanctions, violations of provisions of the Takeover Act can result in the suspension of voting rights of the violator's shares and, in the case of serious violations, suspension of other shareholder rights. The Takeover Commission may institute proceedings ex officio and is not subject to supervision by any other regulatory authority.

Squeeze-out of minority shareholders

Pursuant to the Austrian Act on the Squeeze-out of Minority Shareholders (*Gesellschafter Ausschlussgesetz*), a majority shareholder holding no less than 90% of the entire (voting and non-voting) share capital of a corporation under Austrian law may squeeze-out the remaining shareholders at an equitable price. The squeeze-out right is general and is not limited to a preceding takeover offer. The minority shareholders are not entitled to block the squeeze-out but have the right of separate judicial review of the fairness of the compensation paid for their minority stake. Where a squeeze-out follows a takeover offer, the consideration offered in the takeover bid is presumed to be fair where, through the acceptance of the offer, the offeror has acquired shares representing no less than 90% of the share capital entitled to vote of the target company.

Short selling

According to the Stock Exchange Act, the FMA is entitled to temporarily ban short selling trades in financial instruments specified by regulation. In such regulation, the FMA has to specify the securities affected as well as the period of the ban, which must not exceed 3 months. Since November 1, 2012, the Regulation (EU) No 236/2012 of the European Parliament and of the Council of March 14, 2012 on short selling and certain aspects of credit default swaps is in force. According to this regulation, significant net short positions on, amongst others, shares, must be reported to the competent authority. The relevant notification threshold is a percentage that equals 0.2% of the issued share capital of the company concerned and each 0.1% above that. In addition, certain significant positions must be published. The relevant publication threshold is a percentage that equals 0.5% of the issued share capital of the company concerned and each 0.1% above that.

In addition, FMA has issued guidelines on short selling transactions founding the suspicion of market manipulative behavior. Pursuant to the Stock Exchange Act, any person professionally arranging transactions must submit a notification of suspicious transactions involving inside trading or market manipulation to FMA. FMA deems a holding of net short positions of 0.25% or more as a possible evidence for market abuse.

Control of Accounting Act

On July 1, 2013, the Austrian Control of Accounting Act (*Rechnungslegungs-Kontrollgesetz*; *RL-KG*) has entered into force. It shall ensure that financial information (annual reports as well as interim financial information) as well as certain other information published by entities having securities admitted to trading on a regulated market in Austria are compliant with national and international accounting standards. To this end, either the Austrian Financial Reporting Enforcement Panel (*Österreichische Prüfstelle für Rechnungslegung*), acting for the FMA, or the FMA directly, conducts audits either on a random basis or if indications exist that accounting standards have been infringed. The FMA will issue a decree on any inaccuracies detected in the course of such audit which can be appealed before the independent Austrian Constitutional Court (*Verfassungsgerichtshof*) and the independent Austrian Administrative Court (*Verwaltungsgerichtshof*). In addition, inaccuracies detected may also be made public if the public interest to be informed overrides the respective entity's interest of keeping the findings confidential. The RL-KG will for the first time apply to information published relating to financial years commencing after December 30, 2013.

MARKET INFORMATION

The Vienna Stock Exchange

The information relating to the Vienna Stock Exchange set out below is derived from information obtained from the Vienna Stock Exchange, in particular from the Vienna Stock Exchange website (www.wienerborse.at), the Vienna Stock Exchange monthly statistics from September, 2013, (www.wienerborse.at/prices_statistics/statistics/monthly/monatsstatistik.html).

Organization and market segments

The Vienna Stock Exchange is operated by an independent, privately owned stock corporation, the Wiener Börse AG, based on a license under the Stock Exchange Act issued by the Federal Ministry of Finance. Members of the Vienna Stock Exchange include banks, foreign investment firms and other firms trading in securities, derivatives and money market instruments, registered either within or outside of the European Economic Area. The supervisory authority is the FMA. The FMA monitors trading on the Vienna Stock Exchange with regard to, among other things, compliance with rules and regulations regarding insider trading activity, fairness in trading, and other market related matters.

As of September 30, 2013, shares and certificates that represent shares (e.g. Austrian Depositary Certificates) of a total of 73 issuers were listed on the Official and Second Regulated Markets, the two most important markets of the Vienna Stock Exchange. The majority of these companies were incorporated in Austria as of such date. As of September 30, 2013, the market capitalization of all domestic companies listed on the Official Market and the Second Regulated Market of the Vienna Stock Exchange amounted to approximately EUR 80.15 billion (Source: Vienna Stock Exchange).

According to the Stock Exchange Act, for listing purposes the Austrian securities market consists of two statutory markets: the first-tier market (the ‘‘Official Market’’; Amtlicher Handel) and the second-tier market (the ‘‘Second Regulated Market’’; Geregelter Freiverkehr). The Official Market and the Second Regulated Market have been registered as ‘‘regulated markets’’ pursuant to Directive 2004/39/EC on markets in financial instruments. The unregulated third market that existed prior to the Austrian Securities Supervision Act coming into force is operated by Vienna Stock Exchange since November 1, 2007 in the form of a multilateral trading facility within the meaning of the Securities Supervision Act. Participation takes place on the basis of the Vienna Stock Exchange’s general terms and conditions of business, the ‘‘Terms and Conditions for the Operation of the Third Market’’. In December 2004, the U.S. Securities Exchange Commission granted the Vienna Stock Exchange the status of a “Designated Offshore Securities Market” in accordance with the Securities Act.

By meeting the statutory criteria, securities are admitted to listing on the Vienna Stock Exchange and are divided into various trading segments. To be traded in a specific segment, certain non-statutory criteria must be met by the issuer of the securities, in addition to the statutory listing criteria. The equity market is divided into the segments “prime market”, “mid market” and “standard market”.

The Issuer’s Existing Shares are traded in the prime market. Subject to the approval of the Vienna Stock Exchange, the New Shares will also be traded in this segment. The prime market represents the highest ranking market segment of the Vienna Stock Exchange and is comprised of shares that are admitted to listing on the Official Market or Second Regulated Market and meet the most stringent listing criteria.

Out of the currently listed 37 companies on the prime market, only 20 companies are included in the Austrian Traded Index (“ATX”) (Source: Vienna Stock Exchange). The ATX consists of the most actively traded (most liquid) and the most highly capitalized stocks in terms of free float in the prime market. It was designed to be broadly representative of the overall performance of all stock listed on the Vienna Stock Exchange, and is used as an underlying reference for futures, options and structured notes. The ATX is calculated, disseminated and licensed by the Vienna Stock Exchange on a real-time basis. The “ATX Prime” index contains all shares and certificates that represent shares (e.g. Austrian Depositary Certificates) presently traded in the prime market segment. The Issuer’s Shares are included in the ATX and in the ATX Prime indices.

The mid market segment comprises shares that are admitted to listing on the Official Market or the Second Regulated Market or shares that are traded on the Third Market and that do not meet all listing criteria required for trading in the prime market, but meet certain non-statutory listing criteria in addition to those set out in the Stock Exchange Act. The standard market segment contains all securities admitted to listing on the Official Market or Second Regulated Market that meet neither the criteria for the prime market nor for the mid market. It is divided in two subsegments: standard market continuous and standard market auction.

Shares listed on the prime market or the standard market continuous are traded continuously, whereas securities listed on standard market auction are traded only once a day in an auction. Shares listed on the mid market are either traded continuously or once a day; the mid market segment is, therefore, divided into the mid market continuous and the mid market auction. To provide additional liquidity, stocks traded in the prime market segment must be serviced by a specialist trader, which has agreed to enter firm quotes into XETRA, the electronic trading system used by the Vienna Stock Exchange on a continuing basis. In this segment, additional liquidity providers other than the designated specialists are permitted to act as market makers in securities already serviced by a specialist. The market makers' commitments must meet certain minimum requirements set up by the Vienna Stock Exchange.

General information as well as a range of services, such as quotations and ad-hoc information about the companies listed on the Vienna Stock Exchange is provided by the Vienna Stock Exchange via the internet (www.wienerborse.at). Information contained on the website of the Vienna Stock Exchange is not included by reference into this prospectus.

Trading and settlement

Officially listed securities are traded both on and outside of the Vienna Stock Exchange. Nearly a third of all trades are over-the-counter ("OTC"). Shares and other equity securities listed on the Vienna Stock Exchange are quoted in EUR per share.

The electronic trading system used by the Vienna Stock Exchange is XETRA (Exchange Electronic Trading), the same trading system used by the Frankfurt Stock Exchange.

Trading can be suspended by the Vienna Stock Exchange if orderly stock exchange trading is temporarily endangered or if its suspension is necessary in order to protect the public interest. The electronic system provides for automatic volatility interruptions and market order interruptions during auctions and for automatic volatility interruptions during continuous trading.

The settlement of transactions concluded on the stock exchange takes place outside the stock exchange. Exchange transactions (spot and forward markets) are settled through CCP Austria Abwicklungsstelle für Börsegeschäfte GmbH. These transactions are usually carried out T+3 on a delivery versus payment (DvP) basis, with OeKB acting on behalf of CCP Austria Abwicklungsstelle für Börsegeschäfte GmbH as the central custodian and settlement bank. Investors should note that the First Closing Date will be carried out on a T+4 basis and the Second Closing Date settlement will be carried out on a T+2 basis. In case of non-delivery, the transaction will be performed T+8 by a settlement in cash, with the defaulting counter-party having to pay a penalty to the purchaser(s). Settlement terms of OTC transactions depend on party agreement.

TAXATION

Taxation in the Republic of Austria

The following is a brief overview of certain Austrian tax aspects in connection with the Rights Offering and New Shares. It is of a general nature and is not a full and comprehensive description of all Austrian tax consequences in connection with the acquisition, holding or disposal of the New Shares nor does it take into account the investors' individual circumstances or any special tax treatment applicable to the investors. Exceptions to the tax regime described herein may apply to certain investors. This overview is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors should consult their own professional advisors as to the particular tax consequences of the acquisition, holding or disposal of the New Shares.

This overview focuses on the tax treatment of dividends and capital gains which may be derived from the New Shares by individuals with a domicile or their habitual abode in Austria and legal entities with their corporate seat or their place of management in Austria ("residents") as well as by individuals who do not have a domicile nor their habitual abode in Austria and legal entities who do not have their corporate seat nor their place of management in Austria ("non residents"). The following overview is based on the tax legislation in force in Austria at the date of this prospectus, and is subject to any changes in Austrian law and practice occurring after that date, which changes may have retroactive effect.

The Issuer does not assume any responsibility for the withholding of tax levied on income or capital gains from the Shares.

Taxation of dividends

Austrian residents

Dividends paid by an Austrian stock corporation to its shareholders are subject to a withholding tax (*Kapitalertragsteuer – KESt*) at a rate of 25%. This tax is withheld by the company paying the dividend. The company, or the bank paying out the dividend on the company's behalf, is required to give the shareholder a certificate showing the gross dividend, the tax withheld, the date of payment and the period in respect of which the dividend is payable, and also the tax office to which the tax withheld was remitted.

Individual shareholders: For Austrian resident individuals the dividend withholding tax fully covers all income tax on such dividend income (final taxation – *Endbesteuerung*), which means that no further income tax is levied on the dividend income and the dividends do not have to be included in the shareholder's income tax return. However, the individual shareholder may include the dividends (together with his other income subject to the special 25% tax rate) in his regular annual tax assessment and have the dividends taxed at such shareholder's regular progressive personal income tax rate. In this case the Austrian withholding tax will be credited against such shareholder's personal income tax liability or, if higher, repaid. Expenses (also interest expenses), if any, incurred by an investor and relating to dividend payments are not tax deductible.

Corporate shareholders: For Austrian resident legal entities (*Körperschaften*), Austrian dividend income is exempt from corporate income tax, and the dividend withholding tax is credited against the corporate income tax liability of the shareholder or refunded. No withholding tax has to be deducted from the dividends where the corporate shareholder holds at least 10% of the share capital of the Issuer. Expenses in connection with tax exempt dividend income are generally not deductible but interest expenses connected with the acquisition of shares which qualify as business assets are subject to certain exceptions deductible.

Non residents

For non residents, dividends distributed by the Issuer are also subject to 25% withholding tax. However, double taxation treaties ("tax treaties") may provide for a reduction of Austrian tax on dividends. Most of the Austrian tax treaties basically follow the OECD Model Convention and provide for a reduction of Austrian tax on dividends to 15% and for a further reduction in case of qualified participations. For example, the tax treaty with the United States provides for a reduction of Austrian withholding tax to 15% or, in case of a direct ownership of at least 10% of the voting stock by a company (other than a partnership), to 5%.

A non-resident shareholder who is entitled to a reduced rate under an applicable tax treaty (including the tax treaties with Germany, the UK and the United States) may apply for refund of the difference between the 25% Austrian withholding tax and the lower rate provided for by the tax treaty. In order to obtain such a refund, an eligible non-resident shareholder generally has to provide a certificate of residence issued by the tax authorities of the shareholder's country of residence. Claims for refund of Austrian dividend withholding tax may be filed with the tax office of the Austrian city of Eisenstadt (*Finanzamt Bruck Eisenstadt Oberwart*) by using forms ZS RD 1 and ZS RD 1A (German) or ZS RE 1 and ZS RE 1A (English). The application forms may be obtained from the website operated by the Austrian Ministry of Finance (www.bmf.gv.at) (information on the website of the Austrian Ministry of Finance is not incorporated by reference into this prospectus). Tax treaty relief from Austrian withholding tax may also be granted by the distributing company at source provided that the requirements of the Austrian relief at source rules (*DBA-Entlastungsverordnung*) are met. However, the Company is under no obligation to grant tax treaty relief at source.

Corporate shareholders who are resident in a member state of the European Union or in a state of the European Economic Area (EEA) with which comprehensive mutual assistance in tax administration and tax enforcement exists are entitled to a refund of the Austrian dividend withholding tax if and to the extent the shareholder provides evidence that in his country of residence no tax credit for such withholding tax is possible pursuant to a tax treaty.

Dividends paid to a company qualifying under the EU Parent Subsidiary Directive (Council Directive 2011/96/EU as amended) ("EU company") are exempt from withholding tax if the EU company has held at least 10% of the share capital for an uninterrupted period of at least one year and meets certain additional criteria. Dividends which are attributable to an Austrian permanent establishment of an EU company are exempt from corporate income tax. The 25% withholding tax is credited against the Austrian corporate income tax liability of such EU company or refunded to it.

Taxation of capital gains

Austrian residents

Individual shareholders: For Austrian resident individuals a capital gain (*Einkünfte aus realisierten Wertsteigerungen*) from the sale or other disposal of New Shares is subject to Austrian income tax at a rate of 25%, irrespective of the period of time the New Shares have been held for or the amount of the shareholding.

The tax basis is, in general, the difference between the sale proceeds for and the acquisition costs for, or tax accounting basis of, the New Shares. Expenses in connection with a capital gain are not deductible. For New Shares which are held as private assets the acquisition costs shall not include incidental acquisition costs. For the calculation of the acquisition costs of New Shares which are held within the same securities account and have the same securities identification number but have been acquired at different points in time after December 31, 2010, an average price shall apply.

Where an Austrian securities depository (*depotführende Stelle*) or paying agent (*auszahlende Stelle*) – which is in general an Austrian bank or the Austrian branch of an EU resident bank or investment firm – is involved and pays out or settles a capital gain, the capital gain is subject to a 25% withholding tax (*Kapitalertragsteuer – KESt*). Such 25% withholding tax deduction will result in a final income taxation for individuals who hold the New Shares as private assets (provided that the acquisition costs of the New Shares had been disclosed to the securities depository) and the respective capital gain does not have to be included in the shareholder's income tax return. If the securities depository or paying agent is not provided with the actual acquisition costs of the Shares the withholding tax may be based on deemed acquisition costs derived in particular from the sales proceeds or fair value of the New Shares as further specified in the relevant provisions of the Austrian income tax act and decrees and guidelines of the Austrian Ministry of Finance.

If the capital gain is not subject to Austrian withholding tax because there is no domestic securities depository and paying agent, the shareholder will have to include a capital gain derived from the New Shares in his personal income tax return pursuant to the provisions of the Austrian Income Tax Act. In general, a special 25% income tax rate should apply.

Taxpayers, whose regular personal income tax is lower than 25% may opt for taxation of a capital gain from the New Shares (together with all other income subject to the special 25% tax rate) at their regular personal income tax rate (*Regelbesteuerungsoption*). Expenses in connection with the capital gain are not deductible.

Losses from the sale of New Shares which are held as private assets may only be offset against other investment income subject to the special 25% tax rate (excluding, among others, interest income from bank deposits) and must not be offset against any other income. Generally, this requires the filing of an income tax return with the competent tax office (*Verlustausgleichsoption*). However, the Austrian securities depositories will apply an automatic set-off of losses against investment income from securities accounts at the same securities depository (subject to certain limitations). However, a carry-forward of any such losses is not permitted.

Capital gains derived from Offer Shares which are held as business assets are also subject to the special income tax rate of 25% deducted by way of the withholding tax. However, capital gains, contrary to dividend income, have to be included in the tax return and must not be a main focus of the taxpayer's business activity. Write-downs and losses derived from the sale of Offer Shares which are held as business assets must primarily be set off against positive income from capital gains from financial instruments of the same business and only half of the remaining loss may be set off or carried forward against any other income.

Withdrawals (*Entnahmen*) and other transfers of New Shares from a shareholder's securities account are deemed to be a disposal unless certain requirements are met such as a transfer to a securities account owned by the same shareholder (i) with the same Austrian securities depository (bank), (ii) with another Austrian bank if the shareholder instructs the transferring bank to disclose the acquisition costs of the shares to the transferee bank or (iii) with a foreign bank (securities depository) if the shareholder instructs the transferring Austrian bank to notify the competent Austrian tax office or, where the transferring bank is also a foreign bank (securities depository), the shareholder himself notifies the competent Austrian tax office within a month. A transfer of New Shares without consideration to a securities account of another taxpayer does not result in a deemed disposal if the fact that the transfer has been made without consideration has been evidenced to the securities depository by the shareholder, or the securities depository has been instructed by the shareholder to inform the Austrian tax office thereof, or if the shareholder has himself notified the competent Austrian tax office within a month.

Special rules apply if a taxpayer transfers his residence outside of Austria or if Austria loses for other reasons its taxation right in respect of the New Shares to other countries (which may give rise to a deemed capital gain and exit taxation with the option for deferred taxation in the event of a transfer to an EU member state or certain EEA member states).

Corporate shareholders: For Austrian resident corporate shareholders capital gains realized from New Shares are generally subject to Austrian corporate income tax at the standard rate of 25%. Corporate shareholders deriving business income from New Shares may avoid the application of the Austrian withholding tax on capital gains by filing a declaration of exemption (*Befreiungserklärung*) with the

Austrian securities depository or paying agent. There is, *inter alia*, a special tax regime for private foundations established under Austrian law (*Privatstiftungen*) (interim tax, no withholding tax).

The taxation of capital gains from shares in the Issuer other than the New Shares is not discussed herein. In particular the taxation of capital gains from shares which were acquired before January 1, 2011 may be materially different from the taxation principles outlined herein.

Non residents

For non residents, capital gains on the sale or other disposal of New Shares are taxable in Austria if (i) the New Shares are attributable to an Austrian permanent establishment or (ii) if the selling shareholder had a qualified shareholding (i.e. if he held at any time within five years preceding the sale directly or indirectly at least 1% of the Issuer's capital). For non-residents such capital gains should in general not be subject to Austrian withholding tax (if the non-resident shareholder evidences his no-resident-status vis-à-vis the Austria paying agent or securities depository pursuant to the provisions of the Austrian income tax guidelines) but are subject to 25% Austrian income tax or corporate income tax by way of an assessment procedure. However, most of Austria's tax treaties, including the tax treaties with Germany, the U.K. and the United States, attribute the right of taxation of capital gains to the shareholder's state of residence so that such capital gains are not taxable in Austria if the New Shares are not attributable to an Austrian permanent establishment.

Subscription rights

The receipt, exercise or expiration of subscription rights should not trigger Austrian income tax for a shareholder. The exercise of subscription rights results in an acquisition of New Shares. Capital gains derived from the sale of subscription rights are according to guidelines issued by the Austrian Ministry of Finance generally taxable if the shares to which the subscription rights were attached (i) were acquired against consideration after December 31, 2010 (in such case a capital gain from the sale of subscription rights would be subject to withholding tax essentially as described under "*Taxation of capital gains*" above) or (ii) exceed 1% of the Issuer's capital. However, the taxation of capital gains derived from subscription rights is disputed in literature and not settled yet by the courts.

Pursuant to the capital measure regulation (*Kapitalmaßnahmenverordnung*) of the Austrian Ministry of Finance the tax basis of subscription rights shall be zero for Austrian withholding tax purposes and the acquisition costs of the shares to which the respective subscription rights were attached shall remain unchanged for Austrian withholding tax purposes. According to the traditional view in Austrian literature, however, the tax basis of the subscription rights would not be zero but would be derived from the acquisition costs of the shares to which the subscription rights were attached and the ratio of the market value of the subscription rights to the market value of the shares before the capital increase.

Other taxes

There should be no transfer tax, registration tax or similar tax payable in Austria by investors as a consequence of the acquisition, ownership or disposal of New Shares. The Austrian inheritance and gift tax was abolished with effect as of August 1, 2008. However, gifts must be notified to the tax authorities within a three-month notification period. There are certain exemptions from this notification obligation, for example for gifts among relatives that do not exceed an aggregate amount of EUR 50,000 per year or gifts among unrelated persons that do not exceed an aggregate amount of EUR 15,000 within five years.

The issuance of the New Shares is subject to capital duty (*Gesellschaftssteuer*) pursuant to the Austrian Capital Transactions Tax Act (*Kapitalverkehrsteuergesetz*) amounting to 1% of the consideration. Such tax is payable by the Issuer.

EU financial transaction tax

On February 14, 2013, the EU Commission adopted a proposal for a Council Directive on a common financial transaction tax ("FTT"). According to the draft Directive, the FTT initially should have been implemented in eleven EU Member States (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain, together the "Participating Member States") until January 1, 2014. The proposed Directive is subject to legal disputes and discussions and its implementation has been postponed and is expected not to occur before mid-2014. Pursuant to the draft Directive, the FTT would be payable on financial transactions provided that at least one party to the financial transaction is established or deemed established in a Participating Member State and there is a financial institution established or deemed established in a Participating Member State which is a party to the financial transaction, or is acting in the name of a party to the transaction. The FTT would, however, not apply to (*inter alia)* primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006, including the activity of underwriting and subsequent allocation of financial instruments in the framework of their issue.

The rates of the FTT shall be fixed by each Participating Member State but for transactions involving financial instruments other than derivatives the rate shall amount to at least 0.1% of the taxable amount. The taxable amount for such transactions shall in general be determined by reference to the consideration paid or owed in return for the transfer. The FTT shall be payable by each financial institution established or deemed established in a Participating Member State which is a party to the financial transaction, acting in the name of a party to the transaction or where the transaction has been carried out on its account. Where the FTT due has not been paid within the applicable time limits, each party to a financial transaction, including persons other than financial institutions, shall become jointly and severally liable for the payment of the FTT due. Prospective holders of the Shares should therefore note, in particular, that any sale, purchase or exchange of the Shares will be subject to the FTT at a minimum rate of 0.1% provided the abovementioned prerequisites are met. The holder may be liable to itself pay this charge or reimburse a financial institution for the charge, and/or the charge may affect the value of the Shares.

The draft Directive is still subject to negotiation between the Participating Member States and therefore may change at any time. Moreover, once the Directive on the FTT has been adopted, it will need to be implemented into the respective domestic laws of the Participating Member States and the domestic provisions implementing the Directive might deviate from the Directive itself. Prospective holders of the Shares should consult their own tax advisers in relation to the consequences of the FTT associated with subscribing for, purchasing, holding and disposing of the Shares.

U.S. Federal Income Taxation

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER, FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE SUBSCRIPTION RIGHTS AND THE NEW SHARES; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following overview describes certain U.S. federal income tax consequences that may be relevant with respect to the receipt, exercise and disposition of subscription rights pursuant to the Rights Offering and to the acquisition, ownership and disposition of New Shares. This overview addresses only U.S. federal income tax considerations of U.S. Holders (as defined below) of existing Shares that receive subscription rights in the Rights Offering and initial purchasers of New Shares that buy in the Offering at the Offer and Subscription Price and that hold subscription rights and New Shares as capital assets for U.S. federal income tax purposes. It does not purport to be a comprehensive description of all the tax considerations that may be relevant to the receipt, exercise or disposition of subscription rights or the acquisition, ownership or disposition of New Shares by particular investors, and does not address state, local, foreign or other tax laws. In particular, this overview does not address tax considerations applicable to holders that may be subject to special tax rules including, without limitation, U.S. expatriates, banks, certain financial institutions, insurance companies, dealers or traders in securities or currencies, tax-exempt entities, persons that will hold New Shares as part of a "hedging" or "conversion" transaction or as a position in a "straddle" or as part of a "synthetic security" or other integrated transaction for U.S. federal income tax purposes, persons that have a "functional currency" other than the U.S. dollar, persons that own (or are deemed to own) 10% or more (by voting power) of the Company's share capital, regulated investment companies, real estate investment trusts, S corporations, persons who acquire New Shares pursuant to the exercise of employee stock options or otherwise as compensation, and persons liable for the alternative minimum tax. Such holders may be subject to tax rules that differ significantly from those set forth below.

This overview is based on the Internal Revenue Code of 1986, as amended (the "Code"), final and proposed U.S. Treasury regulations and judicial and administrative interpretations thereof, and the Convention Between the Republic of Austria and the United States of America for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, and any Protocols thereto (the "Treaty"), in each case as of the date hereof. Each of the foregoing is subject to change, which change could apply retroactively and could affect the tax consequences described below.

For purposes of this overview, a "U.S. Holder" is a beneficial owner of subscription rights or New Shares that is not a resident of Austria for Austrian tax purposes and is, for U.S. federal income tax purposes: (i) a citizen or resident of the United States; (ii) a corporation (or other entity taxable as a corporation) created or organized in or under the laws of the United States or any state thereof (including the District of Columbia); (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of the substantial decisions of such trust, or that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person. If a partnership holds subscription rights or New Shares, the U.S. federal income tax treatment of a partner will generally depend upon the status of the partner and upon the tax treatment of the partnership. A partner of a partnership holding subscription rights or New Shares should consult its own tax advisor.

Each prospective investor should consult its own tax advisor with respect to the U.S. federal, state, local, foreign and other tax consequences of the receipt, exercise and disposition of subscription rights and the acquisition, ownership and disposition of New Shares. U.S. Holders should also review the discussion under the section headed "Austrian Taxation."

U.S. Taxation of Subscription Rights

Receipt of Subscription Rights

The receipt of subscription rights pursuant to the Rights Offering should be treated as a non-taxable distribution with respect to a U.S. Holder's Existing Shares. If the fair market value of the rights issued is, on the date of receipt, less than 15% of the fair market value of the Existing Shares with respect to which the rights are received, the subscription rights will have a zero tax basis for U.S. federal income tax purposes, unless a U.S. Holder affirmatively elects to allocate its adjusted tax basis in its Existing Shares among any subscription rights received and those Existing Shares in proportion to the relative fair market values of the Existing Shares and the subscription rights received (as determined on the date of receipt). Any such election must be made on a U.S. Holder's tax return for the taxable year in which the subscription rights are received.

If the fair market value of the rights issued on the date of receipt equals or exceeds 15% of the fair market value of the Existing Shares with respect to which the rights are received, a U.S. Holder's basis in its Existing Shares for U.S. federal income tax purposes is required to be allocated between the Existing Shares and the subscription rights in proportion to the fair market values of each (and no election to the contrary is available).

Exercise of Rights and Subscription of New Shares

A U.S. Holder will not recognize taxable income upon the receipt of New Shares pursuant to the exercise of subscription rights. A U.S. Holder that subscribes for New Shares by exercising subscription rights will have a tax basis in the New Shares so acquired equal to its basis in the subscription rights exercised to obtain the New Shares, if any, plus the U.S. dollar value of the Offer and Subscription Price on the acquisition date (or, in the case of cash basis and electing accrual basis taxpayers, the settlement date). A U.S. Holder's holding period in the New Shares generally will begin on the date the subscription rights are exercised.

Lapse or Other Disposition of Subscription Rights

A U.S. Holder that allows subscription rights to expire without selling or exercising them will not recognize a taxable gain or loss upon the lapse or expiration of the subscription rights, if the receipt of the rights was treated as a non-taxable distribution with respect to the U.S. Holder's Existing Shares. Any election made by such U.S. Holder to allocate tax basis to the subscription rights will become inapplicable with the lapse of the affected rights.

Subject to the discussion below under "*Passive Foreign Investment Company Considerations*," a U.S. Holder will recognize capital gain or loss on the sale or other disposition of subscription rights in an amount equal to the difference between its adjusted tax basis in the subscription rights, if any, and the U.S. dollar value of the amount realized from the sale or other disposition, if any. Any gain or loss will be long-term capital gain or loss if the holding period for the subscription rights is more than one year and generally will be treated as arising from U.S. sources for foreign tax credit limitation purposes. A U.S. Holder's holding period in the subscription rights will include such holder's holding period in its Existing Shares held with respect to which the subscription rights were received. The deductibility of capital losses is subject to limitations under the Code.

The amount realized on a sale or other disposition of subscription rights for an amount in a currency other than the U.S. dollar (a "foreign currency") will be the U.S. dollar value of this amount on the date of sale or disposition (or for cash basis and electing accrual basis taxpayers, the settlement date, in the case of subscription rights that are traded on an established securities market). On the settlement date, the U.S. Holder will recognize U.S. source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference, if any, between the U.S. dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of subscription rights traded on an established securities market that are sold by a cash basis U.S. Holder or an accrual basis U.S. Holder that so elects, the amount realized will be based on the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss will be recognized at that time. If an accrual basis U.S. Holder makes the election described above, it must be applied consistently from year to year and cannot be revoked without the consent of the Internal Revenue Service (the "IRS").

U.S. Taxation of New Shares

Distributions

Subject to the discussion below under "*Passive Foreign Investment Company Considerations*," the gross amount of any distribution (including any amounts withheld in respect of Austrian taxes) that is actually or constructively received by a U.S. Holder with respect to New Shares will be taxable as a dividend to the U.S. Holder. Dividends paid on New Shares generally will constitute income from sources outside the United States and will not be eligible for the "dividends-received" deduction.

The gross amount of any dividend paid in euros will be included in the gross income of a U.S. Holder in an amount equal to the U.S. dollar value of the euros calculated by reference to the exchange rate in effect on the date the euros are received by the U.S. Holder, regardless of whether the euros are converted into U.S. dollars. If the euros are converted into U.S. dollars on the date of receipt, a U.S. Holder generally should not be required to recognize foreign currency gain or loss in respect of the dividend. If the euros received as a dividend are not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a basis in the euros equal to their U.S. dollar value on the date of receipt. Any foreign currency gain or loss on a subsequent conversion or other disposition of the euros will be treated as ordinary income or loss, and will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

Certain U.S. Holders (including individuals and some trusts and estates) are eligible for reduced rates of U.S. federal income tax at a maximum rate of 20% in respect of "qualified dividend income". For this purpose, qualified dividend income generally includes dividends paid by a non-U.S. corporation if, among other things, the U.S. holders meet certain minimum holding periods and the non-U.S. corporation satisfies certain requirements, including that (i) the non-U.S. corporation is eligible for the benefits of a comprehensive U.S. income tax treaty (such as the Treaty) which provides for the exchange of information and (ii) the non-U.S. corporation is not, in the year in which the dividend is paid or the prior year, a passive foreign investment company. The Company currently expects to be eligible for the benefits of the Treaty. Regarding the Company's status as a passive foreign investment company, see "*—Passive Foreign Investment Company Considerations*" below. Holders are urged to consult their own tax advisors regarding the availability of the reduced dividend tax rate in light of their own particular situations and regarding the computation of their foreign tax credit with respect to any qualified dividend income paid with respect to the New Shares.

Austrian taxes withheld at a rate not exceeding the rate provided in the Treaty will be treated as a foreign tax eligible for credit against a U.S. Holder's U.S. federal income tax liability, subject to applicable restrictions and limitations that may vary depending on the U.S. Holder's circumstances. Austrian taxes withheld in excess of the rate provided in the Treaty for which a refund is available are not eligible for credit against a U.S. Holder's U.S. federal income tax liability. For foreign tax credit purposes, dividends paid on New Shares will generally constitute foreign source "passive category income," or, in the case of certain U.S. Holders, "general category income." Instead of claiming a credit, a U.S. Holder who itemizes deductions may elect to deduct otherwise creditable Austrian taxes in computing the U.S. Holder's U.S. federal taxable income. A deduction does not reduce tax on a dollar-for-dollar basis like a credit. The rules relating to foreign tax credits and the timing thereof are complex. U.S. Holders should consult their own tax advisors regarding the availability of a foreign tax credit and the application of the foreign tax credit limitations to their particular circumstances.

U.S. Holders that are accrual basis taxpayers, and who do not otherwise elect, must translate Austrian taxes into U.S. dollars at a rate equal to the average exchange rate for the taxable year in which the taxes accrue, while all U.S. Holders must translate taxable dividend income into U.S. dollars at the spot rate on the date received. This difference in exchange rates may reduce the U.S. dollar value of the credits for Austrian taxes relative to the U.S. Holder's U.S. federal income tax liability attributable to a dividend. However, cash basis and electing accrual basis U.S. Holders may translate Austrian taxes into U.S. dollars using the spot rate in effect at the time the taxes were paid. Any such election will apply for the taxable year in which it is made and all subsequent years, unless revoked with the consent of the IRS. Accrual basis taxpayers are urged to consult their own tax advisors regarding the requirements and elections applicable in this regard.

Sale, Exchange or Other Disposition

Subject to the discussion below under "*Passive Foreign Investment Company Considerations*," a U.S. Holder will generally recognize gain or loss for U.S. federal income tax purposes upon the sale, exchange or other disposition of New Shares in an amount equal to the difference between the U.S. dollar value of the amount realized from such sale, exchange or other disposition and the U.S. Holder's tax basis in such New Shares, as determined in U.S. dollars. Such gain or loss will be a capital gain or loss and will be long-term capital gain if the New Shares were held for more than one year. Any such gain or loss would generally be treated as from sources within the United States. The deductibility of capital losses is subject to significant limitations. If the U.S. Holder is an individual, any capital gain generally will be subject to U.S. federal income tax at preferential rates if specified minimum holding periods are met.

The tax basis of a New Share purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase, but, in the case of New Shares traded on an established securities market, will be such U.S. dollar value on the settlement date for the purchase if such Shares are purchased by a cash basis U.S. Holder or an accrual basis U.S. Holder that so elects. The amount realized on a sale or other disposition of New Shares for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or disposition. On the settlement date, the U.S. Holder will recognize U.S. source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the U.S. dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of New Shares traded on an established securities market that are sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), the amount realized will be based on the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss will be recognized at that time.

Foreign currency received on the sale or other disposition of a New Share will have a tax basis equal to its U.S. dollar value on the settlement date. Any gain or loss recognized on a sale or other disposition of a foreign currency (including its use to purchase New Shares or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

U.S. Holders are advised to consult their own tax advisors with respect to their ability to credit any Austrian tax imposed on gains realized on the disposition of a New Share against their U.S. federal income tax liability.

Passive Foreign Investment Company Considerations

Based upon certain proposed Treasury regulations that apply to foreign banks, which are not yet in effect but are proposed to become retroactively effective for taxable years beginning after December 31, 1994 or, for electing taxpayers, for taxable years beginning after December 31, 1986, the Company believes that it is not, and does not expect to become in the foreseeable future, a passive foreign investment company (a “PFIC”) for U.S. federal income tax purposes. However, because this is a factual determination that must be made annually at the end of each taxable year, there can be no assurance that the Company will not be considered a PFIC for any future taxable year. If the Company were a PFIC in any year, special, possibly materially adverse, tax consequences could apply to U.S. Holders.

A corporation organized outside the United States generally will be classified as a PFIC for U.S. federal income tax purposes in any taxable year in which either: (a) at least 75% of its gross income is “passive income,” or (b) at least 50% of the average quarterly gross value of its assets is attributable to assets that produce “passive income” or are held for the production of “passive income.” Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from certain commodities and securities transactions. Of particular relevance here, under the proposed Treasury regulations, income of a foreign corporation that otherwise would be treated as passive income may qualify as non-passive if the corporation qualifies as an “active bank” or “qualified bank affiliate.” In determining whether it is a PFIC, a foreign corporation is required to take into account a pro rata portion of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest.

If the Company were to be treated as a PFIC, gain realized on the sale or other disposition of a U.S. Holder’s subscription rights or New Shares would not generally be treated as capital gain. Instead, a U.S. Holder would be treated as if it had realized such gain and certain “excess distributions” ratably over its holding period for the New Shares and would be taxed at the highest tax rate in effect for each such year to which the gain was allocated, together with an interest charge in respect of the tax attributable to each such year. In addition, dividends that a U.S. Holder receives from the Company will not constitute qualified dividend income to the U.S. Holder if the Company is a PFIC either on the taxable year of the payment of the dividend or the preceding taxable year. With certain exceptions, subscription rights or New Shares would be treated as stock in a PFIC if the Company were a PFIC at any time during a U.S. Holder’s holding period in subscription rights or New Shares.

Prospective purchasers are urged to consult their own tax advisors regarding whether an investment in New Shares will be treated as an investment in PFIC stock and the consequences of an investment in a PFIC.

Information with Respect to Foreign Financial Assets

Individual U.S. Holders and certain entities controlled by individuals, who or which own "specified foreign financial assets" with an aggregate value in excess of USD 50,000 are required to file an information report (generally on IRS Form 8938) with respect to such assets with their tax returns. "Specified foreign financial assets" include any financial accounts maintained by foreign financial institutions (including most custodial accounts maintained by foreign custodians through which securities are held), as well as any of the following, but only if they (x) are not held in such financial accounts and (y) are held for investment: (i) stocks and securities issued by non-U.S. persons, (ii) financial instruments and contracts that have non-U.S. issuers or counterparties, and (iii) interests in foreign entities. Persons required to file U.S. tax returns are urged to consult their tax advisors regarding the application of these rules to their ownership of the subscription rights or the New Shares.

Backup Withholding and Information Reporting

Payments of dividends and proceeds from the sale, exchange or other disposition of subscription rights or New Shares that are made within the United States or through certain U.S.-related financial intermediaries may be subject to information reporting to the IRS and possible backup withholding. Certain exempt recipients (such as corporations) are not subject to the information reporting or backup withholding rules. Backup withholding will not apply if a holder provides a correct taxpayer identification number or certificate of foreign status and makes any other required certification, or if the holder is otherwise exempt from backup withholding and when required demonstrates such fact. U.S. persons required to establish their exempt status generally must provide such certification on IRS Form W-9 (Request for Taxpayer Identification Number and Certification). Non-U.S. Holders generally are not subject to U.S. information reporting and backup withholding. However, such holders may be required to provide certification of non-U.S. status (generally on IRS Form W-8BEN) in connection with payments received in the United States or through U.S.-related financial intermediaries. Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a holder's U.S. federal income tax liability and a holder may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for a refund with the IRS and by furnishing any required information.

Prospective U.S. Investors should consult their own tax advisors as to their qualification for exemption from backup withholding, the procedure for obtaining an exemption, or the application of any other U.S. tax reporting rules that may apply to an investment in the subscription rights or New Shares.

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code ("FATCA") impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments (including "foreign pass-through payments" (a term not yet defined) to (i) any non-U.S. financial institution (a "foreign financial institution", or "FFI" (as defined by FATCA)) that does not become a "Participating FFI" by entering into an agreement with the IRS to provide the IRS with certain information in respect of its account holders and investors and is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" of the Company (a "Recalcitrant Holder").

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an "IGA"). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "Reporting FI" not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being "FATCA Withholding") from payments it makes (unless it has agreed to do so under the U.S. "qualified intermediary", "withholding foreign partnership", or "withholding foreign trust" regimes). The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required to withhold as a Participating FFI on foreign pass-through payments and payments that it makes to Recalcitrant Holders. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The U.S. Department of the Treasury has announced that it is working to explore options for intergovernmental engagement with the Republic of Austria.

The new withholding regime will apply to foreign pass-through payments no earlier than January 1, 2017; this withholding would potentially apply to payments in respect of Shares (including New Shares). If the Company is an FFI and becomes a Participating FFI under FATCA, the Company and financial institutions through which payments on the Shares are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Shares is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

If an amount in respect of FATCA Withholding were to be deducted or withheld from dividends or other payments made in respect of the Shares, neither the Company nor any paying agent nor any other person would be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive a lower return on their investment than expected.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisors on how these rules may apply to the Company and to payments they may receive in connection with the Shares.

CONSENT TO USE THE PROSPECTUS

Each credit institution pursuant to the Directive 2006/48/EC acting as financial intermediary (the "Financial Intermediary") finally placing New Shares is entitled to use the prospectus in Austria during the Offering, provided however, that the prospectus is still valid in accordance with section 6a of the Austrian Capital Markets Act.

The Issuer accepts responsibility for the information given in the prospectus also with respect to such final placement of the New Shares.

The consent by the Issuer to the use of the prospectus for the final placement of the New Shares by the Financial Intermediaries has been given under the condition that (i) potential investors will be provided with the prospectus and any supplement thereto and (ii) each of the Financial Intermediaries ensures that it will use the prospectus and any supplement thereto in accordance with all applicable selling restrictions specified in this prospectus and any applicable laws and regulations.

However, the Issuer may revoke or limit its consent at any time, whereby such revocation or limitation requires a supplement to the prospectus.

In the event of an offer being made by a Financial Intermediary, the Financial Intermediary shall provide information to investors on the terms and conditions of the offer at the time the offer is made. Any financial intermediary using the Prospectus has to state on its website that it uses the Prospectus in accordance with the consent and the conditions attached thereto. **In the event of an offer being made by a Financial Inter-mediary, this Financial Intermediary will provide information to investors on the terms and conditions of the offer at the time the offer is made**.

PLAN OF DISTRIBUTION

Description of underwriting arrangements

The Company's shareholders are invited to exercise their subscription rights to subscribe for the New Shares at the Offer and Subscription Price during the Subscription Period. Prior to the commencement of the Rights Offering, the Managers propose to resell New Shares in private placements to selected institutional investors in Austria and in other countries, including to QIBs in the United States in reliance on Rule 144A. The resale of New Shares to investors in the Pre-placement will, in some cases, take place subject to claw-back, and to this extent, such sale is also subject to deferred settlement. See "*The Offering—Pre-placement, claw-back and allocation in the Pre-placement—Pre-placement*". The Managers reserve the right to reject any order in whole or in part.

On the date of this prospectus, the Company entered into an underwriting agreement for the offer and sale of the New Shares with the Managers (the "Underwriting Agreement"). Subject to the terms and conditions set out in the Underwriting Agreement, the Managers have agreed, severally and not jointly, to offer the New Shares in the Pre-placement in the numbers set out opposite their respective names in the table below:

	Number of New Shares to be offered (up to)
Deutsche Bank Aktiengesellschaft	29,242,173
Raiffeisen Centrobank AG	29,242,173
UBS Limited	29,242,173
Banca IMI S.p.A.	1,949,479
Barclays Bank PLC	1,949,479
BNP Paribas	1,949,479
COMMERZBANK Aktiengesellschaft	1,949,479
ING Bank N.V.	1,949,479
Total	**97,473,914**

Subject to the terms and conditions set out in the Underwriting Agreement and subject to the terms of a pricing agreement to be entered into among the Company and the Managers on the date of the pricing of the Offering (the "Pricing Agreement"), Deutsche Bank, UBS, Banca IMI, Barclays, BNP Paribas, Commerzbank and ING have agreed, severally and not jointly, to purchase (to the extent purchasers therefor have not been procured) up to 43,863,260, 43,863,259, 1,949,479, 1,949,479, 1,949,479, 1,949,479 and 1,949,479 New Shares, respectively. The Company has agreed to issue the New Shares to the Managers (other than RCB).

Pursuant to the Underwriting Agreement, each Deutsche Bank and UBS, have agreed to subscribe in equal parts for the New Shares at the issue price of EUR 3.05 per New Share. The Managers will pay the difference between the final Offer and Subscription Price for the New Shares and the issue price to the Issuer net of the agreed commissions and expenses at the time of delivery of the New Shares on the respective Closing Date.

The Underwriting Agreement further provides that the obligations of the Managers are subject to the fulfillment of certain conditions such as the registration of New Shares in the commercial register and other customary conditions and that the Joint Global Coordinators, on behalf of the Managers, may terminate the Underwriting Agreement, and therefore their respective obligation to acquire the New Shares, in certain circumstances as more fully described above under "*The Offering—Termination of the Offering*".

Under the terms of the Underwriting Agreement, the Company will indemnify and hold harmless the Managers against certain liabilities in connection with the Offering, including liabilities under applicable securities laws.

Underwriting Commissions

As compensation to the Managers, the Company will pay to the Joint Global Coordinators a base fee equal to 0.75% of the aggregate gross proceeds of the Offering (excluding any New Shares subscribed or purchased by RZB, or subsidiaries or affiliates of RZB, in the Pre-Placement), and to the Co-Lead Managers an aggregate fee of EUR 2.0 million. In addition, the Company may pay to the Joint Global Coordinators a discretionary fee of up to 0.5% of the gross proceeds of the Offering (excluding any New Shares subscribed or purchased by RZB, or by subsidiaries or affiliates of RZB, in the Pre-Placement). The Company has also agreed to reimburse certain costs incurred by the Joint Global Coordinators in connection with the Offering.

Stabilization

In connection with the Offering, Deutsche Bank, as stabilization agent, may engage in stabilization activity aimed at supporting the exchange or market price of the Shares. For details on such activities, see "*The Offering—Stabilization*".

Lock-up Provisions

The Company has agreed with the Managers in the Underwriting Agreement that, during the period beginning on the date of this prospectus and ending on the date 180 days from the Second Closing Date, without the prior written consent of the Joint Global Coordinators, the Company or, in respect of (i) and (ii) below, its Management Board or Supervisory Board, will not: (i) exercise an authorization pursuant to the Company's Articles of Association to increase its capital, (ii) submit a proposal for a capital increase to any General Meeting for resolution, (iii) offer, pledge, allot, issue (unless being required by applicable law), sell, contract to sell, sell any option or contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any Shares or any securities convertible into or exercisable or exchangeable for Shares or file any registration statement under the Securities Act or enter into any swap or other arrangement that transfers to another, in whole or in part, directly or indirectly, the economic consequence of ownership of Shares, whether any such transaction described above is to be settled by delivery of Shares or such other securities, in cash or otherwise. The foregoing restrictions will not apply to (i) the New Shares to be sold hereunder, (ii) the issuance of Shares or the transfer of treasury shares to the Company's directors or employees under its share incentive programs described in the prospectus, (iii) transactions by any of the Company's affiliates in execution of customer orders, and (iv) transactions by the Company or any of the Company's affiliates in the ordinary course of its banking or investment business and in compliance with its respective investment rules.

The Direct Shareholder has agreed with the Managers that, during the period beginning on the date of this prospectus and ending on the date 180 days from the Second Closing Date, without the prior written consent of the Joint Global Coordinators, it will not: (i) offer, pledge, allot, issue (unless being required by applicable law), sell, contract to sell, sell any option or contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any Shares or any securities convertible into or exercisable or exchangeable for Shares or enter into any swap or other arrangement that transfers to another, in whole or in part, directly or indirectly, the economic consequence of ownership of Shares, whether any such transaction described above is to be settled by delivery of Shares or such other securities, in cash or otherwise, (ii) make any demand for or exercise any right with respect to, the registration under the Securities Act of any Shares or any security convertible into or exercisable or exchangeable for Shares, or (iii) propose any increase in the Company's share capital, vote in favor of such a proposed increase or otherwise support any capital increase proposed with respect to the Company. The foregoing restrictions will not apply (i) to transfers of Shares to a directly or indirectly wholly-owned subsidiary of RZB, provided that such subsidiary is subject to the same restrictions on transfer set forth above, and (ii) to (w) sales of New Shares by RCB in this Offering,(x) transactions in Shares by RCB in its role as stabilization manager or as market maker for the Shares, (y) transactions by it or any affiliate in execution of customer orders and (z) transactions by any affiliate of RZB in the ordinary course of its banking or investment business and in compliance with its respective investment rules.

SELLING RESTRICTIONS

European Economic Area

In relation to each member state of the European Economic Area which has implemented Directive 2003/71/EC; as amended (the “Prospectus Directive”), (each, a “Relevant Member State”), each Manager will represent and agree that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of New Shares to the public in that Relevant Member State prior to the publication of a prospectus in relation to the New Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may make an offer of New Shares to the public in that Relevant Member State at any time under the following exceptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to legal entities which are qualified investors as defined under the Prospectus Directive;

(b) to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospective Directive; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of New Shares shall result in a requirement for the Company or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression “an offer of New Shares to the public” in relation to any New Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the New Shares to be offered so as to enable an investor to decide to purchase or subscribe the New Shares, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state.

United Kingdom

Each Manager will represent and agree: (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of the New Shares in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the New Shares in, from or otherwise involving the United Kingdom.

United States

The subscription rights (or exercise thereof) and the New Shares have not been and will not be registered under the Securities Act and may not be offered, exercised or sold in the United States, except pursuant to an exemption from the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the New Shares in the Offering are being offered and sold:

- in the United States only to qualified institutional buyers within the meaning of Rule 144A under the Securities Act (“QIBs”); and

- outside the United States in accordance with Regulation S under the Securities Act.

The subscription rights may not be exercised by or on behalf of any person in the United States, except that holders of subscription rights in the United States who are QIBs may exercise the subscription rights in accordance with the procedures and subject to the terms and conditions described herein.

In addition, until the expiration of the 40-day period beginning on the later of (a) the date of this prospectus and (b) the commencement of the Rights Offering, an offer to sell or a sale of subscription rights or New Shares within the United States by a broker/dealer (whether or not it is participating in the Offering) may violate the registration requirements of the Securities Act unless such offer to sell or sale is made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws.

Investors' representations and restrictions on resale

Outside the United States

Each person exercising subscription rights in the Rights Offering and each purchaser of New Shares outside the United States will be deemed to have represented and agreed that it has received a copy of this prospectus and that:

- the purchaser acknowledges that the subscription rights (or exercise thereof) and the New Shares have not been, and will not be, registered under the Securities Act or under any U.S. state securities laws; and

- the purchaser is located outside the United States at the time of the exercise of the subscription rights or at the time the buy order for the New Shares is originated.

Within the United States

Each person exercising subscription rights in the Rights Offering who is located in the United States will be required to sign and deliver an investment letter substantially containing the following representations and undertakings, and each purchaser of New Shares in the Pre-Placement within the United States in reliance on Rule 144A will be deemed to have represented and agreed as follows:

1. such person is, and at the time of such exercise or purchase will be, a QIB within the meaning of Rule 144A;

2. such person understands and acknowledges that the subscription rights (or the exercise thereof) and the New Shares have not been and will not be registered under the Securities Act, and that they may not be offered, sold or exercised, directly or indirectly, in the United States, other than in accordance with paragraph 4 below;

3. such person is exercising subscription rights or purchasing New Shares, as the case may be, (i) for its own account, or (ii) for the account of one or more other QIBs for which it is acting as a duly authorized fiduciary or agent with sole investment discretion with respect to each such account and with full authority to make the acknowledgements, representations and agreements in the investment letter with respect to each such account (in which case it makes such acknowledgements, representations and agreements on behalf of such QIBs as well), in each case for investment and not with a view to any resale or distribution of any New Shares in violation of applicable securities laws;

4. such person understands and agrees that exercises of subscription rights by persons in the United States are permitted only by QIBs in reliance on a valid exemption from the registration requirements of the Securities Act and offers and sales of the New Shares are being made in the United States only to QIBs pursuant to and in reliance on Rule 144A, and that if in the future it or any such other QIB for which it is acting, as described in paragraph 3 above, or any other fiduciary or agent representing such investor decides to offer, sell, deliver, hypothecate or otherwise transfer any New Shares, it, any such other QIB and any such other fiduciary or agent will do so only (a)(i) pursuant to an effective registration statement under the Securities Act, (ii) to a person whom the holder and any person acting on its behalf reasonably believes is a QIB purchasing for its account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (iii) outside the United States in an "offshore transaction" in

accordance with Rule 903 or Rule 904 of Regulation S (and not in a pre-arranged transaction resulting in the resale of such New Shares into the United States) or (iv) pursuant to an exemption from registration under the Securities Act pursuant to Rule 144 thereunder, if available, and (b) in accordance with any applicable securities laws of any state or territory of the United States and of any other jurisdiction. Such person understands that no representation can be made as to the availability of the exemption provided by Rule 144 under the Securities Act for the resale of the New Shares;

5. such person understands that for so long as New Shares issued upon the exercise of subscription rights are "restricted securities" within the meaning of Rule 144 under the Securities Act, no such New Shares may be deposited into any American depositary receipt facility established or maintained by a depositary bank, other than a restricted depositary receipt facility, and that the New Shares will not settle or trade through the facilities of DTC or any other U.S. clearing system;

6. such person has received a copy of the prospectus and has had access to such financial and other information concerning the Group as it has deemed necessary in connection with making its own investment decision to exercise its subscription rights or purchase the New Shares. It has made its own independent investigation and appraisal of, without limitation, the business, financial condition, prospects, creditworthiness, status and affairs of the Group and the New Shares. It understands that there may be certain consequences under U.S. and other tax laws resulting from an investment in the New Shares and it has made such investigation and has consulted such tax and other advisors with respect thereto as it deemed appropriate. It acknowledges that neither the Company nor the Managers named herein nor any person representing the Company or the Managers have made any representation, express or implied, to it with respect to the Group or the exercise of subscription rights or offering or sale of any New Shares other than as set forth in the investment letter or in the prospectus which has been delivered to it, and upon which it is relying solely in making its investment decision with respect to the New Shares. It has held and will hold any offering materials, including the prospectus, it receives directly or indirectly from the Company in confidence, and it understands that any such information received by it is solely for it and not to be redistributed or duplicated by it. It acknowledges that it has read and agreed to the matters stated in the section "Selling Restrictions" of the prospectus;

7. such person, and each other QIB, if any, for whose account it is exercising the subscription rights or acquiring the New Shares, in the normal course of business, invests in or purchases securities similar to the New Shares, has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of exercising the subscription rights or purchasing New Shares and is aware that it must bear the economic risk of an investment in any New Share for an indefinite period of time and it is able to bear such risk for an indefinite period and is able to sustain a complete loss of investment in the New Shares;

8. such person understands that these representations, warranties undertakings and acknowledgements are required in connection with U.S. securities laws and that the Company, its affiliates and the Managers will be relying on this letter and it irrevocably authorizes the Managers on their own behalf and on behalf of each beneficial owner of the subscription rights being exercised by it or New Shares being purchased by it, to rely on these representations and to produce this letter to any interested party in any administrative or legal proceedings or official enquiry with respect to the matters covered herein or in connection with any other requirements of law;

9. such person undertakes promptly to notify the Company and the Managers if, at any time prior to the delivery to it of any New Shares, any of the foregoing ceases to be true.

Any offer, exercise, sale, pledge or other transfer of the subscription rights or the New Shares made other than in compliance with the above-stated restrictions shall not be recognized by the Company.

Each purchaser in the United States will also be deemed to have agreed to give any subsequent purchaser of the New Shares notice of any restrictions of the transfer thereof.

Any resale or other transfer, or attempted resale or other transfer, made other than in compliance with the above-stated restrictions shall not be recognized by the Company.

Holders of American Depositary Receipts ("ADRs") issued by third party depositaries in respect of their holdings in the Company's shares in connection with certain unsponsored ADR programs will not be permitted to effect subscription for New Shares in respect of the common shares that are represented by such ADRs.

Australia

This document is not a prospectus for the purposes of the Corporations Act of Australia 2001 (the "Australian Corporations Act") and may not contain all of the information that an Australian investor may find in a prospectus prepared in accordance with the Australian Corporations Act which may be required in order to make an informed investment decision regarding, or about the rights attaching to, the New Shares. As no prospectus will be lodged with the Australian Securities & Investments Commission or otherwise prepared in accordance with the Australian Corporations Act in respect of the Offering, the New Shares will only be offered or issued to persons in Australia to whom an offer of shares for issue may be made without a prospectus under Part 6D.2 of the Australian Corporations Act or to persons outside Australia in accordance with the laws of any other applicable jurisdiction.

Investors located in Australia confirm and warrant that offers of securities may be made to them under section 708(11) of the Australian Corporations Act without requiring a prospectus or other form of disclosure document under the Australian Corporations Act and agree that they will not offer to sell the New Shares to any person that is not a professional investor under 708(11) of the Australian Corporations Act until the day after a notice is lodged by the Company with ASX that complies with subsections 708A(5)(e) and (6) of the Australian Corporations Act.

Canada

The New Shares have not been and will not be qualified by prospectus for sale to the public in Canada under applicable Canadian securities laws and, accordingly, any offer or sale of the New Shares in Canada will be made pursuant to an exemption from the applicable prospectus filing requirements, and otherwise in compliance with applicable Canadian laws. This document is not, and under no circumstances is to be construed as, a prospectus, an advertisement or a public offering of the securities described herein in Canada. No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the securities described herein, and any representation to the contrary is an offense. Canadian investors should review the Canadian Offering Memorandum (as defined therein) dated January 21, 2014 prior to making any investment decisions in respect of the New Shares.

Japan

The New Shares have not been and will not be registered under the Financial Instruments and Exchange Law, as amended (the "FIEL"). The New Shares are not being offered and sold and may not be offered or sold, directly or indirectly, in Japan or to or for the account of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for offering or sale, directly or indirectly, in Japan or to, or for the account of, any resident of Japan, except (i) pursuant to an exemption from the registration requirements under the FIEL and (ii) in compliance with any other regulations and ministerial guidelines of Japan.

Brazil

The New Shares have not been, and will not be, registered with the Brazilian Securities Commission (*Comissão de Valores Mobiliários*). The New Shares may not be offered or sold in Brazil, except in circumstances that do not constitute a public offering or unauthorized distribution under Brazilian laws and regulations. The New Shares are not being offered into Brazil. Documents relating to the offering of the New Shares, as well as information contained therein, may not be supplied to the public in Brazil, nor be used in connection with any offer for subscription or sale of the New Shares to the public in Brazil.

GLOSSARY OF ABBREVIATIONS AND DEFINITIONS

ACGC The Austrian Code of Corporate Governance, as amended.

ADRs American Depositary Receipts.

ALL Albanian Lek.

Annual Report 2010 Raiffeisen Bank International AG Annual Report 2010.

Annual Report 2011 Raiffeisen Bank International AG Annual Report 2011.

Annual Report 2012 Raiffeisen Bank International AG Annual Report 2012.

Articles of Association The Issuer's articles of association.

ATX The Austrian Traded Index, consisting of the most actively traded (most liquid) and the most highly capitalized stocks in the prime market segment of the Vienna Stock Exchange.

Austrian Finish measures Supervisory guidance to strengthen the sustainability of the business models of large internationally active Austrian banks published by FMA and OeNB on March 14, 2012.

Average credit risk-weighted assets Average of risk-weighted assets (credit risk), calculated on a monthly basis.

Average IFRS equity Average of IFRS equity, not including current period's profit and calculated on a quarterly basis.

Average interest-bearing assets Average of interest-bearing assets, calculated on a monthly basis on a Group level, and on a quarterly basis on a segments level.

Average loans and advances to customers Average of loans and advances to customers, calculated on a monthly basis on a Group level, and on a quarterly basis on a segment level.

Average total assets Average of total assets, calculated on a quarterly basis.

BAM Bosnian marka.

Banca IMI Banca IMI S.p.A.

Barclays Barclays PLC

BCBS Basel Committee on Banking Supervision, an international forum dedicated to improving bank supervision and regulatory cooperation.

Basel I The scheme of capital adequacy regulations approved and released to banks by the BCBS in 1988 and subsequently replaced by Basel II.

Basel II The scheme of capital adequacy regulations proposed in recent years by the BCBS. According to EU Directives 2006/48/EC and 2006/49/EC, the regulations must be applied in the member states of the European Union from January 1, 2007 onwards to all banks and financial service institutions. As in the case of the Basel I Accord, the goal is to ensure that banks have adequate capital resources and that uniform competitive conditions are created for both lending and credit trading. The main objective of the changes made by Basel II compared to Basel I is to orient capital adequacy requirements prescribed by government more strongly to actual risk and hence approximate the capital requirements internally ascertained by banks.

Basel III New regulatory standard on bank capital adequacy proposed by the BCBS.

Banking Act The Austrian Banking Act, as amended (*Bankwesengesetz*).

BGN Bulgarian lev.

BNP Paribas BNP Paribas Banque.

BRRD Bank Recovery and Resolution Directive

BYR Belarusian rouble.

Capital Markets Act The Austrian Capital Markets Act, as amended (*Kapitalmarktgesetz*).

CE Central Europe; a regional segment of RBI consisting of the countries Czech Republic, Hungary, Poland, Slovakia and Slovenia.

CEE Central and Eastern Europe comprising all of the Group's regional segments (CE, SEE, Russia and CIS Other). As used in this prospectus, the terms "CEE countries" and "CEE markets" refer to the jurisdictions comprising CEE including, for the avoidance of doubt, Kosovo.

CEO Chief Executive Officer.

CFO Chief Financial Officer.

CHF Swiss franc.

CIS Commonwealth of Independent States (consisting predominantly of territories of the former Soviet Union; for RBI it is defined as encompassing the regional segments Russia and CIS Other).

CIS Other Commonwealth of Independent States other; a regional segment of RBI, consisting of the countries Belarus, Kazakhstan and Ukraine.

Clearstream Clearstream Banking, société anonyme.

Co-Lead Managers Banca IMI S.p.A., Barclays Bank PLC, BNP Paribas, Commerzbank AG and ING Bank N.V.

Commerzbank Commerzbank AG

Common equity tier 1 ratio Core tier 1 ratio, total risk, calculated in accordance with Basel III rules, with phase-in arrangements lasting until January 1, 2023 for illustrative purposes, as interpreted by the Group's management and, if applicable, including interim profit less pro rata dividends on share and participation capital

Company; Issuer Raiffeisen Bank International AG.

Consolidated Financial Statements The English translations of the audited consolidated financial statements of the Company as of, and for the years ended, December 31, 2012, 2011 and 2010 (including the notes thereto) and of the unaudited consolidated financial statements of the Company as of, and for the nine months ended, September 30, 2013, including comparable figures for 2012, (including the notes thereto).

Consolidated return on equity Consolidated profit divided by average IFRS equity without non-controlling interests.

COO Chief Operating Officer.

Core capital Regulatory core capital as defined by Basel II consisting of paid-in capital, earned capital, non-controlling interests and hybrid tier 1 capital after deduction of intangible fixed assets; calculated by RBI for illustrative purposes only by applying Austrian legal total own funds requirements to the Group; inclusion of hybrid capital in RBI's own funds calculations is based on the assumption that the Company is the superordinated credit institution (übergeordnetes Kreditinstitut) of the Group and remains a subsidiary of RZB.

Core tier 1 ratio, total risk Core capital less hybrid capital instruments divided by risk-weighted assets (total risk)).

Cost/income ratio General administrative expenses divided by operating income (excluding impairment on goodwill, bank levies and special financial transaction tax in Hungary).

CRD The Capital Requirements Directive (Directive 2006/48/EC relating to the taking up and pursuit of the business of credit institutions and Directive 2006/49/EC on the capital adequacy of investment firms and credit institutions).

CRD II The Capital Requirements Directive II (Directives 2009/27/EC, 2009/83/EC and 2009/111/EC).

CRD III The Capital Requirements Directive III (Directive 2010/76/EU).

CRD IV The Capital Requirements Directive IV (Directive 2013/36/EU).

Credit risk The risk of loss due to a debtors non-payment of a loan or other line of credit.

CRISP The centralized Raiffeisen International services & payments unit.

CRO Chief Risk Officer.

CRR Capital Requirements Regulation (Regulation 575/2013/EU).

CZK Czech koruna.

Deutsche Bank Deutsche Bank AG, Große Gallusstraße 10-14, D-60311 Frankfurt am Main, Germany

Dividend payout ratio Dividends paid divided by consolidated profit for the same period after deduction of dividends for participation capital and participation rights.

Earnings per share In accordance with IAS 33: adjusted consolidated profit (after deduction of dividends for participation capital) divided by the weighted average number of ordinary shares outstanding.

EBA European Banking Authority, which, since the entry into force of Regulation 2010/1093/EU, replaced the Committee of European Banking Supervision.

EBRD European Bank for Reconstruction and Development; an institution that promotes the transition to an open market economy and to private and entrepreneurial action in the countries of CEE. Through its investments, it supports activity of the private sector and strengthens financial institutions, legal systems, and development of infrastructure needed by the private sector.

Erste Bank Erste Group Bank AG.

ECB European Central Bank.

EEA European Economic Area.

EFSF The joint EU-IMF European financial stability facility.

EIB European Investment Bank.

EMU European Economic and Monetary Union.

Equity to assets ratio Total IFRS equity including current period's profit divided by total assets.

ESMA European Securities and Markets Authority.

EU; EUR, TEUR European Union, euro; thousands of euro.

Euroclear Euroclear Bank S.A./N.V., as operator of the Euroclear System.

Excess cover ratio Excess own funds divided by total own funds requirement.

Excess own funds Total own funds less total own funds requirement.

Exchange Act The U.S. Securities Exchange Act of 1934, as amended.

FIEL The Japanese Financial Instruments and Exchange Law, as amended.

Financial Market Stability Act The Austrian Financial Market Stability Act 2008, as amended (*Finanzmarktstabilitätsgesetz* 2008).

Fitch Fitch Ratings Limited.

FMA The Austrian Financial Market Authority (*Finanzmarktaufsicht*).

GBP Great Britain pound.

Group Units The Group's subsidiaries and branches.

HRK Croatian kuna.

HUF Hungarian forint.

IASs International Accounting Standards.

Interest-bearing assets Total assets less trading assets, derivatives, intangible fixed assets, fixed assets and other assets.

Intesa Sanpaolo Intesa Sanpaolo S.p.A.

IFRS International Financial Reporting Standards, including IASs, and interpretations published by the International Accounting Standards Board, as adopted by the EU.

IRB; internal ratings-based approach Method of evaluating the capital backing of credit risks in accordance with Basel II. By using the internal ratings-based approach, the capital backing is determined according to internal credit ratings. In the process, features specific to the borrower and the loan are taken into account. The ratings must be made by an independent source.

IMF International Monetary Fund.

ING ING Bank N.V.

IRS Internal Revenue Service.

ISIN International securities identification number.

IT Information technology.

Joint Global Coordinators Deutsche Bank, RCB and UBS

KBC KBC Group NV.

KStG The Austrian Corporate Income Tax Act, as amended (*Körperschaftsteuergesetz*).

Liquidity risk Risk that the bank could be unable to meet its current and future financial obligations in full or in good time. This arises from the danger that e.g. refinancing can only be obtained at very disadvantageous terms or is entirely impossible.

Loan/deposit ratio Loans and advances to customers divided by deposits from customers, disregarding claims and obligations from (reverse) repurchase agreements, securities lending and securities borrowing.

Loan/deposit ratio (total) Loans and advances to customers divided by deposits from customers.

Managers The Joint Global Coordinators and the Co-Lead Managers.

Market risk The risk that the value of a financial instrument will fluctuate because of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

Merger The merger of Raiffeisen International with the principal business areas of RZB in October 2010, which took retroactive economic effect as of January 1, 2010 and as a result of which RBI has been providing commercial and investment banking services to Austrian and international corporate clients and multinationals.

MiFID Directive on Markets in Financial Instruments (Directive 2004/39/EC).

Moody's Moody's Deutschland GmbH.

MTF Multilateral Trading Facility.

Net interest margin Net interest income divided by average interest-bearing assets.

Net interest margin (interest-bearing assets) Net interest margin.

Net interest margin (total assets) Net interest income divided by average total assets.

Net provisioning ratio Provisioning for impairment losses divided by average credit risk-weighted assets.

Network The Group's network of banks, leasing, asset management and other financing subsidiaries across CEE.

Network Banks The Group's majority-owned banking subsidiaries.

Network Units The Group's majority-owned banking and leasing subsidiaries.

Non-performing loan ratio Non-performing loans divided by loans and advances to customers.

NPL Non-performing loans.

NPL coverage ratio Impairment losses on loans and advances divided by non-performing loans.

OECD Organization for Economic Cooperation and Development comprising the 30 member countries Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States.

OeKB Oesterreichische Kontrollbank Aktiengesellschaft.

OeNB Oesterreichische Nationalbank.

OTP OTP Bank Plc.

ÖRV Österreichischer Raiffeisenverband.

Operating income The aggregate of net interest income, net fee and commission income, trading profit/loss and other operating profit/loss.

OTC Over-the-counter.

Own funds ratio Total own funds divided by risk-weighted assets (total risk).

Participation Capital 2008/2009 Participation capital issued by RZB in 2008 and 2009 (Raiffeisen-Partizipationskapital 2008/2009) without maturity in the aggregate principal amount of EUR 2,500 million, and transferred to RBI in the course of the Merger.

PFIC Passive foreign investment company.

PLN Polish zloty.

Polbank Polbank EFG.

Polbank Acquisition The acquisition by the Group of a 70% stake in Polbank in Poland on April 30, 2011, and of the remaining 30% interest on October 15, 2012.

Portfolio rate Total provisions for impairment losses divided by total credit exposure.

Prospectus Directive Directive 2003/71/EC of the European Parliament and of the Council of November 4, 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC.

Provisioning ratio Provisioning for impairment losses divided by average loans and advances to customers.

2010 PD Amending Directive Directive 2010/73/EU of the European Parliament and of the Council of November 24, 2010 amending Directives 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading and 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market.

QIBs Qualified institutional buyers, as defined in Rule 144A under the Securities Act.

Raiffeisen Bank Kosovo J.S.C. Raiffeisen Bank Kosovo J.S.C., RBI's Network Bank in Kosovo.

Raiffeisen International Raiffeisen International Bank-Holding AG, the Company before October 10, 2010, the date of the Merger.

Raiffeisen Landesbanken One or more of Raiffeisenverband Salzburg reg. Gen.m.b.H., Raiffeisen-Landesbank Steiermark AG, Raiffeisenlandesbank Niederösterreich-Wien AG, Raiffeisenlandesbank Kärnten-Rechenzentrum und Revisionsverband, reg.Gen.m.b.H., Raiffeisen-Landesbank Tirol AG, Raiffeisenlandesbank Vorarlberg Waren- und Revisionsverband, registrierte Genossenschaft mit beschränkter Haftung, Raiffeisenlandesbank Burgenland und Revisionsverband, registrierte Genossenschaft mit beschränkter Haftung, Raiffeisenlandesbank Oberösterreich Aktiengesellschaft, each of which owns, directly or indirectly, shares in RZB.

Raiffeisen Research Raiffeisen Research GmbH.

Rating Agency Regulation Regulation (EC) No. 1060/2009 of September 16, 2009 on credit rating agencies, as amended.

RBG The three-tier Austrian Raiffeisen banking sector consisting of the RZB Group, the regional Raiffeisen Landesbanken and local Raiffeisen banks in Austria.

RBI; Group Raiffeisen Bank International AG, together with its consolidated subsidiaries.

RCB Raiffeisen Centrobank AG, Tegetthoffstraße 1, 1015 Vienna, Austria.

RCM Raiffeisen Kapitalanlage-Gesellschaft m.b.H.

Return on assets after tax Profit after tax divided by average total assets.

Return on assets before tax Profit before tax divided by average total assets, average total assets is calculated on month-end figures.

Return on equity after tax Profit after tax divided by average IFRS equity.

Return on equity before tax Profit before tax divided by average IFRS equity.

RIAG Raiffeisen Investment AG.

Risk/earnings ratio Provisioning for impairment losses divided by net interest income.

Risk-weighted The sum of the risk-weighted accounts receivable, including assets, off-balance

assets (credit risk) sheet assets and derivatives according to § 22 para. 2 Austrian Banking Act; *Bankwesengesetz*; the “Banking Act”.

Risk-weighted assets (total risk) Total own funds requirement multiplied by 12.5.

RIZ Raiffeisen Informatik GmbH.

RKÖ Raiffeisen-Kundengarantiegemeinschaft Österreich.

RL Raiffeisen-Leasing Gesellschaft m.b.H.

RLI Raiffeisen-Leasing International Gesellschaft m.b.H.

RON Romanian lei.

RSC RSC Raiffeisen Daten Service Center GmbH.

RSD Serbian dinar.

RUB Russian rouble.

Russia A regional segment of RBI encompassing the Group’s assets and performances in the Russian Federation.

RZB Raiffeisen Zentralbank Österreich Aktiengesellschaft.

RZB Group RZB and its subsidiaries, including the Group.

S corporation A “small business” corporation that, for U.S. federal income tax purposes, makes a valid election to be taxed under the Internal Revenue Code whereby the owners of the corporation, rather than the corporation itself, are subject to tax on the income that the S corporation earns. An S corporation must have no more than one class of stock and be owned by no more than 100 shareholders who must be U.S. individuals, estates or certain limited types of trusts.

Sberbank Savings Bank of the Russian Federation.

Securities Act U.S. Securities Act of 1933, as amended.

SEE Southeastern Europe; a regional segment of RBI, consisting of the countries Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Moldova, Romania and Serbia.

Shareholders’ equity per share The Group’s equity excluding non-controlling interest divided by the weighted average number of ordinary shares outstanding.

SIP Share incentive program.

SLAs Specific service level agreements.

SME Small and medium-sized enterprises.

Société Générale Société Générale S.A.

SRM Single Resolution Mechanism

Standard & Poor’s Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc.

Stock Corporation Act The Austrian Stock Corporation Act, as amended (*Aktiengesetz*).

Stock Exchange Act The Austrian Stock Exchange Act, as amended (*Börsegesetz*).

Stress tests Stress tests endeavor to simulate extreme fluctuations in market parameters. They are used because such fluctuations are usually inadequately captured by VaR models (VaR forecasts maximum losses under normal market conditions).

Takeover Act The Austrian Takeover Act, as amended (*Übernahmegesetz*).

Tier 1 capital Core Capital.

Tier 1 ratio, credit risk Tier 1 capital divided by risk-weighted assets (credit risk), calculated by RBI for illustrative purposes only by applying Austrian legal total own funds requirements to the Group; inclusion of hybrid capital in RBI's own funds calculations is based on the assumption that the Company is the superordinated credit institution (*übergeordnetes Kreditinstitut*) of the Group and remains a subsidiary of RZB.

Tier 1 ratio, total risk Tier 1 capital divided by risk-weighted assets (total risk), calculated by RBI for illustrative purposes only by applying Austrian legal total own funds requirements to the Group; inclusion of hybrid capital in RBI's own funds calculations is based on the assumption that the Company is the superordinated credit institution (*übergeordnetes Kreditinstitut*) of the Group and remains a subsidiary of RZB.

Total credit exposure All on-balance sheet (loans, debt securities) and off-balance sheet (guarantees, commitments) exposures of the Group that expose the Group to credit risk.

Total own funds requirement Minimum capital requirement according to § 22 para 1 Banking Act: the own funds required for the credit risk, the position risk in bonds, equities, commodities and foreign currency as well as for the operational risk.

UAH Ukrainian hryvnia.

UBS UBS Limited, 1 Finsbury Avenue, London EC2M 2PP, United Kingdom

UniCredit UniCredit S.p.A.

USA United States of America.

U.S. dollar; USD United States dollars.

VaR Value at risk expresses the potential loss that will, with a 99% probability not be exceeded within the period for which an asset is held in the portfolio in question.

WIIW Vienna Institute for International Economic Studies.

WTO World Trade Organization.

ZUNO ZUNO BANK AG, the Group's direct bank subsidiary, currently with branches Slovakia and the Czech Republic.

STATEMENT PURSUANT TO COMMISSION REGULATION (EC) NO 809/2004 OF 29 APRIL 2004 AND PURSUANT TO § 8 PARA 1 CAPITAL MARKETS ACT

Raiffeisen Bank International AG is responsible for this prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this prospectus is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.

Raiffeisen Bank International AG

as issuer (*als Emittent*)

Karl Sevelda

Martin Grüll

Vienna, January 21, 2014

The following translation of the original summary is a separate document attached to the prospectus. It does not form part of the prospectus itself and has not been approved by the FMA. Further, the FMA did not review its consistency with the original summary.

Die folgende Übersetzung der Originalzusammenfassung ist ein separates Dokument und bildet einen Anhang zu diesem Prospekt. Sie ist selbst kein Teil dieses Prospekts und wurde nicht von der FMA gebilligt. Auch die Übereinstimmung mit der Originalzusammenfassung wurde nicht von der FMA geprüft.

GERMAN TRANSLATION OF THE SUMMARY

ZUSAMMENFASSUNG

Diese Zusammenfassung setzt sich aus als „Schlüsselinformationen" bezeichneten Angaben zusammen. Diese Schlüsselinformationen sind in den Abschnitten A bis E (A.1 bis E.7) nummeriert.

Diese Zusammenfassung enthält all die geforderten Schlüsselinformationen, die in einer Zusammenfassung für diese Art von Wertpapieren und Emittenten einzubeziehen sind. Da gewisse Schlüsselinformationen nicht adressiert werden müssen, können Lücken in der Nummerierung der Schlüsselinformationen in dieser Zusammenfassung vorhanden sein.

Auch wenn grundsätzlich eine Schlüsselinformation aufgrund der Art der Wertpapiere und des Emittenten in der Zusammenfassung anzuführen wäre ist es möglich, dass hinsichtlich dieser Schlüsselinformationen keine relevanten Angaben gemacht werden können. In einem solchen Fall wird eine kurze Beschreibung der Schlüsselinformation mit dem Hinweis „entfällt" aufgenommen.

Abschnitt A – Einleitung und Warnhinweise

A.1 Warnhinweise........................	Die folgende Zusammenfassung sollte als Einleitung zum Prospekt verstanden werden. Anleger sollten sich bei jeder Entscheidung zur Anlage in die Aktien auf die Prüfung des gesamten Prospekts stützen. Für den Fall, dass vor einem Gericht Ansprüche aufgrund der in diesem Prospekt enthaltenen Informationen geltend gemacht werden, könnte der als Kläger auftretende Anleger nach den nationalen Rechtsvorschriften des jeweiligen Mitgliedsstaats des Europäischen Wirtschaftsraums vor Prozessbeginn die Kosten für die Übersetzung des Prospekts zu tragen haben. Zivilrechtlich haften nur diejenigen Personen, die die Verantwortung für die Zusammenfassung samt etwaiger Übersetzungen übernommen haben, und dies auch nur für den Fall, dass die Zusammenfassung, verglichen mit den anderen Teilen des Prospekts, irreführend, unrichtig oder inkohärent ist oder, verglichen mit den anderen Teilen des Prospekts, Schlüsselinformationen, die in Bezug auf Anlagen in die Aktien für die Anleger eine Entscheidungshilfe darstellen, vermissen lässt.

A.2 Zustimmung der Gesellschaft zur Verwendung des Prospekts durch Finanzintermediäre

Jedes Kreditinstitut im Sinne der Richtlinie 2006/48/EG, das als Finanzintermediär tätig wird (der „Finanzintermediär“) und endgültig junge Aktien platziert, ist berechtigt den Prospekt in Österreich während des Angebots zu verwenden, solange der Prospekt gemäß § 6a KMG, das die Prospektrichtlinie umsetzt, gültig ist. Der Emittent übernimmt auch hinsichtlich solcher endgültigen Platzierungen junger Aktien Verantwortung für die Informationen, die der Prospekt enthält.

Die Zustimmung der Emittentin zur Verwendung des Prospekts für eine endgültige Platzierung der jungen Aktien durch Finanzintermediäre wurde unter den Bedingungen erteilt, dass (i) den potentiellen Investoren der Prospekt und dessen Nachträge zur Verfügung gestellt wird und (ii) die Finanzintermediäre versichern, dass sie bei der Verwendung des Prospekt und etwaige Nachträgen die in diesem Prospekt festgelegten Verkaufsbeschränkungen und alle geltenden Gesetzte und Rechtsvorschriften beachten.

Jeder Finanzintermediär, der den Prospekt verwendet, hat auf seiner Webseite anzugeben, dass er den Prospekt mit Zustimmung und gemäß den Bedingungen verwendet, an die die Zustimmung gebunden ist.

Im Falle eines Angebots durch einen Finanzintermediär wird dieser Informationen über die Bedingungen des Angebots zum Zeitpunkt der Vorlage des Angebots zur Verfügung zu stellen.

Abschnitt B – Raiffeisen Bank International AG

B.1 Gesetzliche und kommerzielle Bezeichnung

Die gesetzliche Bezeichnung der Gesellschaft ist Raiffeisen Bank International AG. Die kommerzielle Bezeichnung der Gesellschaft wie auch der Gruppe ist „Raiffeisen Bank International“ oder „RBI“.

B.2 Sitz, Rechtsform, Recht, Land der Gründung

Wien, Aktiengesellschaft, österreichisches Recht, Österreich.

B.3 Art der derzeitigen Geschäftstätigkeit und Haupttätigkeiten des Emittenten und Hauptmärkte auf denen der Emittent vertreten ist

Die RBI ist eine Universalbanken-Gruppe, die eine umfassende Palette an Bank- und Finanzprodukten sowie Dienstleistungen an Privat- und Firmenkunden, Finanzinstitute und öffentlich-rechtlichen Unternehmen anbietet. Die RBI konzentriert sich mit ihrem Geschäft auf ihre Kernmärkte in Zentral- und Osteuropa („CEE“) und Österreich. In CEE betreibt die Gruppe ein Netzwerk an Universalbanken, Leasing-Gesellschaften und anderen Finanzdienstleistern in 16 Ländern (in 15 davon Netzwerkbanken). Die RBI erbringt Commercial- und Investment-Banking-Services an österreichischen und internationalen Firm-

		enkunden sowie an multinationale Unternehmen. Die Gruppe unterhält langjährig Geschäftstätigkeiten in Asien, einschließlich China und Singapur, und erzielt Vorteile aus ausgewählten Geschäftsmöglichkeiten, in erster Linie mit bestehenden Kunden, die spezielle Finanzierungslösungen benötigen. Als einer der größten pan-CEE Bankkonzerne betreuen die fast 59.000 Mitarbeiter der RBI mehr als 14 Millionen Kunden in mehr als 3.000 Geschäftsstellen (Daten zum 30. September 2013). Die Produkte und Dienstleistungen der Gruppe umfassen Kredite, Einlagen, Zahlungs- und Kontodienstleistungen, Kredit- und Debitkarten, Leasing, Anlageverwaltung, Versicherungsprodukte, Export- und Projektfinanzierung, Cash Management, Devisen- und Festzinsprodukte sowie Investment-Banking-Services und ähnliche Produkte. Während die Geschäftstätigkeiten der RBI in den CEE-Ländern sowohl Privat- als auch Firmenkunden umfassen, ist das Geschäft der RBI in Österreich und dem Rest der Welt auf Firmenkunden (Mittel- und Großunternehmen sowie Finanzinstitute) fokussiert, hier mit einem besonderen Fokus auf Kunden mit Cross-Selling Potential in den CEE-Ländern. Zum 31. Dezember 2012 standen ungefähr 88% des Betriebseinkommens und 74% der risikogewichteten Aktiva (Kreditrisiko) in Zusammenhang mit CEE. Zum 30. September 2013 betrug das Gesamtvermögen der RBI EUR 131 Milliarden. Der Konzerngewinn (nach Steuern und abzüglich Gewinn, der auf Minderheitenanteile entfällt) betrug EUR 725 Millionen für das Jahr endend am 31. Dezember 2012 und EUR 411 Millionen für die neun Monate endend am 30. September 2013. Die Eigenkapitalrentabilität vor Steuern betrug 9,7% für das Jahr endend am 31. Dezember 2012 und 8.6% für die neun Monate endend 30. September 2013. RBI ist der Ansicht, dass ihr Geschäft von den folgenden Wettbewerbsstärken charakterisiert wird: (i) führende Bank in der CEE Region mit starker Markenbekanntheit; (ii) eine etablierte Erfolgsgeschichte eines profitablen und diversifizierten Geschäftsmodells; und (iii) eine Universalbank mit einer umfassenden Produktplattform zu sein. RBI hat die folgenden strategischen Prioritäten: (i) Fokus auf die sechs attraktivsten CEE-Märkte (einschließlich Österreich); (ii) Kosten reduzieren und Profitabilität erhöhen; und (iii) Stärken ihrer Kapitalposition und Zurückzahlen des Partizipationskapital.
B.4a	Wichtigste jüngste Trends, die sich auf den Emittenten und die Branchen, in denen er tätig ist, auswirken	*Wirtschaftliche Rahmenbedingungen*. Die RBI ist von sich ändernden Bedingungen auf den weltweiten Finanzmärkten, wirtschaftlichen Bedingungen im Allgemeinen und den Wahrnehmungen von solchen Bedingungen und den zukünftigen wirtschaftlichen Aussichten betroffen. Der kurz- und mittelfristige Ausblick für die weltweite Wirtschaft bleibt herausfordernd und viele Prognosen sagen lediglich stagnierende oder moderate Wachstumsniveaus des Bruttosozialprodukts quer

durch viele der Kernmärkte, in denen die RBI tätig ist, voraus. Viele europäische und andere Staaten kämpfen weiterhin mit hohen Budgetdefiziten und verstärken damit die Sorge des Marktes, dass viele europäische und andere Staaten jetzt oder in Zukunft nicht in der Lage sein könnten, ausstehende Verbindlichkeiten zu begleichen oder Finanzierungen über den Kapitalmarkt zu erhalten. Die Märkte, auf denen die RBI tätig ist, wurden und werden von diesen herausfordernden Bedingungen negativ beeinflusst. Die wirtschaftlichen Trends in CEE stehen generell mit jenen in der Eurozone in Zusammenhang, weil die Eurozone der primäre Exportmarkt der CEE-Region bleibt.

Kreditrisiko. Die RBI Gruppe ist in Ländern, die besonders von den jüngsten finanziellen und wirtschaftlichen Bedingungen beeinflusst wurden, wie etwa Zypern, Griechenland, Irland, Italien, Portugal, Slowenien oder Spanien, Kreditrisiken ausgesetzt.

Regulatorisches Umfeld. Nationale und internationale Vorschriften verschiedener Gesetzgeber, Aufsichtsbehörden und sonstiger Behörden, die Standards setzen, haben in den letzten Jahren ständig zu Verschärfungen der regulatorischen Eigenkapital- und Liquiditätsanforderungen für Finanzinstitute geführt. Es kann auch für die Zukunft vermutet werden, dass solche Maßnahmen mit mehr oder weniger langen Umsetzungsfristen durchgeführt werden. Das Geschäftsvolumen und die Geschäftstätigkeit von verschiedenen Geschäftsbereichen der Gruppe werden wesentlich von regulatorischen Eigenkapitalstandards, die auf die Beziehung zwischen spezifischen Kapitalkomponenten und risikogewichteten Aktiva anwendbar sind, beeinträchtigt (eine Maßnahme für regulatorisch relevante Gegenparteiausfallsrisiken, Marktrisiken and operationellen Risiken, die mit Eigenkapital zu unterlegen sind).

B.5 Beschreibung der Gruppe und der Stellung des Emittenten innerhalb dieser Gruppe ....

Die Emittentin betreibt unter anderem die Commercial- und Investment-Banking-Services und das Kapitalmarktgeschäft der Gruppe. Zusätzlich ist die Emittentin die Holding-Gesellschaft der Gruppe. Die Emittentin betrachtet die folgenden Gesellschaften als ihre wesentlichen Tochtergesellschaften:

Name der Gesellschaft	Land der Gründung	Eingetragener Sitz	Prozentsatz der Beteiligung und der Stimmrechte
Raiffeisen Bank Zrt.	Ungarn	Budapest	100,0%
Tatra banka, a.s.	Slowakei	Bratislava	78,8%[1]
Raiffeisenbank a.s.	Tschechische Republik	Prag	75,0%
Raiffeisen Bank S.A.	Rumänien	Bukarest	99,5%
Raiffeisen Bank Aval JSC	Ukraine	Kiew	96,2%
ZAO Raiffeisenbank	Russland	Moskau	100,0%
Raiffeisen Bank Polska S.A.	Polen	Warschau	100,0%

[1] Nachdem Tatra banka, a.s. stimmrechtslose Vorzugsaktien ausgegeben hat, weicht der Anteil der Stimmrechte der Gesellschaft vom Prozentsatz der Beteiligung wie oben angeführt ab. Der Anteil der Gesellschaft an den Stimmrechten der Tatra banka, a.s. beträgt 89.1%.

Quelle: Geschäftsbericht 2012.

B.6 Aktionäre, die direkt oder indirekt eine meldepflichtige Beteiligung am Kapital oder den Stimmrechten des Emittenten haben.................. Zum 31. Dezember 2012 hält die RZB über die in ihrem Alleineigentum stehende Tochtergesellschaft Raiffeisen International Beteiligungs GmbH (die „Direkte Aktionärin“) rund 78,5% der Aktien der Gesellschaft und die Gesellschaft selbst rund 0,3% (eigene Aktien). Rund 21,2% sind Streubesitz.

Unterschiedliche Stimmrechte .... Entfällt. Es gibt keine unterschiedlichen Stimmrechte.

Direkte oder indirekte Beteiligung am oder Beherrschung des Emittenten, Art der Beherrschung......................... Die Direkte Aktionärin und die RZB als indirekte Hauptaktionärin der Gesellschaft sind in der Lage, alle Angelegenheiten, welche der Zustimmung der Aktionäre bedürfen, zu beherrschen.

B.7 Ausgewählte wesentliche historische Finanzinformationen über den Emittenten, die für jedes Geschäftsjahr des von den historischen Finanzinformationen abgedeckten Zeitraums vorgelegt werden .... Die Konzern-Erfolgsrechnung für die Jahre endend am 31. Dezember 2012, 2011 und 2010, und die Konzernbilanz zum 31. Dezember 2012, 2011 und 2010 wurden den englischen Übersetzungen der geprüften jährlichen Konzernabschlüsse der Gesellschaft zum und für die Geschäftsjahre endend zum 31. Dezember 2012, 2011 and 2010 (samt dem Anhang dazu, die „**Geprüften Konzernabschlüsse**“) entnommen. Die ungeprüfte Konzern-Erfolgsrechnung für die neun Monate endend am 30. September 2013 und 2012 und die ungeprüfte Konzernbilanz zum 30. September 2013 wurden der englischen Übersetzung des ungeprüften Konzernzwischenabschlusses der Gesellschaft zum und für die neun Monate endend zum 30. September 2013 (samt dem Anhang dazu) entnommen, der auf derselben Basis aufgestellt wurde wie die Geprüften Konzernabschlüsse. Ergebnisse für die neun Monate endend zum 30. September 2013 sind nicht notwendigerweise indikativ für die Ergebnisse, die zum Gesamtjahr erwartet werden können.

	Neun Monate endend am 30. September		**Jahr endend am 31. Dezember**		
	2013	**2012**	**2012**	**2011**	**2010**
	(in Millionen EUR, sofern nicht anders angegeben)				
	(ungeprüft)		**(geprüft)**		
Konzern-Erfolgsrechnung					
Zinsen und zinsähnliche Erträge	4.564	4.959	6.479	6.614	6.365
Zinsen und zinsähnliche Aufwendungen............................	(1.787)	(2.363)	(3.007)	(2.947)	(2.787)
Zinsüberschuss...	**2,776**	**2.596**	**3.472**	**3.667**	**3.578**
Nettodotierungen zu Kreditrisikovorsorgen	(800)	(623)	(1.009)	(1.064)	(1.194)
Zinsüberschuss nach Kreditrisikovorsorgen.................	**1.977**	**1.973**	**2.463**	**2.604**	**2.384**
Provisionserträge...	1.484	1.377	1.869	1.795	1.753

	Neun Monate endend am 30. September		Jahr endend am 31. Dezember		
	2013	2012	2012	2011	2010
	(in Millionen EUR, sofern nicht anders angegeben)				
	(ungeprüft)		(geprüft)		
Provisionsaufwendungen	(281)	(257)	(353)	(305)	(262)
Provisionsüberschuss	**1.203**	**1.120**	**1.516**	**1.490**	**1.491**
Handelsergebnis	240	220	215	363	328
Ergebnis aus Derivaten und Verbindlichkeiten	(243)	(108)	(127)	413	(84)
Ergebnis aus Finanzinvestitionen	73	299	318	(141)	137
Verwaltungsaufwendungen	(2.430)	(2.336)	(3.264)	(3.120)	(2.980)
Sonstiges betriebliches Ergebnis	(117)	(52)	(102)	(232)	6
Ergebnis aus Endkonsolidierungen	(6)	(2)	12	(3)	5
Jahresüberschuss vor Steuern	**696**	**1.115**	**1.032**	**1.373**	**1.287**
Steuern vom Einkommen und Ertrag	(236)	(226)	(284)	(399)	(110)
Jahresüberschuss nach Steuern	**461**	**889**	**748**	**974**	**1.177**
Ergebnis der nicht beherrschenden Anteile	(50)	(47)	(22)	(6)	(90)
Konzern-Jahresüberschuss	**411**	**842**	**725**	**968**	**1.087**
	(ungeprüft)		(geprüft, sofern nicht anders angegeben)		
Sonstige Finanz- und bankaufsichtsrechtliche Daten und Kennzahlen					
Ergebnis je Aktie (in EUR)	1,34	3,55	2,70	3,95	4,56
Return on Equity vor Steuern (in %)	8,6	14,1	9,7	13,7	13,7
Konzern-Return on Equity (in %, ungeprüft)	5,4	11,7	7,4	10,8	13,0
Return on Assets vor Steuern (in %, ungeprüft)	0,70	1,00	0,73	0,98	0,9
Cost/Income Ratio (in %, ungeprüft)	56,9	58,4	61,5	56,0	54,7
Risk/Earnings Ratio (in %, ungeprüft)	28,8	24,0	29,1	29,0	33,4
Neubildungsquote (in %)	1,29	1,00	1,21	1,34	1,89
Nettozinsspanne (in %)	3,08	2,60	2,66	2,90	3,11
Non-Performing Loans Ratio (in %, ungeprüft)	10,3	10,0	9,8	8,6	9,0
NPL Coverage Ratio (in %)	66,1	65,8	67,0	68,3	66,3
Loan/Deposit Ratio (in %, ungeprüft)	123	120	121,7	127,1	134,1
Risikoaktiva (Kreditrisiko) (in Millionen EUR)[(2)]	68.132	68.781	68.136	77.150	75.601
Gesamtes Eigenmittelerfordernis [(1) (2)]	6.617	6.723	6.626	7.624	7.585
Eigenmittelquote (in %)[(1) (2)]	14,8	14,8	15,6	13,5	13,3
Kernkapitalquote (Tier 1), gesamt (in %)[(1) (2)(3)]	10,6	10,7	11,2	9,9	9,7
Core Tier 1 Ratio, gesamt (in %)[(1) (2)]	10,1	10,2	10,7	9,0	8,9
Eigenkapital pro Aktie (in EUR, ungeprüft)	36,84	38,86	38,13	36,28	33,95

(1) Informationen bezüglich RBI's regulatorischem Kapital zum 30. September 2012 und zum 31. Dezember 2011 und 2010 sind auf Basis des österreichischen Bankwesengesetzes und der österreischen Grundsätze ordnungsgemäßer Buchführung berechnet, während Informationen zum 31. Dezember 2012 und 30. September 2013 auf Basis von IFRS berechnet sind. Als Ergebnis sind Beträge zu diesen Daten nicht vollständig vergleichbar. Auch der Anwendungsbereich der Konsolidierung für Buchhaltungszwecke unter IFRS unterscheidet sich vom Anwendungsbereich für regulatorische Zwecke, insbesondere in Bezug auf die Behandlung von de minimis-Unternehmen und Nicht-Fiinanzunternehmen. Als Ergebnis weichen die Komponenten von regulatorischem Kapital von jenen des konsolidierten Eigenkapitals ab, welches für alle Perioden berechnet und in Einklang mit IFRS präsentiert wurde.

(2) Von RBI ausschließlich für Zwecke der Veranschaulichung unter Anwendung von österreichischen rechtlichen Gesamteigenmittelerfordernissen für die Gruppe berechnet.

(3) Die Einbeziehung von Hybridkapital in RBI's Eigenmittelberechnungen basiert auf der Annahme, dass die Gesellschaft übergeordnetes Kreditinstitut der Gruppe ist und Tochtergesellschaft der RZB bleibt.

	Zum 30. September	Zum 31. Dezember		
	2013	2012	2011	2010
	(in Millionen EUR)			
	(ungeprüft)	(geprüft)		
Bilanz				
Aktiva				
Barreserve	5.273	6.557	11.402	4.807
Forderungen an Kreditinstitute	21.589	22.323	25.748	21.532
Forderungen an Kunden	82.431	83.343	81.576	75.657
Kreditrisikovorsorgen	(5.734)	(5.642)	(5.053)	(4.756)
Handelsaktiva	7.853	9.813	10.617	8.068
Derivative Finanzinstrumente	961	1.405	1.405	1.488
Wertpapiere und Beteiligungen	13.787	13.355	16.535	19.631
Anteile an at-equity bewerteten Unternehmen	5	5	5	5
Immaterielle Vermögenswerte	1.259	1.321	1.066	1.220
Sachanlagen	1.631	1.597	1.511	1.454
Sonstige Aktiva	1.979	2.038	2.174	2.067
Aktiva gesamt	**131.034**	**136.116**	**146.985**	**131.173**

	Zum 30. September	Zum 31. Dezember		
	2013	2012	2011	2010
	(in Millionen EUR)			
	(ungeprüft)	(geprüft)		
Passiva				
Verbindlichkeiten gegenüber Kreditinstituten	29.617	30.186	37.992	33.659
Verbindlichkeiten gegenüber Kunden	67.496	66.297	66.747	57.633
Verbriefte Verbindlichkeiten	11.113	13.290	14.367	16.555
Rückstellungen	703	721	771	672
Handelspassiva	5.895	8.824	9.715	5.742
Derivative Finanzinstrumente	398	472	792	1.264
Sonstige Passiva	1.596	1.515	1.515	1.243
Nachrangkapital	3.861	3.937	4.151	4.001
Eigenkapital	10.354	10.873	10.936	10.404
Konzern-Eigenkapital	9.442	9.424[(1)]	8.825	8.251
Konzern-Jahresüberschuss	411	730[(1)]	968	1.087
Kapital der nicht beherrschenden Anteile	501	719	1.143	1.066
Passiva gesamt	**131.034**	**136.116**	**146.985**	**131.173**

(1) Konzern-Eigenkapital und Konzern-Jahresüberschuss wurden aufgrund der rückwirkenden Anwendbarkeit von IAS 19 angepasst. Die geprüften Beträge waren EUR 9.428 Millionen (Konzern-Eigenkapital) and EUR 724 Millionen (Konzern-Jahresüberschuss).

Wesentliche Änderungen ...... Entfällt. Es hat keine wesentliche Verschlechterung in den Aussichten der Emittentin und der Gruppe seit dem 30. September 2013 gegeben. Es gab keine wesentlichen negativen Veränderungen in der Finanzlage und Handelsposition der Gruppe seit 30. September 2013.

B.8 Ausgewählte wesentliche Pro-forma Finanzinformationen .... Entfällt. Die Aufnahme von Pro-forma Finanzangaben ist nicht erforderlich.

B.9 Gewinnprognosen und -schätzungen .... Entfällt. Es werden keine Gewinnprognosen oder Schätzungen abgegeben.

B.10 Art etwaiger Einschränkungen der Bestätigungsvermerke zu den historischen Finanzinformationen .... Entfällt. Es bestehen keine Einschränkungen.

B.11 Unzulänglichkeit des Geschäftskapitals des Emittenten, um den bestehenden Anforderungen zu genügen .. Entfällt. Das Geschäftskapital der Emittentin ist ausreichend.

Abschnitt C – Wertpapiere

C.1 Art und Gattung der angebotenen und/oder zum Handel zuzulassenden Wertpapiere, Wertpapierkennnummer......................... Inhaberstückaktien.

Die ISIN für Bestehende Aktien und für die Jungen Aktien (wie jeweils unten definiert), die am zweiten Closing-Tag geliefert werden, ist AT0000606306, die Jungen Aktien, die am ersten Closing-Tag geliefert werden, werden unter der ISIN AT0000A153T9 gebucht und werden am oder um den 29. Jänner

		2014 in die ISIN der Bestehenden Aktien überführt, die ISIN für die den bestehenden Aktionären der Emittentin eingeräumten Bezugsrechte ist AT0000A153U7. Das Reuters Symbol ist RBIV.VI, das Bloomberg Symbol RBI AV und das Handelssymbol RBI.
C.2	Währung der Wertpapieremission	Euro
C.3	Zahl der ausgegebenen und voll eingezahlten Aktien und der ausgegebenen, aber nicht voll eingezahlten Aktien, Nennwert pro Aktie	Vor dem Angebot, auf das sich dieses Prospekts bezieht (das „Angebot") beträgt das ausgegebene und zur Gänze eingezahlte Grundkapital der Gesellschaft EUR 596.290.628,20, geteilt in 195.505.124 zur Gänze eingezahlte, ordentliche, auf Inhaber lautenden Stückaktien, wovon jede einen errechneten Nennbetrag von EUR 3,05 des Grundkapitals repräsentiert (die „Bestehenden Aktien").
C.4	Mit den Wertpapieren verbundene Rechte	Die Aktien (wie unten definiert) sind ab dem Geschäftsjahr endend am 31. Dezember 2013 voll dividendenberechtigt. Jede Aktie berechtigt ihren Inhaber zu einer Stimme in der Hauptversammlung der Gesellschaft und zu anderen Rechten von Aktionären gemäß dem österreichischen Aktiengesetz (z.B. Informationsrecht in der Hauptversammlung, Widerspruchs- und Anfechtungsrecht von Hauptversammlungsbeschlüssen etc.). Außerdem haben die Aktionäre ein gesetzliches Bezugsrecht. Es bestehen keine Einschränkungen der Stimmrechte.
C.5	Beschränkungen der freien Übertragbarkeit der Wertpapiere	Entfällt. Es bestehen keine Beschränkungen der freien Übertragbarkeit der Aktien (wie unten definiert) und der Bezugsrechte.
C.6	Antrag auf Zulassung zum Handel, geregelter Markt, Identität der geregelten Märkte, auf denen die Wertpapiere gehandelt werden sollen	Es wird ein Antrag auf Börsenzulassung von bis zu 97.473.914 jungen Aktien der Gesellschaft, die im Angebot angeboten werden (die „Jungen Aktien" und gemeinsam mit den Bestehenden Aktien, die „Aktien") zum Amtlichen Handel der Wiener Börse, zu dem die Bestehenden Aktien bereits unter dem Handelssymbol RBI zugelassen sind und im Prime-Market Segment gehandelt werden, gestellt. Es wird erwartet, dass die am ersten Closing-Tag und am zweiten Closing-Tag zu liefernden Jungen Aktien beginnend am 27. Jänner 2014 bzw 11. Februar 2014 im Prime-Market Segment der Wiener Börse gehandelt werden.

C.7	Dividendenpolitik	Die Dividendenpolitik der Gesellschaft beruht nicht auf einer festgelegten Auszahlungsquote. Dividenden werden auf Basis des Nettogewinns der Gesellschaft des jeweiligen Jahres, ihrer Kapitalerfordernisse für die Entwicklung ihres Geschäfts und der Umsetzung ihrer Strategie sowie anderer Faktoren vorgeschlagen. In Zukunft zielt die Gesellschaft darauf ab, weiterhin Dividenden gemäß den oben beschriebenen Grundlagen auszuschütten.
Abschnitt D – Risiken		
D.1	Wesentliche Risiken, die dem Emittenten oder seiner Branche eigen sind	**Risiken im Zusammenhang mit der globalen Finanzkrise und der Schuldenkrise in der Eurozone** • Die Märkte, in denen die Gruppe tätig ist, wurden von der globalen Finanzkrise und der Schuldenkrise in der Eurozone nachteilig beeinflusst und sind weiterhin dem Risiko von anhaltenden herausfordernden wirtschaftlichen Finanzierungsbedingungen ausgesetzt. • Regulatorische und politische Handlungen von europäischen Regierungen als Antwort auf die Staatsschuldenkrise könnten nicht ausreichend sein um eine Ausweitung der Krise oder den Austritt von einem oder mehreren Mitgliedsländern aus der Gemeinschaftswährung zu verhindern. Ein Zahlungsausfall oder Austritt von einem oder mehreren Ländern aus dem Euro könnte unvorhersehbare Konsequenzen auf das Finanzsystem und die Wirtschaft haben und potentiell zu Rückgängen von Geschäftsvolumen, Abschreibungen auf Vermögen und Verlusten quer durch das Geschäft der Gruppe führen. Die Fähigkeit der Gruppe, sich vor diesen Risiken zu schützen, ist begrenzt. **Risiken, die das Geschäft der Gruppe beeinträchtigen** • Nachteilige Bewegungen und Volatilitäten in Fremdwährungswechselkursen könnten einen nachteiligen Effekt auf die Bewertung der Vermögenswerte der Gruppe und auf den finanziellen Zustand, das Geschäftsergebnis, die Cashflows und die Kapitalausstattung der Gruppe haben. • Eine anhaltende Schwäche von CEE Währungen gegenüber wichtigen Währungen könnte zu weiteren Ausfällen von Kunden der Gruppe führen. • Als Reaktion auf das herausfordernde regulatorische und Marktumfeld könnte die RBI ihr Geschäft weiter zurückfahren und Vermögensgegenstände außerhalb ihres strategischen Fokus veräußern. Jede solche Veräußerung würde Risiken bergen und könnte wesentliche nachteilige Auswirkungen auf die Gruppe haben. • Die Gruppe ist starkem Wettbewerb in allen ihren Geschäftsbereichen ausgesetzt.

- Die Gruppe ist Risiken des Ausfalls von Krediten und Gegenparteien, dem Risiko einer Abwertung von Sicherheiten sowie Kredit-Konzentrationsrisken ausgesetzt.

- Finanzielle Schwierigkeiten, denen die Kunden der Gruppe ausgesetzt sind, könnten das Geschäft, den finanziellen Zustand und die Geschäftsergebnisse der Gruppe nachteilig beeinträchtigen.

- Die Gruppe ist Marktrisiken, insbesondere im Hinblick auf nicht abgesicherte Positionen, ausgesetzt.

- Die Ergebnisse der Handels- und Investitionsaktivitäten der Gruppe unterliegen signifikanten Volatilitäten.

- Die Sicherungsgeschäfte der Gruppe könnten nicht wirksam sein und könnten Verluste nicht verhindern.

- Sinkende Zinsmargen (die Differenz zwischen den Refinanzierungskosten der Gruppe und den Zinsen, die von Kreditnehmern auf Darlehen bezahlt werden) könnten einen wesentlichen nachteiligen Effekt auf die Gruppe haben.

- Die Gruppe ist beträchtlichen operationellen Risiken, die dem Bankgeschäft inhärent sind, ausgesetzt.

- Die von der Gruppe benötigte Liquidität könnte nicht oder nicht zu akzeptablen Bedingungen verfügbar sein. Ein plötzlicher Abzug von Kundengeldern könnte die Finanzierungskosten der Gruppe erhöhen.

- Cross Default Bestimmungen in den Finanzierungsvereinbarungen der Gruppe könnten in unvorhergesehenen, plötzlichen Liquiditätserfordernissen resultieren, wenn vorzeitig fällig gestellte Ansprüche befriedigt werden müssen.

- Eine Herabstufung des Kreditratings der Emittentin, einer Netzwerkbank oder eines Staates, in dem die RBI aktiv ist, könnte die Finanzierungskosten der Gruppe erhöhen oder die Verfügbarkeit von Refinanzierungsquellen beeinträchtigen.

- Die Risikomanagementstrategien und internen Kontrollverfahren der Gruppe könnten nicht sämtliche Risiken effizient identifizieren und einschätzen und die Gruppe so unidentifizierten oder unvorhergesehenen Risiken aussetzen.

- Die Gruppe könnte nicht in der Lage sein, erwartete Vorteile von ihrem kürzlich bekanntgegebenen Kostensparprogramm und von der laufenden Implementierung von anderen strategischen Initiativen und Effizienzprogrammen zu erzielen.

- Die Gruppe könnte gezwungen sein, Firmenwerte abzuschreiben und könnte Abschreibungsverluste erleiden.

- Es besteht ein Risiko, dass Produkte, die die Gruppe entwickelt hat, nicht am Markt eingeführt werden können oder dass bereits eingeführte Produkte sich nicht so entwickeln wie vorhergesehen oder zu Haftungen der Gruppe führen.

- Die Gruppe könnte Schwierigkeiten haben, qualifizierte Mitarbeiter einzustellen oder zu halten.

- Die Dienstleistungen, die die Emittentin und ihre Netzwerkeinheiten erbringen, sind in steigendem Ausmaß von komplexen Informationstechnologiesystemen abhängig, deren Einsatz von einer Mehrzahl an Problemen und Herausforderungen betroffen sein kann.

- Die Emittentin und die Netzwerkeinheiten haben viele verschiedene Arten von Geschäftsbeziehungen mit ihren Kunden und Investoren und übernehmen verschiedene Funktionen. Mitglieder der Organe der Gesellschaft halten Vorstands- und Aufsichtsratsmandate außerhalb der Gruppe, was zu Interessenskonflikten führen könnte.

- Die Emittentin und ihre Netzwerkbanken könnten verpflichtet sein, Beiträge an Einlagensicherungs- und Anlegerentschädigungseinrichtungen zu leisten, wenn andere Teilnehmer solcher Einrichtungen insolvent werden.

- Veränderungen bei Einlagensicherungs- und Anlegerentschädigungseinrichtungen, an denen die Emittentin und die Netzwerkbanken teilnehmen, könnten zu höheren Mitgliedsbeiträgen führen.

- Unternehmensakquisitionen und Investitionen der RBI könnten zu beträchtlichen Kosten und Verbindlichkeiten führen und der Integrationsprozess nach einem Merger könnte misslingen.

Risiken, die die Märkte betreffen, in denen die Gruppe tätig ist

- Die Gruppe ist den ökonomischen Entwicklungen und dem Risiko von politischer und wirtschaftlicher Instabilität in den Märkten, in denen die Gruppe tätig ist, ausgesetzt.

- In einigen Märkten, in denen die Gruppe tätig ist, besteht ein erhöhtes Risiko von staatlichen Eingriffen und/oder ungünstigen Gerichtsentscheidungen.

- Die Rechtssysteme und der prozessuale Schutz in einigen Märkten, in denen die Gruppe tätig ist, sind noch nicht vollständig entwickelt.

  Veränderungen in den Verbraucherschutzgesetzen und der Anwendung und Interpretation von solchen Gesetzen sowie die aggressivere Durchsetzung solcher Gesetze durch Konsumenten, Aufsichtsbehörden und Konsumentenschutzverbänden können die Preisgestaltung von Krediten und anderen Produkten und Dienstleistungen der Gruppe negativ beeinflussen und könnten Verbrauchern die Rückforderung von bereits geleisteten Gebühren sowie Zins- und Tilgungszahlungen erlauben.

- Steuergesetze in einigen Märkten, in denen die Gruppe tätig ist, sind noch nicht voll entwickelt und Gegenstand häufiger Veränderungen.

- Das in einigen Märkten, in denen die Gruppe tätig ist, anwendbare Recht, einschließlich dem Insolvenzrecht, könnte die Fähigkeit der Gruppe, Zahlungen aus notleidenden Krediten zu erlangen oder die Möglichkeit, Sicherheiten und/oder Garantien zu verwerten, beschränken.

Rechtliche und regulatorische Risiken

- Das Geschäft der Gruppe ist Gegenstand von in wachsendem Ausmaß belastenden und komplexen Regulierungen, einschließlich unter Basel III und Steuerregimen, was jeweils einen nachteiligen Effekt auf das Geschäftsergebnis haben kann.

- Die Emittentin und die Netzwerkbanken könnten nicht in der Lage sein, zusätzliches Kapital aufzunehmen, um ihre Mindestkapitalaustattung und andere regulatorische Kennzahlen zu halten.

- Einige Netzwerkbanken der Gruppe unterliegen verpflichtenden Eigenkapitalreserve-Erfordernissen.

- Die Gruppe unterliegt Stresstests und es wird erwartet, dass die Gruppe externen Überprüfungen der Qualität ihrer Vermögenswerte unterliegen wird.

- Die Nicht-Einhaltung regulatorischer Erfordernisse könnte in Zwangs- Maßnahmen resultieren.

- Gerichtsstreitigkeiten oder andere Verfahren könnten das Geschäft, die finanzielle Situation und das Geschäftsergebnis der Gruppe beeinträchtigen.

- Die Einhaltung von Geldwäsche-Bestimmungen, Vorschriften gegen die Finanzierung von Terrorismus, Steuerflucht und Wirtschaftssanktionen ziehen wesentliche Kosten und Mühen nach sich, und die Nicht-Einhaltung könnte gravierende juristische und rufschädigende Folgen haben.

Risiken im Zusammenhang mit der Beteiligung an der Emittentin, der Kapitalstruktur und der gesellschaftsrechtlichen Struktur

- Grundsätzlich sind Investoren nicht in der Lage, das Ergebnis von Abstimmungen in der Hauptversammlung zu beeinflussen und die Interessen der RZB, dem kontrollierenden Aktionär der Emittentin, könnten von den Interessen der anderen Aktionäre abweichen.

- Die RZB bleibt eine wichtige Finanzierungsquelle der Gruppe.

- Minderheitenanteile, die Dritte halten, könnten die Kontrolle der Emittentin über bestimmte Beteiligungen beschränken.

- Als Ergebnis der Teilnahme der Gruppe am österreichischen „Bankenpaket“, einschließlich der Emission von Partizipationskapital an die Republik Österreich, könnte die Gruppe Beschränkungen und Verpflichtungen unterliegen, die seine Geschäfts- und seine Dividendenfähigkeit beeinträchtigen.

D.3 Wesentliche Risiken, die den Wertpapieren eigen sind ....

Risiken im Zusammenhang mit dem Angebot und den Jungen Aktien

- Der Börsepreis der Aktien ist volatil und könnte durch künftige Aktienverkäufe auf öffentlichen Märkten beeinträchtigt werden.

- Aktionäre sind dem Risiko ausgesetzt, dass die Emittentin keine Dividende ausschüttet.

- Die Beteiligung von Aktionären an der Emittentin könnte verwässert werden, wenn die Emittentin in der Zukunft neue Aktien ausgibt.

- Junge Aktien, die im Rahmen der Vorabplatzierung erworben werden, und nicht den verzichteten Bezugsrechten zugeordnet werden können, unterliegen dem Rücktrittsvorbehalt.

- Der Kurs, zu dem die Investoren Junge Aktien im Rahmen des Bezugsangebots zeichnen werden können, könnte höher sein als der Kurs, zu dem sie die Aktien der Gesellschaft am Markt kaufen können.

- Rechte von Aktionären einer österreichischen Gesellschaft können von den Rechten von Aktionären einer Kapitalgesellschaft, die unter dem Recht eines anderen Staats errichtet ist, abweichen.

- Bewegungen in den Wechselkursen könnten den Wert der Aktien und Dividenden für Investoren außerhalb der Eurozone beeinträchtigen.

- Die Aussetzung des Handels der Aktien an der Wiener Börse könnte den Aktienkurs negativ beeinträchtigen.

Abschnitt E – Angebot		
E.1	Gesamtnettoerlöse und geschätzte Gesamtkosten des Angebots, einschließlich der geschätzten Kosten, die dem Anleger vom Emittenten oder Anbieter in Rechnung gestellt werden	Die Gesellschaft wird Nettoerlöse aus dem Verkauf der Jungen Aktien erhalten, die aus den Bruttoerlösen aus dem Verkauf abzüglich der angebotsbezogenen Kosten (inklusive der Provision der Manager) bestehen. Die Nettoerlöse hängen von der endgültigen Anzahl emittierter Junger Aktien, vom Angebots- und Bezugspreis und den angebotsbezogenen Kosten ab. Unter der Annahme, dass die Maximalanzahl von 97.473.914 Jungen Aktien im Angebot zu einem angenommenen Angebots- und Bezugspreis von EUR 30,50 pro Junger Aktie (das ist der Schlusskurs der Bestehenden Aktien an der Wiener Börse am 20. Jänner 2014) verkauft wird, erwartet die Gesellschaft, nach Abzug von geschätzten Angebotskosten einen Nettoerlös im Betrag von ungefähr EUR 2.908 Millionen zu erhalten. Weder die Gesellschaft, noch die Manager werden Investoren Kosten verrechnen. Vom depotführenden Finanzinstitut des Investors könnten jedoch übliche Bankspesen verrechnet werden.
E.2a	Gründe für das Angebot, Zweckbestimmung der Erlöse, geschätzte Nettoerlöse ..	Die Gesellschaft macht das Angebot und beabsichtigt, den Nettoerlös aus dem Angebot (von dem die Gesellschaft basierend auf den Annahmen in Element E.1 erwartet, das er ungefähr EUR 2.908 Millionen beträgt) zur Erhöhung und Verbesserung der Kapitalausstattung der Gesellschaft auf ein Niveau, welches sie in Hinblick auf die geänderten regulatorischen Erfordernisse und in Hinblick auf die Strategien der Gesellschaft für angemessen hält, zu verwenden. Insbesondere und unter dem Vorbehalt der Zustimmung des Aufsichtsrats und der Zustimmung der Aufsichtsbehörde beabsichtigt die Gesellschaft, die Nettoerlöse des Angebots für die gänzliche oder teilweise Rückzahlung des ausstehenden Partizipationskapitals 2008/2009 zu verwenden. Nettoerlöse aus dem Angebot, die das ausstehende Partizipationskapitals 2008/2009 übersteigen, werden für allgemeine Unternehmenszwecke verwendet.
E.3	Beschreibung der Angebotskonditionen	Das Angebot umfasst die Jungen Aktien, das sind bis zu 97.473.914 ordentliche, auf Inhaber lautende Stückaktien mit einem errechneten Wert von EUR 3,05 pro Aktie, welche im Anschluss an eine Kapitalerhöhung in zwei Tranchen neu emittiert werden. Das Angebot besteht aus einer Vorabplatzierung (die „Vorabplatzierung“) gefolgt von einem nachfolgenden Bezugsangebot an bestehende Aktionäre der Gesellschaft (das „Bezugsangebot“).

Vorabplatzierung.................. Die Vorabplatzierung umfasst eine Privatplatzierung für ausgewählte institutionelle Investoren in Österreich und in anderen Ländern einschließlich einer Privatplatzierung in den Vereinigten Staaten für qualifizierte institutionelle Investoren, wie in Rule 144A des U.S. Securities Act von 1993 in der geltenden Fassung (der „Securities Act“) definiert. Die Vorabplatzierung wird in Form eines Bookbuilding-Verfahrens durchgeführt. Investoren, die Junge Aktien in der Vorabplatzierung kaufen möchten, werden hiermit informiert, dass 21,3% der Jungen Aktien, die jedem Investor in der Vorabplatzierung zugeteilt werden unter Rücktrittsvorbehalt stehen und die Abwicklung verzögert erfolgen kann. Siehe dazu unten *„-Rücktrittsvorbehalt in der Vorabplatzierung“* und *„-Abwicklung“.*

Bezugsangebot .... Nach Abschluss des Bookbuilding Verfahrens und Bestimmung des Angebots- und Bezugspreises (wie unten definiert) für die Vorabplatzierung werden die Aktionäre der Gesellschaft eingeladen, ihre Bezugsrechte zur Zeichnung von Jungen Aktien auszuüben. Aktionären, die von ihrem Bezugsrecht Gebrauch machen, wird das Recht eingeräumt, gegen Entrichtung des Angebots- und Bezugspreises in dem in der Bezugsaufforderung festgesetzten und von der Gesellschaft am oder um den 24. Jänner 2014 veröffentlichten Bezugsverhältnis Junge Aktien zu zeichnen. Unter der Annahme, dass die maximale Anzahl an hierunter angebotenen Jungen Aktien in der Vorabplatzierung platziert wird, wird das Bezugsverhältnis 1 Junge Aktie für je 2 bestehende Aktien sein.

Stimm- und Dividendenberechtigung Junger Aktien .. Jede Junge Aktie gewährt eine Stimme in der Hauptversammlung der Gesellschaft und volle Dividendenberechtigung ab und einschließlich dem Geschäftsjahr beginnend mit 1. Jänner 2013.

Verzichtete Bezugsrechte...... Die Direkte Aktionärin, durch welche die RZB sämtliche ihrer Aktien an der Gesellschaft hält, hat sich verpflichtet ihre Bezugsrechte für Junge Aktien nicht auszuüben (die „Verzichteten Bezugsrechte“). Insgesamt bis zu 76.754.612 Junge Aktien, oder 78,7% der Gesamtzahl der Jungen Aktien sind den Verzichteten Bezugsrechten zuzuordnen. Der Verzicht steht unter der Bedingung, dass die Kapitalerhöhung im Firmenbuch eingetragen wird.

Rücktrittsvorbehalt in der Vorabplatzierung.................. Während Junge Aktien, die sich auf die Verzichteten Bezugsrechte beziehen, in der Vorabplatzierung ohne Rücktrittsvorbehalt (der „Rücktrittsvorbehalt“) zugeteilt werden, werden Junge Aktien, die sich nicht auf die Verzichteten Bezugsrechte beziehen, in der Vorabplatzierung unter Rücktrittsvorbehalt zugeteilt. Sie werden gegen Zahlung des Angebots- und Bezugspreises in einer verzögerten Abwicklung geliefert, nachdem die Anzahl jener Jungen Aktien, für die keine Bezugsrechte ausgeübt wurden, ermittelt wurde (siehe *„-Abwicklung“*). Folglich werden 21,3% der jedem Investor in der Vorabplatzierung zugeteilten Jungen Aktien unter Rücktrittsvorbehalt stehen und verzögert abgewickelt.

Soweit Bezugsrechte im Bezugsangebot nicht ausgeübt werden, wird der Rücktrittsvorbehalt entsprechend dem Verhältnis der Gesamtzahl der dem Rücktrittsvorbehalt unterliegenden Jungen Aktien, für welche Bezugsrechte ausgeübt wurden, zur Gesamtzahl der dem Rücktrittsvorbehalt unterliegenden Jungen Aktien ausgeübt.

Gemeinsame Globale Koordinatoren ....

Deutsche Bank Aktiengesellschaft („Deutsche Bank"), Raiffeisen Centrobank AG („RCB") und UBS Limited.

Co-Lead Manager.................

Banca IMI, Barclays, BNP Paribas, Commerzbank und ING.

Angebots- und Bezugspreis...

Der Angebotspreis der Vorabplatzierung und der Bezugspreis des Bezugsangebots (der „Angebots- und Bezugspreis") werden identisch sein. Der Angebots- und Bezugspreis wie auch die finale Anzahl der Jungen Aktien und das Bezugsverhältnis werden am oder um den 22. Jänner 2014 basierend auf dem Ergebnis des Bookbuilding Verfahrens in der Vorabplatzierung durch die Gesellschaft in Abstimmung mit den Gemeinsamen Globalen Koordinatoren bestimmt.

Veröffentlichung des Angebots- und Bezugspreises, der Anzahl der Jungen Aktien und des Bezugsverhältnisses ....

Der Angebots- und Bezugspreis, die finale Anzahl der Jungen Aktien und das Bezugsverhältnis werden voraussichtlich am oder um den 22. Jänner 2014 bekannt gegeben und, auch durch Adhoc Mitteilung in elektronischen Medien, sowie kurzfristig im Amtsblatt der Wiener Zeitung veröffentlicht. Diese Informationen werden auch der FMA gemäß Kapitalmarktgesetz am oder um den 23. Jänner 2014 mitgeteilt.

Vorabplatzierungsfrist und Bezugsfrist............................

Die Frist für die Vorabplatzierung wird voraussichtlich vom 21. Jänner 2014 bis 22. Jänner 2014 dauern, wobei eine jederzeitige Verlängerung oder frühere Beendigung vorbehalten ist. Die Bezugsfrist, während der die Aktionäre der Gesellschaft ihre Bezugsrechte ausüben können, wird voraussichtlich am 24. Jänner 2014 beginnen und am 7. Februar 2014 enden. Die Bezugsfrist kann jederzeit verlängert oder beendet werden.

Ausübung der Bezugsrechte..

Bezugsrechte können während der Bezugsfrist zum Angebots- und Bezugspreis ausgeübt werden. Zeichnungen von Jungen Aktien werden von Raiffeisen Centrobank AG, Österreich (*Bezugsstelle*) und von allen anderen österreichischen Kreditinstituten während üblicher Geschäftszeiten entgegengenommen. Inhaber von Bezugsrechten, die ihre Bezugsrechte über eine Depotbank halten, die über ein Wertpapierkonto bei der Oesterreichische Kontrollbank Aktiengesellschaft („OeKB") verfügt, oder über ein Finanzinstitut, das Mitglied von Euroclear oder Clearstream ist, müssen zur Ausübung ihrer Bezugsrechte diese Bank oder dieses Finanzinstitut anweisen, Aktien für sie in Einklang mit den von der Gesellschaft und den Gemeinsamen Globalen Koordinatoren eingerichteten Verfahren (und allfälligen zusätzlich anwendbaren Verfahren solcher Banken oder Finanzinstitute) anweisen.

Die Ausübung von Bezugsrechten durch Aktionäre oder Inhaber von Bezugsrechten ist unwiderruflich und kann nicht aufgehoben, abgeändert, für ungültig erklärt oder widerrufen werden. Bezugsrechte, die nicht bis zum 7. Februar 2014 ordnungsgemäß ausgeübt wurden, erlöschen ohne Gegenwert.

Ein Antrag auf Zulassung der Bezugsrechte zum Handel an einer Börse wurde und wird nicht gestellt.

Ausübung der Bezugsrechte durch U.S. amerikanische Aktionäre..............................

Die Bezugsrechte und die Jungen Aktien wurden nicht und werden nicht gemäß dem U.S. Securities Act oder einem anderen U.S. amerikanischen Wertpapiergesetz registriert. Daher können Bezugsrechte ausschließlich von jenen Aktionären oder in ihrem Namen in den Vereinigten Staaten wahrgenommen werden, die qualifizierte institutionelle Investoren nach Rule 144 A des US Securities Act sind und die einen Anlagenbrief in der vorgeschriebenen Form übermitteln sowie die weiteren, von der Gesellschaft vorgegebenen Erfordernisse, erfüllen.

Inhabern von American depositary receipts („ADRs"), emittiert durch Drittverwahrer über ihren Besitz an Aktien der Gesellschaft in Zusammenhang mit bestimmten nicht unterstützten ADR Programmen, werden nicht zur Zeichnung von Jungen Aktien in Bezug auf Aktien, die durch solche ADRs verbrieft werden, zugelassen.

Beteiligung der RZB in der Vorabplatzierung..................

Die RZB, die durch den Direkten Aktionär handelt, hat zugestimmt, dass sie Kaufaufträge in einem Betrag von bis zu EUR 750 Millionen in der Vorabplatzierung tätigen wird. Die Gesellschaft und die Gemeinsamen Globalen Koordinatoren beabsichtigen den vom Direkten Aktionär erteilten Kaufauftrag in der Vorabplatzierung voll zuzuteilen. Dennoch wird der Kaufauftrag des Direkten Aktionärs nach dieser Vollzuteilung im Rahmen des Bookbuilding Verfahrens der Vorabplatzierung, wie die Aufträge anderer Investoren in der Vorabplatzierung, unter Rücktrittsvorbehalt stehen und einer verzögerten Abwicklung unterliegen.

Abwicklung..........................

Alle Jungen Aktien, die auf die Verzichteten Bezugsrechte entfallen und in der Vorabplatzierung gekauft wurden, werden voraussichtlich am oder um den 28. Jänner 2014 geliefert. Junge Aktien, die dem Rücktrittsvorbehalt unterliegen, werden am oder um den 12. Februar 2014 geliefert.

Die Jungen Aktien werden gegen Zahlung des entsprechenden Angebots- und Bezugspreises voraussichtlich durch die Verwahrstellen der OeKB, Euroclear Bank S.A./N.V. und Clearstream Banking, société anonyme auf den Depots der Investoren geliefert.

E.4	Beschreibung aller für das Angebot wesentlicher, auch kollidierender Beteiligungen	Die Manager sind im Zusammenhang mit dem Angebot mit der Gesellschaft eine vertragliche Beziehung eingegangen. Nach Abschluss des Angebots werden die Manager eine Provision erhalten. In Zusammenhang mit dem Angebot werden die Manager und ihre jeweiligen verbundenen Unternehmen in der Lage sein, Junge Aktien für eigene Rechnung zu erwerben und zu halten, für eigene Rechnung zu kaufen und zu verkaufen und können diese Aktien auch außerhalb des Angebots anbieten oder verkaufen. Die Manager beabsichtigen nicht, den Umfang solcher Investitionen oder Transaktionen bekanntzugeben, sofern nicht gesetzlich gefordert. Die Manager und/oder deren jeweilige verbundenen Unternehmen haben in der Vergangenheit, erbringen derzeit oder könnten in der Zukunft verschiedene Leistungen im Investment Banking, Commercial Banking, der Finanzberatung oder ähnlichen Bereichen erbringen, können in ihrer Position als Kreditinstitute oder Kreditgeber unter Kreditfazilitäten normale Geschäftsbeziehungen mit der Gesellschaft unterhalten, und können weiterhin übliche Spesen und Gebühren erhalten. Alle Investitions-, Beratungs- oder Finanzierungstransaktionen mit den Managern werden auf fremdüblicher Basis erbracht. Die RCB, einer der Gemeinsamen Globalen Koordinatoren, ist ein Konzernunternehmen der Gesellschaft.
E.5	Name der Person oder des Unternehmens, die/das das Wertpapier zum Verkauf anbietet	Die Jungen Aktien werden von der Gesellschaft und den Managern angeboten.
	Lock-up Vereinbarungen: die Beteiligten Parteien und die Lock-up-Frist	Der Direkte Aktionär hat sich gegenüber den Gemeinsamen Globalen Koordinatoren verpflichtet, während des Zeitraums vom Erscheinen dieses Prospekts bis zum 180. Tag nach dem Abschlusstag des Angebots, ohne eine vorherige schriftliche Einwilligung der Gemeinsamen Globalen Koordinatoren bestimmte Maßnahmen nicht zu ergreifen, die eine Auswirkung auf den Markt für die Aktien haben könnten.
E.6	Betrag und Prozentsatz des aus dem Angebot resultierenden unmittelbaren Zuwachses	Nimmt man die Emission von 97.473.914 Jungen Aktien in diesem Angebot zu einem angenommenen Angebots- und Bezugspreis von EUR 30,50 pro Junger Aktie (das ist der Schlusskurs der Bestehenden Aktien an der Wiener Börse am 20. Jänner 2014) an, würde das Vermögen der Gesellschaft zum 30. September 2013 ungefähr EUR 10.111 Millionen oder EUR 34,58 pro Aktie betragen haben, nachdem man die an die Joint Lead Manager zu zahlenden Gebühren und andere Kosten,

		die der Gesellschaft in Zusammenhang mit dem Angebot entstanden sind, abzieht. Das bedeutet einen Rückgang von ungefähr EUR 2,37 oder ungefähr 6,4% pro Aktie im Nettovermögen pro Bestehender Aktie für bestehende Aktionäre, die ihr Bezugsrecht nicht ausüben, und einen unmittelbaren Zuwachs im Nettovermögen von EUR 4,08 oder 11,8% pro Aktie für neue Investoren, die Junge Aktien im Angebot kaufen. Der Zuwachs pro Aktie an neue Investoren wird durch Abzug des Angebots- und Bezugspreis, der von neuen Investoren bezahlt wird, vom Nettovermögen pro Aktie nach dem Angebot bestimmt.
E.7	Schätzung der Kosten, die dem Anleger vom Emittenten oder dem Anbieter in Rechnung gestellt werden	Entfällt. Weder die Gesellschaft, noch die Manager werden Investoren Kosten verrechnen. Vom depotführenden Finanzinstitut des Investors könnten jedoch übliche Bankspesen verrechnet werden.

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