Prospectus dated 29 June 2017

Raiffeisen Bank International AG

(Vienna, Republic of Austria)

EUR 650,000,000 Fixed to Reset Rate Additional Tier 1 Notes of 2017 with a First Reset Date on 15 December 2022

ISIN XS1640667116, Common Code 164066711, WKN A19KU5

Issue Price: 100 per cent.

Raiffeisen Bank International AG (the "**Issuer**" or "**RBI**") will issue on 5 July 2017 (the "**Issue Date**") EUR 650,000,000 Fixed to Reset Rate Additional Tier 1 Notes of 2017 with a First Reset Date on 15 December 2022 (the "**Notes**") in the denomination of EUR 200,000 each.

The Notes will bear distributions on the Current Principal Amount (as defined below) at the rate of 6.125 per cent. *per annum* (the "**First Rate of Distributions**") from and including 5 July 2017 (the "**Distribution Commencement Date**") to but excluding 15 December 2022 (the "**First Reset Date**") and thereafter at the relevant Reset Rate of Distributions from and including each Reset Date to but excluding the next following Reset Date. "**Reset Date**" means the First Reset Date and each fifth anniversary thereof for as long as the Notes remain outstanding. The "**Reset Rate of Distributions**" for each reset period will be the sum of the Reference Rate and the Margin, such sum converted from an annual basis to a semi-annual basis in accordance with market convention (both as defined in the terms and conditions of the Notes (the "**Terms and Conditions**")). Distributions will be scheduled to be paid semi-annually in arrear on 15 December and 15 June in each year, commencing on 15 December 2017 (first short coupon).

Distribution payments are subject to cancellation, in whole or in part, and, if cancelled, are non-cumulative and distribution payments in following years will not increase to compensate for any shortfall in distribution payments in any previous year.

"**Current Principal Amount**" will mean initially EUR 200,000 (the "**Original Principal Amount**") which from time to time, on one or more occasions, may be reduced upon occurrence of a Trigger Event (as defined in the Terms and Conditions) by a write-down and, subsequent to any such reduction, may be increased by a write-up, if any (up to the Original Principal Amount) subject to limitations and conditions (as defined in the Terms and Conditions). If the relevant resolution authority exercises write down and conversion powers, either the principal amount of the Notes will be (permanently) written down or the Notes will be converted to CET 1 instruments.

The Notes are perpetual and have no scheduled maturity date. The Notes are redeemable by the Issuer at its discretion on the First Reset Date and on each Distribution Payment Date thereafter or in other limited circumstances and, in each case, subject to limitations and conditions as described in the Terms and Conditions. The "**Redemption Amount**" per Note will be the Current Principal Amount per Note.

The Notes, as to form and content, and all rights and obligations of the holders and the Issuer will be governed by the laws of the Federal Republic of Germany ("**Germany**"). The status provisions of the Notes will be governed by, and will be construed exclusively in accordance with, the laws of the Republic of Austria ("**Austria**").

The Notes will be issued in bearer form and initially be represented by a Temporary Global Note without coupons which will be exchangeable for Notes represented by a Permanent Global Note without coupons (both as defined in the Terms and Conditions).

This prospectus (the "**Prospectus**") constitutes a prospectus within the meaning of Article 5(3) of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (as amended, *inter alia*, by Directive 2010/73/EU) (the "**Prospectus Directive**"). The Issuer will prepare and make available on the website of the Luxembourg Stock Exchange (www.bourse.lu) an appropriate supplement to this Prospectus if at any time the Issuer is required to prepare a prospectus supplement pursuant to Article 13 of the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities (*Loi du 10 juillet 2005 relative aux prospectus pour valeurs mobilières*), as amended (the "**Luxembourg Prospectus Law**"). This Prospectus will be published in electronic form together with all documents incorporated by reference on the website of the Luxembourg Stock Exchange (www.bourse.lu).

This Prospectus has been approved by the *Commission de Surveillance du Secteur Financier*, Luxembourg ("**CSSF**") in its capacity as competent authority under the Luxembourg Prospectus Law. By approving this Prospectus, the CSSF gives no undertaking as to the economic and financial opportuneness of the transaction and the quality or solvency of the Issuer in line with the provisions of Article 7 (7) of the Luxembourg Prospectus Law.

The Notes are not intended to be sold and should not be sold to retail clients in the European Economic Area (the "EEA"), as defined in the rules set out in the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, as amended or replaced from time to time, other than in circumstances that do not and will not give rise to a contravention of those rules by any person. Prospective investors are referred to the section headed "*Restrictions on Marketing and Sales to Retail Investors*" on pages 4 *et seq.* of this Prospectus for further information.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and subject to certain exceptions, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons.

Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to the official list of the Luxembourg Stock Exchange (the "**Official List**") and to be admitted to trading on the Luxembourg Stock Exchange's regulated market. The regulated market of the Luxembourg Stock Exchange is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments (*Markets in Financial Instruments Directive* – "**MiFID**").

Prospective purchasers of the Notes should ensure that they understand the nature of the Notes and the extent of their exposure to risks and that they consider the suitability of the Notes as an investment in the light of their own circumstances and financial condition.

Investing in the Notes involves certain risks. Please review the section entitled "*Risk Factors*" beginning on page 17 of this Prospectus.

Joint Lead Managers

BNP PARIBAS	**BofA Merrill Lynch**	**Citigroup**
Raiffeisen Bank International AG		**UBS Investment Bank**

RESPONSIBILITY STATEMENT

The Issuer with its registered office in Vienna, Austria, accepts responsibility for the information contained in this Prospectus and hereby 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.

The Issuer further confirms that: (i) this Prospectus contains all information with respect to the Issuer and its fully consolidated subsidiaries taken as a whole (the "**RBI Group**") and to the Notes which is material in the context of the issue and offering of the Notes, including all information which, according to the particular nature of the Issuer and of the Notes is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and the RBI Group and of the rights attached to the Notes; (ii) the statements contained in this Prospectus relating to the Issuer, the RBI Group and the Notes are in every material particular true and accurate and not misleading; (iii) there are no other facts in relation to the Issuer, the RBI Group or the Notes the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Prospectus misleading in any material respect; and (iv) reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

For the avoidance of doubt, all references in this Prospectus to "RBI" and the "Issuer" respectively to "RBI Group" relating to periods prior to 18 March 2017 are references to Raiffeisen Bank International AG respectively to Raiffeisen Bank International AG and its fully consolidated subsidiaries taken as a whole prior to the merger of Raiffeisen Bank International AG with Raiffeisen Zentralbank Österreich Aktiengesellschaft in March 2017 (the "**Merger 2017**") (as described in "*General Information on the Issuer and the RBI Group*").

NOTICE

No person is authorised to give any information or to make any representation other than those contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Issuer or the Joint Lead Managers (as defined in the section "*Subscription and Sale*").

This Prospectus should be read and understood in conjunction with any supplement hereto and with any documents incorporated herein or therein by reference.

This Prospectus contains certain forward-looking statements, including statements using the words "believes", "anticipates", "intends", "expects" or other similar terms. This applies in particular to statements under the caption "*General Information on the Issuer and the RBI Group*" and statements elsewhere in this Prospectus relating to, among other things, the future financial performance, plans and expectations regarding developments in the business of the RBI Group. These forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that may cause the actual results, including the financial position and profitability of the RBI Group, to be materially different from or worse than those expressed or implied by these forward-looking statements. The Issuer does not assume any obligation to update such forward-looking statements and to adapt them to future events or developments.

Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. This Prospectus does not constitute an offer of Notes or an invitation by or on behalf of the Issuer or the Joint Lead Managers to purchase any Notes. Neither this Prospectus nor any other information supplied in connection with the Notes should be considered as a recommendation by the Issuer or the Joint Lead Managers to a recipient hereof and thereof that such recipient should purchase any Notes.

This Prospectus reflects the status as of its date. The sale and delivery of the Notes and the distribution of this Prospectus may not be taken as an implication that the information contained herein is accurate and complete subsequent to the date hereof or that there has been no adverse change in the financial condition of the Issuer since the date hereof.

To the extent permitted by the laws of any relevant jurisdiction, neither any Joint Lead Manager nor any of its respective affiliates nor any other person mentioned in this Prospectus, except for the Issuer, accepts responsibility for the accuracy and completeness of the information contained in this Prospectus or any document incorporated by reference, and accordingly, and to the extent permitted by the laws of any relevant jurisdiction, none of these persons accept any responsibility for the accuracy and completeness of the information contained in any of these documents. The Joint Lead Managers have not independently verified any such information and accept no responsibility for the accuracy thereof.

This Prospectus does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The distribution of this Prospectus and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required to inform themselves about and to observe any such restrictions. For a description of the restrictions see "*Subscription and Sale – Selling Restrictions*".

In this Prospectus, all references to "**€**", "**EUR**" or "**Euro**" are to the currency introduced at the start of the third stage of the European Economic and Monetary Union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the Euro, as amended.

IN CONNECTION WITH THE ISSUE OF THE NOTES, CITIGROUP GLOBAL MARKETS LIMITED (OR PERSONS ACTING ON ITS BEHALF) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT CITIGROUP GLOBAL MARKETS LIMITED (OR PERSONS ACTING ON ITS BEHALF) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN AT ANY TIME AFTER THE ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE DATE OF THE RECEIPT OF THE PROCEEDS OF THE ISSUE BY THE ISSUER AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. SUCH STABILISING SHALL BE IN COMPLIANCE WITH ALL LAWS, DIRECTIVES, REGULATIONS AND RULES OF ANY RELEVANT JURISDICTION.

RESTRICTIONS ON MARKETING AND SALES TO RETAIL INVESTORS

The Notes issued pursuant to this Prospectus are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Notes to retail investors.

In particular, in June 2015, the U.K. Financial Conduct Authority (the "**FCA**") published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, which took effect from 1 October 2015 (the "**PI Instrument**").

Under the rules set out in the PI Instrument (as amended or replaced from time to time, the "**PI Rules**"):

(i) certain contingent write-down or convertible securities (including any beneficial interests therein), such as the Notes, must not be sold to retail clients in the EEA; and

(ii) there must not be any communication or approval of an invitation or inducement to participate in, acquire or underwrite such securities (or the beneficial interest in such securities) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case, within the meaning of the PI Rules), other than in accordance with the limited exemptions set out in the PI Rules.

The Joint Lead Managers are required to comply with the PI Rules. By purchasing, or making or accepting an offer to purchase any Notes (or a beneficial interest in the Notes) from the Issuer and/or the Joint Lead Managers each

prospective investor represents, warrants, agrees with and undertakes to the Issuer and each of the Joint Lead Managers that:

1. it is not a retail client in the EEA (as defined in the PI Rules);

2. whether or not it is subject to the PI Rules, it will not:

   (A) sell or offer the Notes (or any beneficial interest therein) to retail clients in the EEA; or

   (B) communicate (including the distribution of the Prospectus) or approve an invitation or inducement to participate in, acquire or underwrite the Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case within the meaning of the PI Rules),

   in any such case other than: (i) in relation to any sale or offer to sell Notes (or any beneficial interests therein) to a retail client in or resident in the United Kingdom, in circumstances that do not and will not give rise to a contravention of the PI Rules by any person; and/or (ii) in relation to any sale or offer to sell Notes (or any beneficial interests therein) to a retail client in any EEA Member State other than the United Kingdom, where: (a) the prospective investor has conducted an assessment and concluded that the relevant retail client understands the risks of an investment in the Notes (or such beneficial interests therein) and is able to bear the potential losses involved in an investment in the Notes (or such beneficial interests therein); and (b) the prospective investor has at all times acted in relation to such sale or offer in compliance with MiFID to the extent it applies to it or, to the extent MiFID does not apply to it, in a manner which would be in compliance with MiFID if it were to apply to it; and

3. it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Notes (or any beneficial interests therein), including (without limitation) any such laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Notes (or any beneficial interests therein) by investors in any relevant jurisdiction.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Notes (or any beneficial interests therein) from the Issuer and/or the Joint Lead Managers the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

TABLE OF CONTENTS

OVERVIEW OF THE NOTES

The following overview contains basic information about the Notes and does not purport to be complete. It does not contain all the information that is important for making a decision to invest in the Notes. For a more complete description of the Notes, please refer to the terms and conditions of the Notes set out in section "Terms and Conditions of the Notes" of this Prospectus. For more information on the Issuer, its business and its financial condition and results of operations, please refer to the section "General Information on the Issuer and the RBI Group" of this Prospectus. Terms used in this overview and not otherwise defined have the meaning given to them in the terms and conditions of the Notes.

Issuer	Raiffeisen Bank International AG
RBI Group / RBI Regulatory Group	"**RBI Group**" means the Issuer and its fully consolidated subsidiaries taken as a whole. "**RBI Regulatory Group**" means, from time to time, any banking group: (i) to which the Issuer belongs; and (ii) to which the own funds requirements pursuant to Parts Two and Three of the CRR on a consolidated basis due to prudential consolidation in accordance with Part One, Title Two, Chapter Two of the CRR apply. For the avoidance of the doubt, the Federal IPS (as defined in subsection 3.1.4 of the section "*General Information on the Issuer and the RBI Group*") is not such a banking group. The term RBI Group therefore refers to the scope of consolidation in accordance with IFRS, while RBI Regulatory Group refers to the scope of prudential consolidation of own funds which does not include all entities included in RBI Group.
Securities offered	Additional Tier 1 Notes (the **"Notes**")
Definitions	References to capitalised terms not defined herein are to those terms as defined in the Terms and Conditions of the Notes.
Issue Date	5 July 2017
Specified Currency	EUR (the "**Specified Currency**")
Issue Size	EUR 650,000,000
Denomination	EUR 200,000 per Note (the "**Specified Denomination**" or the "**Original Principal Amount**").
Issue Price	100 per cent.
Form	Bearer notes in classical global note form
Custody	Euroclear and Clearstream Luxembourg
Current Principal Amount per Note	means initially the Original Principal Amount, which from time to time, on one or more occasions, may be reduced by a Write-Down and, subsequent to any such reduction, may be increased by a Write-Up, if any (up to the Original Principal Amount).

Status in the insolvency or liquidation of the Issuer / No Petition	The Notes constitute direct, unsecured and subordinated obligations of the Issuer and constitute AT 1 Instruments. In the insolvency or liquidation of the Issuer, the obligations of the Issuer under the Notes will rank: (a) junior to all present or future: (i) unsubordinated instruments or obligations of the Issuer; (ii)(x) any Tier 2 Instruments; and (y) all other instruments or obligations of the Issuer ranking or expressed to rank subordinated to the unsubordinated obligations of the Issuer (other than instruments or obligations ranking or expressed to rank *pari passu* with or subordinated to the Notes); (b) *pari passu*: (i) among themselves; and (ii) with all other present or future (x) AT 1 Instruments; and (y) instruments or obligations ranking or expressed to rank *pari passu* with the Notes including the Existing Hybrid Instruments (other than Existing Hybrid Instruments ranking or expressed to rank senior to the Notes); and (c) senior to all present or future: (i) ordinary shares of the Issuer and any other CET 1 Instruments; and (ii) all other subordinated instruments or obligations of the Issuer ranking or expressed to rank: (x) subordinated to the obligations of the Issuer under the Notes; or (y) *pari passu* with the ordinary shares of the Issuer and any other CET 1 Instruments. For the avoidance of doubt, Holders will neither participate in any reserves of the Issuer nor in liquidation profits (*Liquidationsgewinn* within the meaning of § 8(3)(1) of the Austrian Corporate Income Tax Act 1988 (*Körperschaftsteuergesetz 1988*)) in the event of the Issuer's liquidation. The rights of the Holders of the Notes to payment of principal on the Notes are at any time limited to a claim for the prevailing Current Principal Amount. The Holders will be entitled to payments, if any, under the Notes only once any negative equity (*negatives Eigenkapital* within the meaning of § 225(1) of the Austrian Enterprise Code (*Unternehmensgesetzbuch – UGB*)) has been removed (*beseitigt*) or if, in the event of the liquidation of the Issuer, all other creditors (other than creditors the claims of which rank or are expressed to rank *pari passu* with or junior to the Notes) of the Issuer have been satisfied first. No insolvency proceedings against the Issuer are required to be opened in relation to the obligations of the Issuer under the Notes. The Notes do not contribute to a determination that the liabilities of the Issuer exceeds its assets; therefore the obligations of the Issuer under the Notes, if any, will not contribute to the determination of over-indebtedness (*Überschuldung*) in accordance with § 67(3) of the Austrian Insolvency Code (*Insolvenzordnung – IO*).
Bail-in	If the relevant resolution authority exercises write down and conversion powers, either the principal amount of the Notes will be (permanently) written down or the Notes will be converted to CET 1 instruments. Please see the section "*Risk Factors*" for further information.
No security, no guarantee	The Notes are neither secured nor subject to a guarantee that enhances the seniority of the claims under the Notes.
No arrangement that enhances the seniority of the claim under the Note	The Notes are not subject to any arrangement, contractual or otherwise, that enhances the seniority of the claim under the Notes in insolvency or liquidation.

No set off

Claims of the Issuer are not permitted to be set-off or netted against repayment obligations of the Issuer under the Notes, and no contractual collateral may be provided by the Issuer or any third person for the liabilities constituted by the Notes.

Distributions

Each Note will bear distributions at a fixed rate of 6.125 per cent. *per annum* scheduled to be paid semi-annually in arrear on 15 December and 15 June each year (the "**Distribution Payment Dates**") from and including the Issue Date to but excluding 15 December 2022 (the "**First Reset Date**").

Thereafter, reset on each Reset Date based on the sum of the prevailing annual swap rate for swap transactions in the Specified Currency with a term of five years plus 595.4 bps, such sum converted from an annual basis to a semi-annual basis in accordance with market convention, scheduled to be paid semi-annually in arrear on each Distribution Payment Date.

"**Reset Date**" means the First Reset Date and each 5th anniversary thereof for as long as the Notes remain outstanding.

Cancellation of Distributions

The Issuer, at its full discretion, may, at all times cancel, in whole or in part, any payment of distributions on the Notes scheduled to be paid on any Distribution Payment Date for an unlimited period and on a non-cumulative basis. The Issuer may use such cancelled payments without restrictions to meet its obligations as they fall due. If the Issuer makes use of such right, it shall give notice to the Holders without undue delay and in any event no later than on the Distribution Payment Date.

Without prejudice to such full discretion of the Issuer, any payment of distributions on the Notes scheduled to be paid on any Distribution Payment Date shall be cancelled mandatorily and automatically, in whole or in part, if and to the extent:

(i) the amount of such distribution payment scheduled to be paid together with any Additional Amounts thereon and any payments of interest, dividends or distributions made or scheduled to be made by the Issuer on all other Tier 1 Instruments in the relevant financial year of the Issuer would exceed the amount of the available Distributable Items, provided that, for such purpose, the available Distributable Items shall be increased by an amount equal to what has been accounted for as expenses for payments of interest, dividends or distributions on Tier 1 Instruments (including payments of distributions together with any Additional Amounts thereon on the Notes) in the calculation of the profit (*Gewinn*) on which the available Distributable Items are based; or

(ii) the Competent Authority orders the relevant distribution payment scheduled to be paid to be cancelled in whole or in part; or

(iii) the amount of such distribution payment scheduled to be paid, together with other distributions of the kind referred to in § 24(2) BWG (implementing Article 141(2) CRD IV in Austria) in aggregate would cause the Maximum Distributable Amount (if any) then applicable to the Issuer and/or the RBI Regulatory Group to be exceeded.

If any payment of distributions on the Notes scheduled to be paid on any Distribution Payment Date is so mandatorily and automatically cancelled, the Issuer shall give notice to the Holders thereof without undue delay. Any failure to give such notice shall not affect the validity of the cancellation and shall not constitute a default for any purpose.

If a Write-Down occurs during any Distribution Period, unpaid distributions accrued on the Current Principal Amount to but excluding the Effective Date will be cancelled

mandatorily and automatically in full.

No restrictions on the Issuer following any cancellation of distributions

Any distribution payment so cancelled will be non-cumulative and will be cancelled permanently and no payments will be made nor will any Holder be entitled to receive any payment or indemnity in respect thereof. Any such cancellation of distributions will not constitute an event of default of the Issuer and will not impose any restrictions on the Issuer.

Write Down

If a Trigger Event has occurred the Issuer will:

(i) immediately inform the Competent Authority that the Trigger Event has occurred;

(ii) determine the Write-Down Amount as soon as possible, but in any case within a maximum period of one month following the determination that a Trigger Event has occurred;

(iii) without undue delay inform the Principal Paying Agent and the Holders that a Trigger Event has occurred by publishing a notice (such notice a "**Write-Down Notice**") which will specify the Write-Down Amount as well as the new/reduced Current Principal Amount of each Note and the Effective Date, provided that any failure to provide such Write-Down Notice shall not affect the effectiveness of, or otherwise invalidate any Write-Down or give Holders any rights as a result of such failure; and

(iv) (without the need for the consent of Holders) reduce the then prevailing Current Principal Amount of each Note by the relevant Write-Down Amount (such reduction being referred to as a "**Write-Down**", and "**Written Down**" shall be construed accordingly)) without undue delay, but not later than within one month, with effect as from the Effective Date.

For the avoidance of doubt, a Trigger Event may be determined at any time and may occur on more than one occasion, each Note may be subject to a Write-Down on more than one occasion and the Current Principal Amount of a Note may never be reduced to below EUR 0.01.

The aggregate reduction of the aggregate Current Principal Amount of all Notes outstanding on the Effective Date will, subject as provided below, be equal to the lower of:

(i) the amount necessary to generate sufficient Common Equity Tier 1 capital pursuant to Article 50 CRR that would restore the Group CET 1 Capital Ratio and the Issuer CET 1 Capital Ratio to the Trigger Level at the point of such reduction, after taking into account (subject as provided below) the *pro rata* write-down and/or conversion of the prevailing principal amount of all Loss Absorbing Instruments (if any) to be written down and/or converted concurrently (or substantially concurrently) with the Notes, provided that, with respect to each Loss Absorbing Instrument (if any), such *pro rata* write-down and/or conversion shall only be taken into account to the extent required to restore the Group CET 1 Capital Ratio and the Issuer CET 1 Capital Ratio contemplated above to the lower of (x) such Loss Absorbing Instrument's trigger level; and (y) the Trigger Level and, in each case, in accordance with the terms of the relevant Loss Absorbing Instruments and the Applicable Supervisory Regulations; and

(ii) the amount that would result in the Current Principal Amount of a Note being reduced to EUR 0.01.

The aggregate reduction determined in accordance with the immediately preceding paragraph shall be applied to each Note *pro rata* on the basis of its Current Principal Amount prevailing immediately prior to the Write-Down and references herein to "**Write-Down Amount**" shall mean, in respect of each Note, the amount by which the Current Principal Amount of such Note is to be Written Down accordingly.

The Issuer's determination of the relevant Write-Down Amount shall be irrevocable and binding on the Agents and the Holders.

If, in connection with the Write-Down or the calculation of the Write-Down Amount, there are outstanding any Loss Absorbing Instruments the terms of which provide that they shall be written down and/or converted in full and not in part only (the "**Full Loss Absorbing Instruments**"), then:

(i) the provision that a Write-Down of the Notes should be effected *pro rata* with the write-down and/or conversion, as the case may be, of any Loss Absorbing Instruments shall not be construed as requiring the Notes to be Written-Down in full solely by virtue of the fact that such Full Loss Absorbing Instruments may be written down and/or converted in full; and

(ii) for the purposes of calculating the Write-Down Amount, the Full Loss Absorbing Instruments will be treated (for the purposes only of determining the write-down of principal and/or conversion, as the case may be, among the Notes and any Loss Absorbing Instruments on a *pro rata* basis) as if their terms permitted partial write-down and/or conversion, such that the write-down and/or conversion of such Full Loss Absorbing Instruments shall be deemed to occur in two concurrent stages: (x) first, the principal amount of such Full Loss Absorbing Instruments shall be written down and/or converted *pro rata* (in the manner contemplated above) with the Notes and all other Loss Absorbing Instruments to the extent necessary to restore the Group CET 1 Capital Ratio and the Issuer CET 1 Capital Ratio to the Trigger Level; and (y) second, the balance (if any) of the principal amount of such Full Loss Absorbing Instruments remaining following (x) shall be written off and/or converted, as the case may be, with the effect of increasing the Group CET 1 Capital Ratio and the Issuer CET 1 Capital Ratio above the Trigger Level.

To the extent the write-down and/or conversion of any Loss Absorbing Instruments is not possible or not made for any reason, this shall not in any way prevent any Write-Down of the Notes. Instead, in such circumstances, the Notes will be Written-Down and the Write-Down Amount determined as provided above but without including for this purpose any Common Equity Tier 1 capital in respect of the write-down or conversion of such Loss Absorbing Instruments, to the extent it is not possible for them to be or they are not for any reason, written-down and/or converted.

Any reduction of the Current Principal Amount of a Note pursuant to the provisions above shall not constitute a default by the Issuer for any purpose, and the Holders shall have no right to claim for amounts Written-Down, whether in the insolvency or liquidation of the Issuer or otherwise, save to the extent (if any) such amounts are subject to a Write-Up.

The Issuer shall not give a notice of redemption after a Write-Down Notice has been given until the Write-Down has been effected in respect of the relevant Trigger Event.

In addition, if a Trigger Event occurs after a notice of redemption but before the date on which such redemption becomes effective, the notice of redemption shall automatically be deemed revoked and shall be null and void and the relevant

redemption shall not be made.

Trigger Event

A "**Trigger Event**" occurs if at any time: (i) the Group CET 1 Capital Ratio and/or (ii) the Issuer CET 1 Capital Ratio is lower than the Trigger Level. The determination as to whether a Trigger Event has occurred shall be made by the Issuer and the Competent Authority.

"**Trigger Level**" means 5.125 per cent.

Write-Up

The Issuer may, at its sole discretion, to the extent permitted in compliance with the Applicable Supervisory Regulations, reinstate any portion of the principal amount of the Notes which has been Written Down (such portion, the "**Write-Up Amount**"), subject to the below limitations.

The reinstatement of the Current Principal Amount (such reinstatement being referred to herein as a "**Write-Up**", and "**Written Up**" shall be construed accordingly) may occur on more than one occasion (and each Note may be Written Up on more than one occasion), provided that the principal amount of each Note shall never be Written Up to an amount greater than its Original Principal Amount.

Write-Ups do not have priority over dividend payments and other distributions on shares and other CET 1 Instruments of the Issuer, *i.e.* such payments and distributions are permitted even if no full Write-Up of the Notes has been effected.

There will be no obligation for the Issuer to operate or accelerate a Write-Up under any circumstances.

If the Issuer so decides in its sole discretion, the Write-Up will occur with effect as from the Write-Up Date.

At its discretion (without being obliged to) the Issuer may effect such Write-Up, provided that:

(a) at the time of the Write-Up, there must not exist any Trigger Event that is continuing; any Write-Up is also excluded if such Write-Up would give rise to the occurrence of a Trigger Event;

(b) such Write-Up is applied on a *pro rata* basis to all Notes and on a *pro rata* basis with the write-up of all Loss Absorbing Written-Down Instruments (if any); and

(c) the sum of: (x) the aggregate amount attributed to the relevant Write-Up of the Notes on the Write-Up Date and the aggregate amount of any previous Write-Up of the Notes since the end of the then previous financial year and prior to the Write-Up Date; (y) the aggregate amount of the increase in principal amount of each Loss Absorbing Written-Down Instrument at the time of the relevant Write-Up and the aggregate amount of the increase in principal amount of each Loss Absorbing Written-Down Instrument resulting from any previous write-up since the end of the then previous financial year and prior to the time of the relevant Write-Up; and (z) the aggregate amount of any distribution and any Additional Amounts thereon paid on the aggregate Current Principal Amount of the Notes and the aggregate amount of any distribution and any additional amounts thereon paid on Loss Absorbing Written-Down Instruments as calculated at the moment the Write-Up is operated will not exceed the Maximum Write-Up Amount at any time after the end of the then previous financial year.

The amount of any Write-Up and payments of distributions on the reduced Current Principal Amount shall be treated as payment resulting in a reduction of Common Equity Tier 1 capital and shall be subject, together with other distributions on CET 1 Instruments, to any applicable restrictions relating to the Maximum Distributable Amount, including those referred to in § 24(2) BWG (implementing Article 141(2) CRD IV in Austria).

"**Maximum Write-up Amount**" means the lower of:

(i) the consolidated Profit multiplied by the sum of the aggregate Original Principal Amount of the Notes and the aggregate initial principal amount of all Loss Absorbing Written-Down Instruments of the RBI Regulatory Group (for the avoidance of doubt, before any write-down), and divided by the total Tier 1 capital pursuant to Article 25 CRR of the RBI Regulatory Group as at the date the relevant Write-Up is operated; and

(ii) the Profit on an unconsolidated basis multiplied by the sum of the aggregate Original Principal Amount of the Notes and the aggregate initial principal amount of all Loss Absorbing Written-Down Instruments of the Issuer (for the avoidance of doubt, before any write-down), and divided by the total Tier 1 capital pursuant to Article 25 CRR of the Issuer as at the date the relevant Write-Up is operated;

or any higher or lower amount permitted to be used under the Applicable Supervisory Regulations in effect on the date of the relevant Write-Up.

No Fixed Maturity

The Notes will be perpetual and undated obligations of the Issuer.

They represent perpetual own funds instruments and have no final maturity date.

No incentive to redeem

The Terms and Conditions of the Notes will not contain any step up or any other incentive to redeem the Notes.

No redemption at the option of the Holders

The Notes are not redeemable at the option of the Holders, and they will not otherwise be redeemed except at the option of the Issuer and subject to the *Conditions to Redemption and Repurchase* being met (see "*Redemption at the Option of the Issuer*" and "*Special Event Redemption*" below and "*Status in the insolvency and liquidation of the Issuer / No Petition*" above).

Redemption at the Option of the Issuer

Subject to the *Conditions to Redemption and Repurchase* being met, the Issuer may call and redeem the Notes in whole, but not in part, at their Current Principal Amount on any Call Redemption Date. "**Call Redemption Date**" means the First Reset Date and each Distribution Payment Date thereafter.

The Issuer may exercise its redemption right only if the Current Principal Amount of each Note is equal to its Original Principal Amount.

Special Event Redemption

Subject to the *Conditions to Redemption and Repurchase* being met, the Issuer may, upon giving notice, redeem the Notes in whole, but not in part, at their Current Principal Amount at any time on the date of redemption specified in the notice, if either a Tax Event or a Regulatory Event occurs.

Conditions to Redemption and Repurchase

Any redemption and any repurchase is subject to:

(a) the Issuer having obtained the prior permission of the Competent Authority for the redemption or any repurchase in accordance with Article 78 CRR, if applicable to the Issuer at that point in time, whereas such permission may, *inter alia*, require that:

(i) either the Issuer replaces the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or

(ii) the Issuer has demonstrated to the satisfaction of the Competent Authority that the own funds of the Issuer would, following such redemption or repurchase, exceed the minimum capital requirements (including any capital buffer requirements) by a margin that the Competent Authority considers necessary at such time; and

(b) in the case of any redemption prior to the fifth anniversary of the date of issuance of the Notes:

(i) due to a Tax Event, the Issuer has demonstrated to the satisfaction of the Competent Authority that the applicable change in tax treatment is material and was not reasonably foreseeable as at the date of issuance of the Notes; or

(ii) due to a Regulatory Event, the Competent Authority considers such change to be sufficiently certain and the Issuer has demonstrated to the satisfaction of the Competent Authority that the relevant change in the regulatory classification of the Notes was not reasonably foreseeable as at the date of issuance of the Notes.

Notwithstanding the above conditions, if, at the time of any redemption or purchase, the prevailing Applicable Supervisory Regulations permit the redemption or purchase only after compliance with one or more alternative or additional pre-conditions to those set out above, the Issuer shall comply with such other and/or, as appropriate, additional pre-conditions, if any.

For the avoidance of doubt, any refusal of the Competent Authority to grant permission in accordance with Article 78 CRR shall not constitute a default for any purpose.

Repurchases general

Provided that all applicable regulatory and other statutory restrictions are observed, and provided further that the *Conditions to Redemption and Repurchase* are met, the Issuer and/or any of its subsidiaries may repurchase Notes in the open market or otherwise at any price. Notes repurchased by the Issuer or the subsidiary may, at the option of the Issuer or such subsidiary, be held, resold or surrendered to the Principal Paying Agent for cancellation.

Gross-up/Taxation

All payments of distributions in respect of the Notes will be made by the Issuer free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by the Republic of Austria or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. If such withholding or deduction is required by law, the Issuer will pay such additional amounts in relation to distributions (but not principal) as will be necessary in order that the net amounts received by the Holders after such withholding or deduction will equal the respective amounts which would otherwise have been receivable in respect of the Notes in the absence of such withholding or deduction (the "**Additional Amounts**"). However, no such Additional Amounts will be payable on account of any Taxes which:

(a) are payable by any person (including the Issuer) acting as custodian bank or collecting agent on behalf of a Holder, or by the Issuer if no custodian bank or collecting agent is appointed or otherwise in any manner which does not

constitute a withholding or deduction by the Issuer from payments of principal or distributions made by it; or

(b) are payable by reason of the Holder having, or having had, some personal or business connection with the Republic of Austria; or

(c) are withheld or deducted pursuant to: (i) any European Union directive concerning the taxation of distributions income or (ii) any international treaty or understanding relating to such taxation and to which the Republic of Austria or the European Union is a party, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such directive, treaty or understanding; or

(d) are withheld or deducted by a Paying Agent from a payment if the payment could have been made by another Paying Agent without such withholding or deduction; or

(e) are payable by reason of a change in law that becomes effective more than 30 days after the relevant distribution becomes due; or

(f) would not be payable if the Holder can avoid such a withholding or deduction providing a certificate of residence, certificate of exemption or any other similar documents required according to the respective applicable regulations.

The restrictions on the payment of distributions shall apply to any Additional Amounts *mutatis mutandis*.

The Issuer is authorised to withhold or deduct from amounts payable under the Notes to a Holder or beneficial owner of Notes sufficient funds for the payment of any tax that it is required by law to withhold or deduct pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

Agents

Principal Paying Agent:

CITIBANK N.A.
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Calculation Agent:

CITIBANK N.A.
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Notices	Clearing System, Stock Exchange Notice, Website of the Issuer
Amendment of the Conditions, Holder's Representative	Standard provisions subject to German law
Governing Law	The Notes will be governed by German law, except for the status provisions which will be governed by, and will be construed exclusively in accordance with, Austrian law.
Listing and admission to trading	Luxembourg Stock Exchange, Regulated Market
Rating	The Notes are expected to be rated BB by Standard & Poor's Credit Market Services Europe Limited. A rating is not a recommendation to buy, sell or hold the Notes and it may be revised or withdrawn by the rating agency at any time.
ISIN, Common Code	ISIN XS1640667116, Common Code 164066711
Joint Lead Managers	BNP Paribas, Merrill Lynch International, Citigroup, Raiffeisen Bank International AG, UBS Investment Bank
Selling Restrictions	There are restrictions on the transfer of the Notes prior to the expiration of the distribution compliance period. For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of offering material in certain jurisdictions including but not limited to the United States of America, the European Economic Area, the United Kingdom, Hong Kong, Singapore. In addition, there are further restrictions on marketing and sales of the Notes to retail investors in some jurisdictions. Please see "*Subscription and Sale*" below.

RISK FACTORS

Before deciding to purchase the Notes, investors should carefully review and consider the following risk factors and the other information contained in this Prospectus. Should one or more of the risks described below materialise, this may have a material adverse effect on the business, prospects, shareholders' equity, assets, financial position and results of operations (Vermögens-, Finanz- und Ertragslage) or general affairs of the Issuer or the RBI Group. Moreover, if any of these risks occur, the market value of the Notes and the likelihood that the Issuer will be in a position to fulfil its payment obligations under the Notes may decrease, in which case the Noteholders could lose all or part of their investments. Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Notes are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the Issuer may be unable to pay distributions, principal or other amounts on or in connection with the Notes for other reasons than those described below. Additional risks of which RBI is not presently aware could also affect the business operations of RBI Group and have a material adverse effect on RBI Group's business activities and financial condition and results of operations. Prospective investors should read the detailed information set out elsewhere in this Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.

Words and expressions defined in the section "Terms and Conditions of the Notes" below shall have the same meanings in this section.

Potential investors should, among other things, consider the following:

Risks relating to the Issuer and RBI Group

The following is a description of the risk factors, which may affect the ability of the Issuer to fulfil its obligations under the Notes. Potential investors should carefully read and consider these risk factors before deciding upon the purchase of the Notes.

Potential investors should consider these risk factors and all other information provided in this Prospectus and consult their own experts. In addition, the investors should bear in mind that several of the mentioned risks may occur simultaneously and that their implication can, possibly together with other circumstances, thus be intensified. The order in which the risks are described does neither represent a conclusion about their probability of occurrence nor the gravity or significance of the individual risks. The following information is not exhaustive. Indeed, further risks which have not been visible yet may also affect the business activities of the RBI Group and the ability of the Issuer to fulfil its obligations arising from the Notes. Due to the occurrence of each individual risk described in the following, investors could lose their invested capital in whole or in part.

An investment in the Notes comes along with accepting risks of the underlying operational business of the Issuer. As an internationally operating company the risk situation of the Issuer comprises various aspects. The overall risk situation and any of the following single risks may influence the future income, asset and liquidity situation of the Issuer negatively:

RBI as member of RBI Group

The business activities of RBI are pursued to a significant extent via its subsidiaries. Each of these subsidiaries can influence RBI especially via the valuation of the subsidiary and via the costs of refinancing the participation versus its dividend payments. Additionally, regulatory burdens can appear at the consolidated group level forcing RBI as the group parent institution to take actions to remedy such burdens.

All of these transmission mechanisms can influence the ability of RBI to fulfil its obligations.

RBI Group has been and may continue to be adversely affected by the global financial and economic crisis including the Eurozone (sovereign) debt crisis, the risk of one or more countries leaving the European Union or the Eurozone and the difficult macroeconomic and market environment and may further be required to make impairments on its exposures.

RBI's ability to fulfil its obligations under the Notes may be affected by changing conditions in the global financial markets, economic conditions generally and perceptions of those conditions and future economic prospects. The outlook for the global economy over the near to medium term remains challenging and many forecasts predict only stagnant or modest levels of gross domestic product ("**GDP**") growth across many of the focus areas in which the Issuer and RBI Group operates. Many European and other countries continue to struggle under large budget deficits, heightening a concern of the market that many European and other countries may now or in the future be unable to repay outstanding debt or obtain financing on the financial markets. Economic conditions have remained below long-term trends, a development which is amplified by high and in part still rising unemployment rates and markets continue to be volatile and potentially subject to intermittent and prolonged disruptions.

Furthermore, the current low interest rate environment in many countries creates further pressure on the financial sector leading to a decrease in net interest income followed by increased pressure on the cost structure.

In recent years, in Europe, the financial and economic conditions of certain countries have been particularly negatively affected. Refinancing costs for some of these countries are still elevated in comparison to countries like Germany. The perceived risk of default on the sovereign debt of those countries had raised concerns about the contagion effect such a default would have on other European Union economies. Credit rating agencies downgraded the credit ratings of many of these countries, but have also stripped the AAA rating from certain core European countries. Sovereigns, financial institutions and other corporates may become unable to obtain refinancing or new funding and may default on their existing debt. The outcome of debt restructuring negotiations may result in RBI Group suffering additional impairments. Austerity measures to reduce debt levels and fiscal deficits may well result in a further slowdown of or negative economic development. One or more Eurozone countries could come under increasing pressure to leave the European Monetary Union, or the euro as the single currency of the Eurozone could cease to exist. The magnitude of such events is not quantifiable however it cannot be ruled out that significant systemic implications occur which could have an adverse impact on RBI's capital situation and ability to repay its obligations.

The political, financial, economic and legal impact of the departure of one or more countries from the Eurozone and/or the European Union is difficult to predict. However it can be observed using the example of the withdrawal of the United Kingdom from the European Union (so-called "Brexit") that unclear legal formalities and pending legal and economic frameworks lead to increased political and economic uncertainty which can entail various adverse cumulative impacts on the respective economies (*e.g.* investments, GDP, exchange rates, etc.).

Possible consequences of such a departure for an exiting country in a stress case include the loss of liquidity supply by the European Central Bank ("**ECB**"), the need to introduce capital controls and, subsequently, certificates of indebtedness or a new national currency, a possibility of a surge in inflation and, generally, a breakdown of its economy. Businesses and other debtors whose main sources of income are converted to a non-euro currency could be unable to repay their euro-denominated debts. Thus, foreign lenders and business partners including members of RBI Group would have to face significant losses. Disputes are likely to arise over whether contracts would have to be converted into a new currency or remain in euros. In the wider Eurozone, concerns over the euro's future might cause businesses to cut investment and people to cut back their spending, thus pushing the Eurozone into recession. Nervous depositors in other struggling Eurozone countries could start withdrawing their deposits or moving them to other countries, thus provoking a banking crisis in southern Europe. The euro could lose but also increase in value in case that exiting countries are coming from the economically weaker periphery. Depending on the exact mutual development of the FX-rates embedded in the global exchange-rate regime this might impact RBI Group's ability to repay its obligations. In addition to the risk of market contagion, there is also the potential of political repercussions such as a boost to anti-euro and anti-European political forces in other countries. Owing to the high level of interconnection in the financial markets in the Eurozone, the departure from the European Monetary Union by one or more Eurozone countries and/or the abandonment of the euro as a currency could have material adverse effects on

the existing contractual relations and the fulfilment of obligations by RBI Group and/or RBI Group's customers and, thus, have an adverse impact on RBI's ability to duly meet its obligations under the Notes.

Outside the European Union, the political and economic turmoil in Ukraine, the ongoing armed conflict in eastern Ukraine as well as the economic developments in Russia caused by the drop in oil prices and Western economic sanctions had and might continue to have a negative impact on macroeconomic conditions and the financial position, results of operations and the prospects of RBI's subsidiaries in Russia, the Ukraine and any related economies. Further instability and whatsoever aggravation of the conflict might lead to adverse impacts on RBI Group (*e.g.* increase of defaults, legal implications, etc.).

These developments or the perception that any of these developments will occur or exacerbate, have and could continue to significantly affect the economic development of affected countries, lead to widespread declines in GDP growth, and jeopardize the stability of the global financial markets. If the scope and severity of the adverse economic conditions currently experienced by certain European Union member states and in the focus areas of RBI Group worsen, the risks RBI Group faces may be exacerbated. The challenging economic conditions may adversely affect the Issuer's ability to meet its obligations under the Notes.

RBI Group operates in several markets which are partially characterised by an increased risk of unpredictable political, economic, legal and social changes and related risks, such as exchange rate volatility, exchange controls/restrictions, regulatory changes, inflation, economic recession, local market disruptions, labour market tensions, ethnic conflicts and economic disparity.

RBI Group's business is materially dependent on political and social stability, the performance of the economies and a sustainable development of the banking sector in the countries in which it operates. It is evident that due to the nature of some main markets RBI Group is exposed to a significant extent to those risks. Some of these markets are characterised by an increased risk of unpredictable political, economic, legal and social changes and related risks, such as exchange rate volatility, exchange controls/restrictions, regulatory changes, inflation, economic recession, local market disruptions, labour market tensions, ethnic conflicts and economic disparity. The level of risk differs significantly from country to country, and generally depends on the economic and political development stage of each country. The degree of political and economic stability varies throughout the region. Future political, economic and social changes in the economies in which RBI Group operates could adversely impact RBI's ability to meet its obligations under the Notes.

Any further appreciation of the value of any currency in which foreign-currency loans are denominated against CEE currencies or even a continuing high value of such a currency would deteriorate the quality of foreign currency loans which RBI Group has granted to customers in CEE and also raises the risk of new legislation as well as regulatory and/or tax measures detrimental to RBI Group.

In several Central and Eastern Europe including Southeastern Europe ("**CEE**") countries, RBI Group has granted loans to households and companies denominated in a foreign currency (*e.g.* Swiss francs, US Dollar and Euro). An appreciation of such a currency makes the debt more burdensome for local borrowers in CEE without income streams in the relevant currency, which not only deteriorates loan quality but also raises the risk of new legislation as well as regulatory (*e.g.* higher risk weights and minimum capital requirements for loans denominated in foreign currencies) and/or tax measures detrimental to the banking sector. RBI Group has experienced such or similar development already in Hungary, Croatia and Romania. Similar developments cannot be ruled out for other markets RBI Group is operating in.

In Poland, potential measures in favor of borrowers who have taken out foreign currency-mortgage loans (the majority of which are denominated in Swiss francs), are currently being discussed. In the beginning of August 2016, the Polish President's Administration Office announced the enactment of new foreign currency ("**FX**") rules. The draft regulation provides for the reimbursement of exchange rate differences arising from the credit institutions applying exchange rates which differ by more than 0.5 per cent. from the relevant central bank bid/offer exchange rates plus interest according to statutory interest rate. The rules are intended to apply to all FX denominated and FX indexed mortgage loans up to the equivalent of PLN 350,000 per borrower (private individual or micro companies under the condition that they did not amortize or counted costs for the company financials) whether outstanding or already repaid, and shall become effective for loans entered into between 01 July 2000 until 26 August 2011. The

estimated costs for the banking sector are about 10 billion PLN based on Central Bank and Regulator estimations. Moreover, additional laws and a set of regulatory actions (*e.g.* higher minimum capital requirement for loans denominated in foreign currencies) could be introduced which could finally force banks to convert FX mortgage loans into PLN. Any of these measures, if decided and implemented, could have a material negative impact on Raiffeisen Bank Polska S.A. and, thus, on the Issuer.

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

The legal systems of many countries in which RBI Group operates, in particular in the emerging economies, have undergone dramatic changes over the past two decades. In many cases, the interpretation and procedural safeguards of the new legal and regulatory systems of these countries are continuing to be developed, which may result in existing laws and regulations being applied inconsistently or arbitrary and onerous new laws being introduced.

Additionally, it may not be possible to obtain legal remedies in a reasonably timely manner, which could in particular have a material adverse effect on the legal enforcement of loan collateral which in many cases is mandatory. The members of RBI Group are subject to a large number of tax regulations that in some cases have only been in effect for a short period of time, are frequently amended and enforced by various political subdivisions. Thus, there are hardly any precedents for such enforcement, and administrative practices may be unpredictable. Taxpayers often have to take recourse to the courts to defend their position against the fiscal authorities.

Furthermore, the lack of collectability in some CEE countries may result in new taxes being continuously introduced in an attempt to increase tax revenues. Therefore, there is a risk that members of RBI Group may be subject to arbitrary and onerous taxation. In some CEE countries, tax returns and taxation matters are not subject to the statute of limitations and thus might be addressed by the authorities for years afterwards. Therefore, the tax risk in some CEE countries is significantly higher than in other countries whose tax systems are based on a longer historical development.

Moreover, in a number of cases the introduction of legal or tax measures is allegedly based on political or protectionist reasons and directed primarily against foreign investors, in particular credit institutions. The risks related to the development and application of the legal and tax systems in some of the countries in which RBI Group operates may have a material adverse effect on RBI's financial position and results of operations, and may affect its ability to meet its obligations under the Notes.

In certain of its markets, RBI Group is exposed to a heightened risk of government intervention.

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

- require that loans denominated in foreign currencies like EUR, USD or CHF are converted into local currencies (even in retrospect) at unfavourable rates for lenders in order to assist local consumers and/or businesses;
- require loans to be assumed by government entities, potentially involving haircuts;
- set out regulations limiting, even in retrospect, interest rates or fees that can be charged on loans;
- require loans to be closed out at unfavourable conditions (*e.g.* in terms of breakage costs, mortgage/collateral evaluation);
- impose a waiver of the repayment of loans resulting in higher levels of provisions of risks;
- impose limitations on foreclosures and debt collections;
- set limitations on the repatriation of profits (either through restriction of dividend payments to parent companies or otherwise);

- require the parent company or a group member to provide funding or guarantees to support a local group member in distress;
- nationalise local members of RBI Group at less than the fair market value or without compensation;
- fix the exchange rate of the local currency against freely convertible currencies or lift any such exchange rate fixing; and
- prohibit or limit money transfers abroad or the export of, or convertibility into, foreign currency.

RBI Group has been adversely affected and has incurred losses through certain of these measures and was forced to increase loan loss provisions in the recent past.

The occurrence of any of these events may adversely affect RBI Group's ability to conduct business in the affected part of these economies. The occurrence of one or more of these events may also affect the ability of RBI Group's clients or counterparties located in the affected country or region to obtain foreign exchange or credit and, therefore, to satisfy their obligations to RBI Group. If any of these events occurs, it could adversely impact RBI's ability to meet its obligations under the Notes.

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

Liquidity risk is the risk of an entity to be unable to meet its current and future financial obligations in full or in time. This arises, *e.g.* if refinancing can only be obtained at unfavourable terms or is entirely impossible. Liquidity risk can take various forms. For example, one or more members of RBI Group may be unable to meet their respective payment obligations on a particular day and may have to obtain liquidity from the market at short notice and on unfavourable terms, or even fail to obtain liquidity from the market and, at the same time, be unable to generate sufficient alternative liquidity through the disposing of assets. Loss of customer confidence in RBI Group's business or performance could result in unexpectedly high levels of customer withdrawals; deposits could be withdrawn at a faster rate than the rate at which any of RBI Group's borrowers repay their loans; lending commitments could be terminated; or further collateral in connection with collateral agreements for derivative transactions could be required. RBI Group's liquidity buffers may not be sufficient in every market environment or specific situation. All of this could negatively affect RBI's ability to fulfil its obligations under the Notes (see also the risk factor: "*RBI's ability to fulfil its obligations under the Notes depends in particular on its financial strength which in turn is influenced by its profitability. The following describes factors which may adversely affect RBI's profitability*.").

Any deterioration, suspension or withdrawal of one or more of the credit ratings of RBI or of a member of the RBI Group could result in increased funding costs, may damage customer perception and may have other material adverse effects on RBI Group.

Credit ratings represent the opinion of a rating agency on the credit standing of an entity and take into account the likelihood of delay of and default on payments. They are material to RBI Group since they affect both, the willingness of customers to do business with RBI Group at all and the terms on which creditors are willing to transact with RBI Group.

Credit ratings may be suspended, downgraded or withdrawn which may occur as a result of adverse macroeconomic developments or regulatory activities in the countries and regions in which rated entities operate, company-specific developments or the rating agencies' assessment of government support. Rating agencies also change or adjust their ratings methodologies from time to time. Any such changes to rating criteria or methodologies can result in rating changes including downgrades.

Furthermore, a credit rating may also be suspended or withdrawn if RBI were to terminate the agreement with a rating agency or if it were to determine that it would not be in its interest to continue to supply financial data to a rating agency.

Rating downgrades may have a negative impact on the market price of outstanding RBI Notes as well as future funding rates. Since RBI is also dependent on the interbank and wholesale markets as a refinancing source, any funding rate increase caused by a downgrade, suspension or withdrawal of a credit rating by a rating agency may restrict its access to refinancing opportunities and have a significant effect on RBI's earnings. In particular a rating downgrade to below investment grade might restrict investors to invest in notes issued by RBI or corporate customers to place deposits with RBI, leading to a reduced funding volume.

Furthermore, a downgrade among others, has a material effect on RBI's business activity, *e.g.* reduce wholesale deposits, derivative business, fee business (*e.g.* custody and guarantee business), as well as might cause a severe disruption of its client base.

RBI Group's business, capital position and results of operations have been, and may continue to be, significantly adversely affected by market risks.

Market risk refers to the specific and general risk position assumed by RBI Group on the asset or liability side with respect to positions in any debt instruments, equity instruments, equity-index forwards and futures, investment fund units, options, foreign currencies and commodities (*e.g.* gold).

Market risk is the risk that market prices of assets and liabilities or revenues will be adversely affected by changes in market conditions and includes, but is not limited to changes of interest rates, foreign exchange rates, equity and debt price risks or market volatility. Changes in interest rate levels, yield curves, rates and spreads may affect RBI Group's net interest margin. Changes in foreign exchange rates affect the market price of assets and liabilities denominated in foreign currencies as well as the capital position and the profit and loss values as measured in euro, or the respective local currency of the network banks (in CEE, RBI operates through a network of majority-owned subsidiary credit institutions whose capital is denominated in the local currency (the "**Network Banks**")), as the case may be, and may affect income from foreign exchange dealing.

The performance of financial markets or financial conditions generally may cause changes in the market price of RBI Group's investment and trading portfolios. RBI Group's risk management systems for the market risks to which its portfolios are exposed contain measurement systems which may prove inadequate as it is difficult to predict changes in economic or market conditions with accuracy and to anticipate the effects that such changes could have on RBI Group's financial performance and business operations, in particular in cases of extreme and unforeseeable events. In times of market stress or other unforeseen circumstances, such as the difficult market conditions experienced in 2008 and 2009, previously uncorrelated indicators may become correlated, or previously correlated indicators may move in different directions. These changes in correlation can be exacerbated where other market participants are using risk or trading models with assumptions or algorithms that are similar to RBI Group's. In these and other cases, it may be difficult to reduce RBI Group's risk positions due to the activity of other market participants or widespread market dislocations, including circumstances where asset values are significantly declining or no market exists for certain assets.

To the extent that RBI Group makes investments directly in assets that do not have an established liquid trading market or are otherwise subject to restrictions on sale or hedging, RBI Group may not be able to reduce its positions and therefore reduce its risk associated with such positions. These types of market movements have at times limited the effectiveness of RBI Group's hedging strategies and have caused RBI Group to incur significant losses, which may also happen in the future.

The realisation of any market risk could have a material adverse effect on RBI's financial position and results of operations and could adversely affect RBI's ability to meet its obligations under the Notes.

Hedging measures might prove to be ineffective. When entering into unhedged positions, RBI Group is directly exposed to the risk of changes in interest rates, foreign exchange rates or prices of financial instruments.

RBI Group utilises a range of instruments and strategies to hedge risks. Unforeseen market developments may have a significant impact on the effectiveness of hedging measures. Instruments used to hedge interest and currency risks can result in losses if the underlying financial instruments are sold or if valuation adjustments must be undertaken. Hedging instruments, in particular credit default swaps, could prove ineffective if restructurings of outstanding debt, including sovereign debt, avoid credit events that would trigger payment under such hedging instruments. Generally,

gains and losses from ineffective risk-hedging measures can increase the volatility of the results generated by RBI Group.

In addition, RBI Group assumes open, *i.e.* unhedged, positions with respect to interest rates, foreign exchange and financial instruments either in the expectation that favourable market movements may result in profits or it considers certain positions cannot be hedged effectively or at all. These open positions are subject to the risk that changes in interest rates, foreign exchange rates or the prices of financial instruments may result in significant losses. This aspect also includes the hedging of capital positions which are not denominated in Euro (*e.g.* capital of subsidiaries).

Actual capital hedging takes place in head office. Trading and market positioning takes place on a local level at RBI's subsidiaries and in Head Office, based on market risk limits approved and monitored centrally by RBI.

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

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

The majority of RBI Group's operating income is derived from net interest income. In 2016, EUR 2,935 million or 63 per cent. of RBI Group's operating income was derived from net interest income (*Source*: RBI's audited consolidated annual financial statements as per 31 December 2016). The members of RBI Group 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 RBI Group's control, including inflation, monetary policies and domestic and international economic and political conditions. Decreasing interest rates result in decreasing margins and consequently in decreasing net interest income unless compensated by an increase in customer loan volumes. The effects of changes in interest rates on RBI Group's net interest income depend on the relative amounts of assets and liabilities that are affected by the change in interest rates. Reductions in interest rates and margins may not affect RBI Group's refinancing costs to the same extent as they affect interest rates and margins on loans granted by RBI Group, because a credit institution's ability to make a corresponding reduction in the interest rate and margin it pays to its lenders is limited, in particular when interest rates on deposits are already very low. Additionally, legal provisions may lead to restrictions on charging negative interest rates on deposit accounts and credit customers may be motivated due to low or negative interest rates to do a full repayment of their debts (*e.g.* loans with fixed interest rates) without any cost chargings.

Furthermore, a low or negative interest rate environment results in increased costs of maintaining the regulatory and prudential liquidity buffers held in cash and low yield liquid assets.

As a result of the above, interest rate fluctuations and, in particular, decreasing interest rate margins could negatively affect RBI Group's net interest income and have a material adverse effect on RBI's ability to fulfil its obligations under the Notes.

RBI Group has suffered and could continue to suffer losses as a result of the actions of or deterioration in the commercial soundness of its borrowers, counterparties and other financial services institutions (credit risk / counterparty risk).

Credit risk refers to the commercial soundness of a counterparty (*e.g.* borrower or another market participant contracting with a member of RBI Group) and the potential financial loss that such market participant may cause to RBI Group if it could not meet its contractual obligations vis-à-vis RBI Group. In addition, RBI Group's credit risk is impacted by the value of collateral provided and RBI Group's ability to enforce its security interests.

RBI Group is exposed to counterparty risk in particular with respect to its lending activities with retail and corporate customers, credit institutions, local regional governments, municipalities and sovereigns, as well as other activities such as its trading and settlement activities, the risk that third parties who owe money, securities or other assets to RBI Group will not perform their obligations. This exposes RBI Group to the risk of counterparty defaults, which have historically been higher during periods of economic downturn. In the ordinary course of its business, RBI Group is exposed to a risk of non-performance by counterparties in the financial services industry. This exposure

can arise through trading, lending, deposit-taking, derivative business, repurchase and securities lending transactions, clearance and settlement and many other activities and relationships. These counterparties include brokers and dealers, custodians, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. Many of these relationships expose RBI Group to counterparty risk.

Credit risk arising from financial institutions may increase in the future, in particular if the challenging economic and/or political environment continues. Defaults by, or even rumours or concerns about potential defaults or a perceived lack of creditworthiness of, one or more financial institutions, or the financial industry generally, have led and could lead to significant market-wide liquidity problems, losses or defaults by other financial institutions as many financial institutions are inter-related due to trading, funding, clearing or other relationships. This risk is often referred to as "systemic risk" and it affects credit institutions and all different types of intermediaries in the financial services industry. In addition to its other adverse effects, the realisation of systemic risk could lead to an imminent need for RBI Group members and other credit institutions in the markets in which RBI Group 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 Group's business, financial condition, results of operations, liquidity and prospects.

The volatile economic conditions have substantially raised the risk of defaults in the customer business, and the amount of non-performing loans for both retail and corporate customers. The rate of non-performing loans may increase, the provisioning of which would diminish RBI's Groups profits and could negatively affect the equity of RBI's Group entities denominated in local currency and the goodwill of local group companies. Furthermore, RBI Group's loan portfolio and other financial assets might be impaired which might result in a withdrawal of deposits and decreased demand for RBI Group's products.

RBI Group is also exposed to counterparty risk in relation to its financial institution and sovereign portfolios which include exposures to the financial institutions, local regional governments and sovereigns of countries that recently have experienced deteriorating fiscal conditions and are considered to have an elevated risk of default.

Downgrades in sovereign credit ratings could increase the credit risk of financial institutions based in these countries. Financial institutions are likely to be affected most by a potential decline because they are affected by larger defaults or revaluations of securities, for example, or by heavy withdrawals of customer deposits in the event of a significant deterioration of economic conditions. Such adverse credit migration could result in increased losses and impairments with respect to RBI Group's exposures in these portfolios.

RBI Group provides for potential losses arising from counterparty default or credit risk by net allocations to provisioning for impairment losses, the amount of which depends on applicable accounting principles, risk control mechanisms and RBI Group's estimates.

Should actual credit risk exceed current estimates on which RBI Group's management has based net allocations to provisioning, RBI Group's loan loss provisions could be insufficient to cover losses. This would have a material adverse impact on RBI Group's financial position and results of operations and could affect RBI's ability to meet its obligations under the Notes.

RBI Group is subject to concentration risk with respect to geographic regions and client sectors.

Due to accounts receivable from borrowers in certain countries and/or certain industry sectors, as the case may be, RBI Group is, to varying degrees, subject to a concentration of regional as well as sectorial counterparty risks. The concentration risk is mainly given in Russia, Poland and in Austria due to RBI's exposure to the Raiffeisen Bankengruppe Österreich (see also the risk factors "*Risk of disadvantages for RBI due to its membership in Raiffeisen Customer Guarantee Scheme Austria*"and "*RBI is exposed to risks due to its interconnectedness concerning the Institutional Protection Scheme*"). The concentration risk on an RBI Group level could increase due to insufficient diversification. Furthermore, at RBI level, the reallocation of intra-group funding to support particular members of RBI Group, and the resulting increase in exposure to such group members and the countries in which they are located, also constitutes a concentration risk, which may be severe in the event of a default by one or several of these subsidiaries. The realisation of any concentration risk may adversely affect RBI's ability to meet its obligations under the Notes.

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

A large part of RBI Group's operations, assets and customers are located outside the Eurozone and RBI Group conducts its operations in many currencies other than the euro, all of which for purposes of inclusion in RBI Group's consolidated financial statements must be translated into euros at the applicable exchange rates. RBI Group also has liabilities in currencies other than the euro and trades currencies on behalf of its customers and for its own account, thus maintaining open currency positions.

Adverse movements in foreign exchange rates may affect RBI Group's cash flows as measured in euro, as well as the cash flows of RBI Group's customers, particularly if such fluctuations are unanticipated or sudden. Some of the currencies in which RBI Group operates have been highly volatile in the past.

A renewed global financial crisis might cause a substantial depreciation of certain CEE currencies, such as the Russian rouble, the Belarus rouble, the Ukrainian hryvnia, the Hungarian forint and other currencies, against the euro, which might reduce the equity of RBI Group companies denominated in local currency as measured in EUR 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 or the political and economic crisis in the Ukraine, and in particular a sovereign default, could cause the currencies in countries in which RBI Group operates to depreciate further. A devaluation of local currencies could have an adverse effect on RBI Group's revenues and profits. Exchange rate fluctuations may affect the regulatory capital ratios as much as the base currency mix of risk weighted assets differs from the mix of consolidated capital for RBI and RBI Group.

As such, fluctuations in foreign currency exchange rates may have a material adverse effect on RBI Group's business, financial position and results of operations and, in particular, may result in fluctuations in RBI Group's consolidated capital as well as its credit risk related capital adequacy requirements.

Risk of disadvantages for RBI due to its membership in Raiffeisen Customer Guarantee Scheme Austria.

RBI is a member of the nationwide voluntary Raiffeisen Customer Guarantee Scheme Austria (*Raiffeisen-Kundengarantiegemeinschaft Österreich* - "**RKÖ**"). Approximately 83 per cent. of the Raiffeisen Banks are (directly or indirectly) members of the RKÖ.

In case of an insolvency of an RKÖ member, under certain circumstances, the other RKÖ members are contractually liable to pay extraordinary membership contributions limited by their economic reserves, in order to ensure timely payment of such claims. Customers of the insolvent RKÖ member are offered equivalent claims against other RKÖ members instead of insolvency claims. In addition, regular membership contributions to cover on-going administrative expenses may become due.

Any insolvency of a RKÖ member may result in RBI's obligation to settle guaranteed customer claims against such insolvent member, which would likely have a negative influence upon the business, asset, financial and earnings situation of RBI and its ability to meet its obligations under the Notes.

The Issuer is obliged to contribute amounts to the Single Resolution Fund and to ex ante financed funds of the deposit guarantee schemes; this results in additional financial burdens for the Issuer and thus, adversely affects the financial position of the Issuer and the results of its business, financial condition and results of operations.

The Single Resolution Mechanism ("**SRM**") includes a Single Resolution Fund ("**SRF**") to which credit institutions and certain investment firms in the participating Member States have to contribute.

Furthermore, the "Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes" (*Directive on Deposit Guarantee Schemes* – "**DGSD**") stipulates financing requirements for the Deposit Guarantee Schemes ("**DGS**"). In principle, the target level of *ex ante* financed funds for DGS is 0.8 per cent. of covered deposits to be collected from credit institutions until 3 July 2024. According to the Austrian Deposit Guarantee and Investor Protection Act (*Einlagensicherungs- und Anlegerentschädigungsgesetz* – "**ESAEG**"), which implements the DGSD in Austria, the deposit guarantee fund must therefore be established until 3 July 2024.

In the past, the Austrian mandatory DGS did not require *ex ante* funding, but merely has obliged the respective DGS-members (*ex post*) to contribute after deposits of any member have become unavailable (protection event). Therefore, the implementation of the DGSD into Austrian law which stipulates *ex ante* contributions triggers an additional financial burden for the Issuer.

In addition to *ex ante* contributions, if necessary, credit institutions have to pay certain additional (*ex post*) contributions.

The obligation to contribute amounts for the establishment of the SRF and the *ex ante* funds to the DGS results in additional financial burdens for the Issuer and thus, adversely affects the financial position of the Issuer and the results of its business, financial condition and results of operations.

RBI is exposed to risks due to its interconnectedness concerning the Institutional Protection Scheme.

After the Merger 2017 RBI has entered into agreements for the establishment of an institutional protection scheme (IPS) within the meaning of Article 113 (7) of the "Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012" (*Capital Requirements Regulation* - "**CRR**") (the "**Federal IPS**"). The Federal IPS must comply with the requirements of the CRR, particularly safeguard the existence and the liquidity and solvency of its members to prevent insolvency. Beside RBI, the Federal IPS currently consists of the following institutions:

- 8 Raiffeisen Regional Banks;
- Raiffeisen-Holding Niederösterreich Wien;
- Posojilnica Bank eGen;
- Raiffeisen Wohnbaubank Aktiengesellschaft (a subsidiary of RBI); and
- Raiffeisen Bausparkasse Gesellschaft m.b.H. (a subsidiary of RBI).

The Federal IPS is subject to consolidated (or extended aggregated) minimum own funds requirements.

Due to the membership of RBI in the Federal IPS, RBI can be affected in case of material economic problems within the Federal IPS. In case of liquidity and/or capital needs of one or several Federal IPS members, RBI is obliged, among other Federal IPS members, to ensure compliance with regulatory requirements of Federal IPS and its members. In the case of six Raiffeisen Regional Banks which are members of the so-called "**Regional IPSs**" (Burgenland, Lower Austria, Styria, Tyrol, Upper Austria and Vorarlberg), the Federal IPS is only obliged to ensure regulatory requirement if a Regional IPS is not able for giving support. The six Regional IPSs consist of the relevant Raiffeisen Regional Bank and the cooperative, regional Raiffeisen Banks. The only RBI subsidiaries which are members of Federal IPS are Raiffeisen Bausparkassse Gesellschaft m.b.H. and Raiffeisen Wohnbaubank Aktiengesellschaft. No other RBI subsidiary is part of this institutional protection scheme. However, the potential support of RBI for other members of the Federal IPS could affect RBI Group as a whole in terms of regulatory parameters.

Certain of the direct or indirect shareholders of RBI are commercial banks and their managers serve – among others – on RBI's Supervisory Board. Such activities in the same or similar areas may trigger differences of opinion between RBI and such shareholders, who effectively control RBI's annual general meeting, and consequently, may either delay or prevent necessary business decisions or result in additional own or external funds being withheld by shareholders. Such development could have a material negative impact on RBI's business, financial position and results of operations so that it may not or only to a limited extent be able to meet its obligations under the Notes.

RBI Group may be required to participate in or finance governmental support programs for credit institutions or finance governmental budget consolidation programmes, including through the introduction of banking taxes and other levies.

If an important credit institution or financial institution in Austria or the CEE markets where RBI Group has significant operations were to suffer significant liquidity problems, risk defaulting on its obligations or otherwise potentially risk declaring bankruptcy, the local government might require one or more members of RBI Group to

provide funding or other guarantees to ensure the continued existence of such institution. This might require RBI or one of its affiliates to allocate resources to such assistance rather than using such resources to promote other business activities that may be financially more productive, which could have – rather in a situation of similar events in multiple jurisdictions – an adverse effect on RBI´s and RBI Group's business, financial condition or results of operations.

New governmental or regulatory requirements and changes in perceived levels of adequate capitalisation and leverage could lead to increased capital requirements and reduced profitability for RBI Group.

In response to the global financial crisis and the European sovereign debt crisis, a number of initiatives relating to the regulatory requirements applicable to European credit institutions, including RBI Group, have been (and are currently being) implemented, adopted, or developed. These include the following:

- **Pillar 2 Requirements**. RBI Group is subject to the Pillar 2 requirements stipulated in § 70 (4a) and (4b) in connection with § 77c and § 77d of the Austrian Banking Act (*Bankwesengesetz* – "**BWG**") which implements the "Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms" (*Capital Requirements Directive IV* – "**CRD IV**") and determined in the yearly Supervisory Review and Evaluation Process ("**SREP**") ruling issued by the ECB. Depending on the business model, governance and risk management, capital adequacy and the liquidity situation of the credit institution, each year the ECB sets individual own funds (especially CET 1) add-on requirements for each credit institution. These add-ons also take into account results from the latest stress tests. Depending on the financial situation of the credit institution group, SREP requirements may vary annually. According to the SREP methodology communicated by the ECB in July 2016, the Pillar 2 requirement will be split into a hard Pillar 2 requirement located above the 4.5 per cent. CET 1 Pillar 1 requirement, but below the combined buffer requirement (capital conservation buffer plus countercyclical buffer plus systemic/G-SIB buffer, see below), thus having an impact on the Maximum Distributable Amount calculation, and a soft Pillar 2 guidance located above the combined buffer requirement. A breach of the Pillar 2 guidance will not have a negative impact on the Maximum Distributable Amount, but will result in non-public supervisory action to improve capitalization of the relevant credit institution. A continuing inability to comply with the Pillar 2 guidance may result in shifting requirement arising from the Pillar 2 guidance into the Pillar 2 requirement in the next SREP ruling. Increasing Pillar 2 requirements for RBI Group or its individual members could trigger additional pressure on the capitalization of RBI Group and/or its individual entities requiring unplanned adaptions.

- **Combined buffer requirement**. §§ 23 to 23d BWG which implement Articles 128 to 140 CRD IV into national law in Austria require institutions to maintain in addition to the CET 1 capital maintained to meet the own funds requirements imposed by the CRR and potentially any Pillar 2 additional own funds requirements specific capital buffers of CET 1 capital. The Austrian Capital Buffers Regulation (*Kapitalpuffer-Verordnung* – "**KP-V**") of the FMA further stipulates the calculation, determination and recognition of the countercyclical buffer rate pursuant to § 23a(3) BWG, the determination of the capital buffer rate for systemic vulnerability and for systemic concentration risk (= systemic risk buffer) pursuant to § 23d(3) BWG and of the capital buffer for other systemically important institutions ("**O-SIIs**") pursuant to § 23c(5) BWG (both to be determined on a consolidated level), and the more precise elaboration of the calculation basis pursuant to § 24(2) BWG concerning the calculation of the Maximum Distributable Amount. These buffer requirements are gradually being phased in from 1 January 2016 until 1 January 2019.

  (i) § 23(1) BWG requires credit institutions to maintain a capital conservation buffer equal to 2.5 per cent. of their total risk exposure amount calculated in accordance with Article 92(3) CRR and the respective phasing-in rules.

  (ii) § 23a (1) BWG requires credit institutions to also maintain a countercyclical capital buffer. Pursuant to the KP-V, the countercyclical buffer rate is currently set at 0.00 per cent. for significant credit exposures located in Austria. In addition, national countercyclical buffers determined by the

designated authorities of other Member States and third countries for significant credit exposures located in their respective territories apply. However, where a designated authority of another Member State or a third country has determined a (national) countercyclical buffer rate in excess of 2.5 per cent., a rate of 2.5 per cent. shall be applied for relevant credit exposures in such Member State or third country unless the FMA has recognised a buffer exceeding 2.5 per cent. The KP-V specifies that the institution specific countercyclical capital buffer rate is a weighted average of all applicable national countercyclical capital buffers based on the respective total risk exposure. In this regard, the following countercyclical capital buffers above 0.00 per cent. apply to RBI Regulatory Group on the total risk exposure in the respective jurisdictions for the cut-off date 31 March 2017: a 0.50 per cent. countercyclical capital buffer in the Czech Republic, a 1.25 per cent. countercyclical capital buffer in Hong Kong SAR, a 2.00 per cent. countercyclical capital buffer in Sweden, a 1.50 per cent. countercyclical capital buffer in Norway and a 1.00 per cent. countercyclical capital buffer in Iceland.

As of 1 August 2017, a countercyclical capital buffer of 0.50 per cent. will apply in the Slovak Republic. As of 1 November 2017, a countercyclical capital buffer of 1.25 per cent. will apply in Iceland. As of 31 December 2017, a countercyclical capital buffer of 2 per cent. will apply in Norway. As of 1 January 2018, a countercyclical capital buffer of 1.875 per cent. will apply in Hong Kong SAR. As of 1 July 2018, a countercyclical capital buffer of 1 per cent. will apply in the Czech Republic.

(iii) For RBI (which qualifies as an O-SII), the KP-V stipulates a systemic risk buffer as well as an O-SII buffer, both, to be calculated on the basis of its consolidated situation each totaling 0.50 per cent. (as of 1 January 2017), 1.00 per cent. (as of 1 January 2018) and 2.00 per cent. (as of 1 January 2019). According to the BWG (and therefore in the case of RBI), in general, the higher of such capital buffer rates at any given time applies.

As a result, the combined buffer requirement for RBI is the total CET 1 capital required to meet the capital conservation buffer (individual and consolidated basis) extended by an institution-specific countercyclical buffer (individual and consolidated basis), an O-SII buffer (consolidated basis) and a systemic buffer (consolidated basis).

Compliance with existing or increasing capital buffer requirements for RBI, RBI Regulatory Group and/or individual subsidiaries could trigger additional pressure on their capitalization requiring unplanned actions.

- **BCBS' Reviews of Banking Regulatory Framework**. As part of its continuous effort to enhance the banking regulatory framework, the Basel Committee of Banking Supervision ("**BCBS**") is reviewing the standardised approaches of the capital requirement frameworks for credit and operational risk, *inter alia*, in a view to reduce mechanistic reliance on external ratings. In addition, the role of internal models is under review in the aim to reduce the complexity of the regulatory framework, improve comparability and address excessive variability in the capital requirements for credit risk. The BCBS is also working on the design of a capital floor framework based on the revised standardised approaches for all risk types. This framework will replace the current capital floor for credit institutions using internal models, which is based on the Basel I standard. The BCBS will consider the calibration of the floor alongside its other work on revising the risk-based capital framework. Moreover, the BCBS has conducted a review of trading book capital standards, resulting in new minimum capital requirements for market risk. The BCBS had intended to finalise all revisions to the Basel III framework at or around the end of 2016. However, on 3 January 2017, the Basel Committee announced that it had postponed finalisation until "the near future". Whereas the BCBS' final calibration of the proposed new frameworks and subsequently, how and when these will be implemented in the European Union are still uncertain, the European Commission published a proposal on certain aspects of on-going reform such as the revised market risk framework as part of its draft banking reform package of 23 November 2016. On this basis, currently no firm conclusions regarding the impact on the potential future capital requirements, and consequently how this will affect the capital requirements for RBI Regulatory Group, can be made.

- **Bank Recovery and Resolution Legislation**. The "Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms" (*Bank Recovery and Resolution Directive* - "**BRRD**") has been implemented in Austria into national law by the Austrian Recovery and Resolution Act (*Sanierungs- und Abwicklungsgesetz* – "**BaSAG**"). Amongst other requirements institutions have to meet, at all times, minimum requirement for own funds and eligible liabilities ("**MREL**") set by the resolution authority on a case-by-case basis. Measures undertaken under the BRRD/BaSAG may also have a negative impact on debt instruments (in particular subordinated notes, but under certain circumstances also senior notes) by allowing resolution authorities to order the write-down of such instruments or convert them into Common Equity Tier 1 ("**CET 1**") instruments. Where no such resolution tools and powers as set out above are applied, RBI may be subject to national insolvency proceedings.

- **Single Resolution Mechanism for European Banks.** The SRM which started operationally in January 2016 is one of the components of the Banking Union, alongside the Single Supervisory Mechanism ("**SSM**") and a common deposit guarantee scheme. It is set to centralise key competences and resources for managing the failure of a credit institution in the participating Member States of the Banking Union. Under the SRM, the Single Resolution Board ("**SRB**") is, in particular, responsible for adopting resolution decisions in close cooperation with the ECB, the European Commission and the national resolution authorities in case of a failing (or likely failing) of a significant entity subject to direct supervision of the ECB, such as the Issuer (see also the risk factor "*The Notes may be subject to write-down or conversion powers exercised by a resolution authority resulting in: (i) the amount outstanding to be reduced, including to zero; (ii) a conversion into ordinary shares or other instruments of ownership; or (iii) the terms of the Notes being varied (statutory loss absorption)*."). The SRM complements the SSM and aims to ensure that if a credit institution subject to the SSM faces serious difficulties, its resolution can be managed efficiently with minimal costs to taxpayers and the real economy.

  The SRM is governed by: (i) the "Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010" (*Single Resolution Mechanism Regulation* – "**SRM Regulation**") covering the main aspects of the mechanism and broadly replicating the BRRD rules on the recovery and resolution of credit institutions; and (ii) an intergovernmental agreement related to some specific aspects of the SRF.

  The SRF shall be composed of contributions from credit institutions and certain investment firms in the participating Member States. The SRF shall be gradually built up during the first eight years (2016 - 2023) and shall reach the target level of at least 1 per cent. of the amount of covered deposits of all credit institutions within the Banking Union by 31 December 2023.

- **EU Banking Reform Package of the European Commission.** On 23 November 2016, the European Commission published consultation drafts for the revision of the CRD IV and the CRR as well as of the BRRD and the SRM Regulation. The proposal builds on existing EU banking rules and aims to complete the post-crisis regulatory agenda of the European Commission. The consultation drafts, which have been submitted to the European Parliament and to the Council for their consideration and adoption, include the following key elements: (i) more risk-sensitive capital requirements, in particular in the area of market risk, counterparty credit risk, and for exposures to central counterparties; (ii) a binding leverage ratio to prevent institutions from excessive leverage; (iii) a binding net stable funding ratio to address the excessive reliance on short-term wholesale funding and to reduce long-term funding risk; and (iv) the total loss absorbing capacity" ("**TLAC**") requirement for G-SIIs which will be integrated into the MREL logic applicable to all credit institutions. It also proposes a harmonised national insolvency ranking of unsecured debt instruments to facilitate credit institutions' issuance of such loss absorbing debt instruments.

Currently, no firm conclusions regarding the impact on the potential future capital requirements and consequently how this will affect the capital requirements for RBI Group can be made.

- **MREL**. The SRB together with each resolution authority is required to make a separate determination of the appropriate MREL requirement for each group or institution within its jurisdiction, depending on the resolvability, risk profile, systemic importance and other characteristics of each institution as well as the resolution strategy of the group. Items eligible for inclusion in MREL will include an institution's own funds (within the meaning of CRR), along with certain so-called "eligible liabilities"[1]. Subordination - as required by the Basel TLAC standards - is only required for MREL of Globally systemically important institutions ("**G-SIIs**") by law. However, subordination may be required by the relevant resolution authority on a case by case basis and it can thus not be excluded that eligible liabilities issued by RBI (or the respective resolution entities of RBI Group) in the future may have to be (partially) subordinated. Depending on the amount of MREL and the final specifics of relevant criteria for liabilities to be included thereto, RBI and/or entities of the RBI Group may have to increase relevant liabilities or decrease assets with potential negative effects on the profits and financial standing of RBI. There is a risk that RBI may not be able to meet these minimum requirements for own funds and eligible liabilities which could materially adversely affect RBI Group's business, financial condition or results of operations and thus, RBI's ability to fulfil its obligations under the Notes.

- **MiFID II / MiFIR**. The current regulatory framework for investment services and regulated markets set by the Directive 2004/39/EC will be updated by the "Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU" (*Markets in Financial Instruments Directive II* - "**MiFID II**") and the "Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012" (*Markets in Financial Instruments Regulation* - "**MiFIR**"). Due to a postponement, the (new) date of the application will be 3 January 2018 and the transposition of MiFID II into national laws will be required by 3 July 2017. As MiFID II and MiFIR will effect regulatory changes affecting derivatives, other financial instruments and related procedures, there will be increased costs and/or increased regulatory requirements. On 7 June 2017, the respective government bill (*Regierungsvorlage*) for the Austrian Securities Supervision Act 2018 (*Wertpapieraufsichtsgesetz 2018 – WAG 2018*) for the implementation of MiFID II in Austria was published. As such changes are still in the process of being implemented, the full impact of MiFID II and MiFIR remains to be clarified.

- **Stricter and Changing Accounting Standards.** Due to new and/or amended accounting standards and rules, RBI and/or RBI Group may have to revise the accounting and regulatory treatment of certain positions or transactions. Any such changes will cause implementation costs, can negatively impact estimates in financial plans for the future, may require restating previously published financial statements and/or can significantly influence the way how business and financial results are recorded. This could also impact RBI Group's capital needs. RBI Group expects that prospective changes in accounting standards due to International Financial Reporting Standards 9 ("**IFRS 9**") may have an impact on balance sheet items and measurement methods for financial instruments. On the one hand, in the area of classification and measurement, RBI Group identified a risk of increased volatility in the income statement for financial assets which have to be re-measured at fair value through profit or loss, due to the contractual cash flow characteristics which do not fulfil the criteria of mere payments of principal and interest. Furthermore, impacts will occur with regard to the measurement of financial liabilities. It is expected that overall, IFRS 9 will increase the level of risk provision. Complex accounting standards can increase the risk of errors, as can the use of inconsistent valuation standards, particularly in relation to RBI Group's principal financial instruments. A difficult business environment can also increase the risk of significant financial reporting errors. For the purpose of preparing the

[1] In this regard, eligible liabilities mean liabilities which do not qualify as own funds and are not excluded from bail-in and which may comprise instruments which, *inter alia*, are issued and fully paid up, have a maturity of at least one year (or do not give the investor a right to repayment within one year) and do not arise from derivatives.

consolidated financial statements, estimates have to be made for asset and liability items for which no market value can be reliably determined. This is particularly relevant for credit business, social capital and the intrinsic value of securities, participations, trademark rights and goodwill.

Stricter and/or new regulatory requirements may be adopted in the future, and the existing regulatory environment in many markets in which RBI Group operates continues to develop, implement and change. The substance and scope of any new or amended laws and regulations as well as the manner in which they will be adopted, enforced or interpreted may increase RBI Group's financing costs and could have an adverse effect on RBI Group's business, financial condition, results of operations and prospects. In addition to complying with capital requirements on a consolidated basis, RBI itself is also subject to capital requirements on an unconsolidated basis. Furthermore, entities of RBI (Regulatory) Group which are subject to local supervision in their country of incorporation may be, on an individual and/or on a (sub-)consolidated basis, also required to comply with applicable local regulatory capital requirements. It is therefore possible that individual entities within RBI Group or sub-groups require additional capital, even though the capital of RBI (Regulatory) Group is sufficient. Legislative and/or regulatory changes in the current definitions of what is deemed to qualify as own funds could reduce RBI (Regulatory) Group's eligible capital and/or require reducing the risk-weighted assets ("**RWA**") of RBI and/or RBI (Regulatory) Group. There can be no assurance that, in the event of any further changes of the applicable rules, adequate grandfathering or transitional provisions will be implemented to allow RBI (Regulatory) Group to repay or replace such derecognised capital instruments in a timely fashion or on favourable terms. RBI (Regulatory) Group may therefore need to obtain additional capital in the future which may not be available on attractive terms or at all.

Further, any such regulatory development may expose RBI Group to additional costs and liabilities which may require RBI Group to change its business strategy or otherwise have a negative impact on its business, the offered products and services as well as the value of its assets. There can be no assurance that RBI Group would be able to increase its eligible capital (respectively its capital ratios) sufficiently or on time. If RBI Group is unable to increase its capital ratios sufficiently, its credit ratings may drop and its cost of funding may increase, the occurrence of which could have a material adverse effect on its business, financial condition and results of operations and could limit its ability to fulfil its obligations under the Notes.

Adjustments to the business profile of RBI or RBI Group may lead to changes in its profitability.

Adjustments of the business profile to meet increasing capital requirements may include the attempt to sell assets including existing subsidiaries. No assurance can be given that suitable opportunities for disposals will be identified in the future, or that RBI Group will be able to complete such disposals on favourable terms or at all. Such disposals may prove difficult in the market environment as many of RBI Group's competitors may also seek to dispose of assets. It may also be difficult for RBI Group to adapt its cost structure to the smaller size of certain of its businesses or to otherwise increase the potential to retain earnings in order to build up capital internally. This may have a material adverse effect on RBI's ability to meet its obligations under the Notes.

Furthermore, strategic initiatives and efficiency programmes (including the Rightsizing Programme as defined in section "*2.2 Strategy*" in the section "*General Information on the Issuer and the RBI Group*" and any restructuring activities and cost savings plans) might influence the legal form of business being pursued. In case business currently performed in a separate legal entity is merged into RBI, this could increase the economic risk of RBI versus the current structure. Moreover, RBI Group is exposed to the risk that the benefits from such initiatives and programmes, in particular any expected synergy effects and cost savings, cannot be fully achieved.

In relation to the intended initial public offering of Raiffeisen Bank Polska S.A. (as further set out in section "*2.2 Strategy*" in "*General Information on the Issuer and the RBI Group*"), RBI is exposed to the risk that the sale of shares in the initial public offering may result in a loss due to unfavourable pricing or demand.

The review of the exchange ratio relating to the merger of Raiffeisen Zentralbank Österreich Aktiengesellschaft into RBI may have a material adverse effect on the Issuer.

RBI was notified by the Commercial Court of Vienna (*Handelsgericht Wien*) that a review of the exchange ratio relating to the merger of Raiffeisen Zentralbank Österreich Aktiengesellschaft into RBI in March 2017 had been applied for. Examination of the applications as to fulfillment of procedural and content requirements is pending, and the court has not taken further steps to open the proceedings yet.

Should the Commercial Court of Vienna continue further steps towards initiating review proceedings as described above, then on the basis of findings from comparable review proceedings relating to other issuers, RBI would expect to be involved in a relatively long process involving – amongst others – additional expert opinions by appraisers. As a result, notwithstanding due care and diligence carried out by RBI in the course of the merger process, it cannot be ruled out that conclusions of the review proceedings may differ from the merger exchange ratio set by RBI's management in the course of the merger; as a result, RBI shareholders may ultimately be awarded the right to compensation in shares or cash payments with the effect of reduction of RBI's reserves (which in the case of an issuance of shares would be allocated to equity). Such rights would be – exclusively - to the benefit of all shareholders invested in RBI as at the time the merger was entered in the commercial register. The realization of such risk could have a material adverse effect on RBI's financial and capital position as well as on RBI's ability to make any distribution payments and to meet its obligations under the Notes.

Compliance with applicable rules and regulations, in particular on anti-money laundering and anti-terrorism financing, anti-corruption and fraud prevention, sanctions, tax as well as capital markets (securities and stock exchange related), involve significant costs and efforts and non-compliance may have severe legal and reputational consequences for RBI.

RBI Group members are subject to rules and regulations, in particular on anti-money laundering and anti-terrorism financing, anti-corruption and fraud prevention, economic sanctions and tax as well as capital markets (securities and stock exchange related). These rules and regulations, which have been tightened in recent years, in particular by implementing the "Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC" (so-called "**4th AML-Directive**") and will be further tightened and more strictly enforced in the future, are imposed by, among others, the EU and local regulatory or government authorities, as well as the United States Office of Foreign Asset Control. Economic sanctions, such as embargos, may impose restrictions on the operations of RBI Group in certain countries or with certain customers, may require RBI or any member of RBI Group to terminate business relationships or to block assets such as bank accounts.

Monitoring compliance with these rules and regulations constitutes a significant financial burden on and places technical demands on RBI Group. RBI Group cannot guarantee that it is in compliance with all applicable rules and regulations at all times or that its group standards are being consistently applied by its employees in all circumstances, despite its strict management approach. Any violation of such rules and regulations, or even alleged violations, may have severe legal, monetary and reputational consequences and could have a material adverse effect on RBI Group's business, financial condition and results of operations.

This also applies to the more stringent due diligence and disclosure obligations of the foreign account tax compliance provisions of the U.S., commonly known as FATCA (Foreign Account Tax Compliance Act, "**FATCA**"), which was put in force within the "Hiring Incentives to Restore Employment Act" of March 2010 in order to prevent tax evasion by U.S. account holders (U.S. citizens and U.S. residents for tax purposes).

The U.S. Treasury Department and the U.S. IRS have issued Temporary and Final Treasury Regulations implementing updated provisions of FATCA. In 2014 the United States entered into an intergovernmental agreement (an "**IGA Model 2**") with Austria in order to facilitate the implementation of FATCA for Austrian financial institutions, which modified due diligence provisions and also determined a list of entities and products specifically exempt from FATCA reporting in Austria. The U.S.-Austrian IGA Model 2 was implemented into Austrian law by the implementation act of 02 February 2015, Federal Law Gazette (*Bundesgesetzblatt – BGBl*) No 16/2015.

The Treasury Department and the U.S. IRS may issue additional guidance and regulations that may alter the application of FATCA to RBI Group and the Notes in the future.

Finally, all FATCA reporting relevant RBI Group units (FFIs) are also registered with the U.S. IRS as FATCA compliant members of RBI Expanded Affiliated Group (EAG). As an Austrian Financial Institution with the

FATCA Status Reporting Model 2 FFI, RBI complies with all FATCA requirements, to the best of RBI's knowledge.

Economic sanctions:

Increasingly stricter EU sanctions as well as U.S. sanctions against certain states, 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, restrict or prevent RBI as well as RBI Group companies not only from entering into new transactions with affected entities but also affect the settlement of existing transactions, in particular the enforcement of existing claims against customers, which could result in risks relating to law suits due to non-payment in connection with guarantees issued by RBI or members of RBI Group or letters of credit as well as significant losses.

Any breach of such regulations and even the mere suspicion of any breach may have legal consequences or have an adverse impact on the reputation of RBI Group and thus significantly affect its business, for example by the freezing of accounts with US correspondent credit institutions, its financial position and results of operations and may have an adverse effect on RBI's ability to meet its obligations under the Notes.

RBI's ability to fulfil its obligations under the Notes depends in particular on its financial strength which in turn is influenced by its profitability. The following describes factors which may adversely affect RBI's profitability.

- **Consumer Protection**. Changes in consumer protection laws and their application and interpretation 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 RBI Group's loans and other products and services and may allow consumers to reclaim fees, interest and principal payments previously paid.

- **Project Risk**. RBI carries out complex projects, *inter alia*, in the context of regulatory/legal requirements and business development bearing the risk of not fully achieving the projected targets in terms of effectiveness and efficiency but also with regards to strategic and business ambition. This might potentially increase costs of implementation and operations on one hand and missed profitability targets on the other hand. Regulatory or legal non-compliance due to materialized project risk might additionally result in severe penalties.

- **Group Cross Default Clauses**. A failure of one or more members of RBI Group to service their respective payment obligations under certain financing agreements could trigger group cross default clauses and thus, unforeseen short-term liquidity needs for RBI.

- **RBI's Capital Market Dependence**. RBI itself is not a retail bank and does not have a broad and diversified base of customer deposits. Accordingly, RBI's funding is dependent on the conditions of the international capital markets. Reduced access to capital market funding and increased capital market funding rates may have a stronger effect on RBI's profitability and liquidity position compared to other Austrian credit institutions with a more diversified deposit base.

- **RBI Group's Customer Deposits Dependence**. On RBI Group level, one of the principal sources of funding for RBI Group are customer deposits, with the remaining funding provided through debt issuances and interbank loans. The ongoing availability of deposits to fund RBI Group's loan portfolio is subject to potential changes in factors outside RBI Group's control, such as, *inter alia*, increased competition from other credit institutions for deposits, depositors' concerns regarding either the economy in general, the financial services industry or RBI Group, rating downgrades and the availability and extent of deposit guarantees.

- **Collateral Eligibility Criteria**. More restrictive collateral eligibility criteria for tender operations with the ECB, the Austrian National Bank (*Oesterreichische Nationalbank - OeNB*) and/or local central banks could increase RBI Group's funding costs and impair its liquidity situation.

- **Deteriorating Asset Valuations and Impairments of Collateral**. RBI Group is exposed to the risk of deteriorating asset valuations resulting from poor market conditions and impairments of collateral securing business and real estate loans.

- **Competition**. Rising levels of competition in the countries in which RBI Group operates may result in narrowing net interest margins and lower profitability. The consolidation of the worldwide financial services sector creates competitors with extensive product and service portfolios, which may have better access to liquidity or the ability to provide services at lower prices than RBI Group. Large competitors may expand or further expand their presence 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 customer groups, *e.g.* multinational clients, than RBI Group.

- **Operational Risk**. Although RBI Group is analysing operational risks on a frequent basis, it may suffer significant losses as a result of operational risk, *i.e.* the risk of loss due to inadequate or failed internal processes or due to external events. Inadequate or failed internal processes include without limitation unauthorised actions, theft or fraud by employees, clerical and record keeping errors, business interruption and information systems malfunctions or manipulations or model risks (*e.g.* valuation of asstes/liabilities, in terms of liquidity or market risks). External events include without limitation earthquakes, riots or terrorist attacks, bank robberies, fraud by outsiders and equipment failures, whether deliberate, accidental or natural occurrences.

- **M&A Risks**. In connection with mergers, acquisitions and investments, RBI is exposed to previously unidentified risks and to the risk that expenses may arise (*e.g.* unexpectedly high or unforeseen costs of integration measures).

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

- **Risk Management**. RBI Group's risk management strategies and its implementation may not be effective in identifying and assessing all risks and reducing the potential for significant losses in each market environment.

- **IT-Systems**. RBI Group is dependent on complex information technology systems and RBI relies heavily on such systems to conduct its business. Risks include, *inter alia*, the proper functioning and proper setup of the systems as well as correct data entries and result interpretation.

- **Conflicts of Interest**. RBI is exposed to risks in connection with potential conflicts of interest due to various business relationships.

- **Participation Risk**. RBI has equity participations in legal entities that are held for operations or out of a strategic long-term nature. It is exposed to the risk that the value of those equity participations decreases.

- **Capital Risk**: Capital must be held for internal and regulatory capital adequacy purposes. As more advanced risk quantification models are used for quantifying the minimum required amount of risk capital, capital requirements typically also become more volatile. Furthermore, the composition of capital incorporates certain risks, reflecting eligibility rules. In particular, some types of capital might become ineligible or could not be eligible due to applicable regulatory rules. Therefore, capital risk can influence RBI Group's ability to achieve its business targets. If no additional own funds could be raised when needed, a reduction of the overall risk position would be a main option in case of a capital shortage. This can limit the growth of RBI Group, and reduce earnings of RBI Group in the future.

Risks relating to the Notes

An investment in the Notes involves certain risks associated with the characteristics of the Notes. Such risks could result in principal or distributions not being paid on time or at all by the Issuer and/or a material impairment of the market price of the Notes. The following is a description of risk factors in relation to the Notes.

The Notes may not be a suitable investment for investors if they do not have sufficient knowledge and/or experience in the financial markets and/or access to information and/or financial resources and liquidity to bear all the risks of an investment and/or a thorough understanding of the terms of the Notes and/or the ability to evaluate possible scenarios for economic, interest rate and other factors that may affect their investment.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement hereto;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation and the investment(s) it is considering, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all the risks of an investment in the Notes, including where the currency for principal or distribution payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, rate of distributions and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex instruments that may not be suitable for certain investors.

The Notes are complex financial instruments and may not be a suitable investment for certain investors. Each potential investor in the Notes should determine the suitability of such investment in light of its own circumstances and have sufficient financial resources and liquidity to bear the risks of an investment in the Notes, including the possibility that the entire principal amount of the Notes could be lost. A potential investor should not invest in the Notes unless he/she has the knowledge and expertise (either alone or with a financial advisor) to evaluate how the Notes will perform under changing conditions, the resulting effects on the likelihood of cancellation of payment of principal, payment of distributions or a write-down and the market price of the Notes, and the impact of this investment on the potential investor's overall investment portfolio.

The Notes bear distributions at a rate that converts from a fixed distribution rate to a different fixed distribution rate at the First Reset Date. A Holder bears the risk that after such conversion, the new distribution rate may be lower than the then prevailing distribution rates.

The Notes bear distributions at a rate that converts from a fixed distribution rate to a different fixed distribution rate at the First Reset Date. The conversion of the distribution rate may affect the market price of the Notes. If the distribution rate converts from a fixed distribution rate to a different fixed distribution rate, such fixed distribution rate may be lower than the then prevailing distribution rates payable on fixed distribution rate notes.

Holders are exposed to the risk that the price of the Notes falls as a result of changes in the market interest rate.

In periods for which a particular fixed rate of distributions is applicable, Holders are exposed to the risk that the price of the Notes falls as a result of changes in the market interest rate. While the nominal distribution rate of Notes is fixed for the distribution period, the current interest rate on the capital market for issues of the same maturity (the "**market interest rate**") typically changes on a daily basis. As the market interest rate changes, the price of the Notes also changes, but in the opposite direction. If the market interest rate increases, the price of the Notes typically falls, until the yield of such Notes is approximately equal to the market interest rate.

The obligations of the Issuer under the Notes constitute direct, unsecured and subordinated obligations which are subordinated to the claims of all unsubordinated and subordinated creditors (other than subordinated claims ranking pari passu with or junior to the Notes) of the Issuer.

The Notes to be issued by the Issuer are intended to qualify as Additional Tier 1 instruments pursuant to Article 52 CRR. They constitute direct, unsecured and subordinated obligations of the Issuer. In the insolvency or liquidation of the Issuer, the obligations of the Issuer under the Notes will rank:

(a) junior to all present or future: (i) unsubordinated instruments or obligations of the Issuer; (ii)(x) any Tier 2 Instruments; and (y) all other instruments or obligations of the Issuer ranking or expressed to rank subordinated to the unsubordinated obligations of the Issuer (other than instruments or obligations ranking or expressed to rank *pari passu* with or subordinated to the Notes);

(b) *pari passu*: (i) among themselves; and (ii) with all other present or future (x) AT 1 Instruments; and (y) instruments or obligations ranking or expressed to rank *pari passu* with the Notes including the Existing Hybrid Instruments (other than Existing Hybrid Instruments ranking or expressed to rank senior to the Notes); and

(c) senior to all present or future: (i) ordinary shares of the Issuer and any other CET 1 Instruments; and (ii) all other subordinated instruments or obligations of the Issuer ranking or expressed to rank: (x) subordinated to the obligations of the Issuer under the Notes; or (y) *pari passu* with the ordinary shares of the Issuer and any other CET 1 Instruments.

Although the Notes may pay a higher rate of distributions than other debt instruments which are not subordinated, there is a substantial risk that investors in subordinated notes such as the Notes will lose all or some of their investment, should the Issuer become insolvent or, following a Write-Down, either have insufficient profit to write up the Notes or decide in its sole discretion to not (or not fully) write up its Notes at all.

Furthermore, claims of the Issuer are not permitted to be set-off or netted against payment obligations of the Issuer under the Notes which are not, and may not become secured or subject to a guarantee or any other arrangement that enhances the seniority of the claim under the Notes. A Holder should therefore not expect to be able to set off any obligations of the Issuer under the Notes against obligations of the Holder vis-à-vis the Issuer.

The Notes do not contribute to the determination of over-indebtedness of the Issuer.

The Holders are entitled to payments, if any, under the Notes only once any negative equity (*negatives Eigenkapital*) within the meaning of § 225(1) of the Austrian Enterprise Code (*Unternehmensgesetzbuch – UGB*) has been removed (*beseitigt*) or if, in the event of the liquidation of the Issuer, all other creditors (other than creditors whose claims rank or are expressed to rank *pari passu* with or junior to the Notes) of the Issuer have been satisfied first.

Pursuant to the Terms and Conditions, no insolvency proceedings against the Issuer are required to be opened in relation to the non-performance of any obligations of the Issuer under the Notes. The Notes do not contribute to a determination that the liabilities of the Issuer exceed its assets, and will therefore be disregarded for purposes of determining whether the Issuer is over-indebted (*überschuldet*) in accordance with § 67(3) of the Austrian Insolvency Code (*Insolvenzordnung – IO*).

Holders should therefore note that their claims under the Notes, when due but unpaid, will not result in an insolvency of the Issuer, and that they have no means to request the institution of insolvency proceedings against the Issuer on the basis of any claims under the Notes.

The Issuer is not prohibited from issuing further debt which may rank pari passu with or senior to the Notes.

The Terms and Conditions of the Notes place no restriction on the amount of debt that the Issuer may issue or guarantee that ranks senior to, or *pari passu* with, the Notes. The Issuer may also issue debt instruments with trigger levels for write-down or conversion that are lower than those of the Notes (to the extent permitted by the Applicable Supervisory Regulations), so that such debt instruments absorb losses after the Notes.

The issue or guaranteeing of any such debt instruments may reduce the amount recoverable by Holders upon the Issuer's insolvency. If the Issuer's financial condition were to deteriorate, the Holders could suffer direct and

materially adverse consequences, including cancellation of distributions and reduction of the principal amount of the Notes and, if the Issuer were liquidated, the Holders could suffer loss of their entire investment.

In addition, the Issuer is not prohibited from issuing or guaranteeing other instruments that share in, or which depend upon, Distributable Items, thereby reducing the amount available for distributions under the Notes. This could result in distributions on the Notes being either reduced or even cancelled entirely.

The Issuer may, in its full discretion, cancel payments of distributions on the Notes and may, in certain circumstances (including insufficient or no Distributable Items, order from Competent Authority or non-compliance with Maximum Distributable Amount), be required to cancel such payments. The cancellation of distribution payments will be definitive and non-cumulative.

The Issuer, at its full discretion, may, at all times cancel (in whole or in part) any payment of distributions on the Notes scheduled to be paid on any distribution payment date for an unlimited period and on a non-cumulative basis. The Issuer may use such cancelled distribution payments without restrictions to meet its obligations as they fall due.

Without prejudice to such full discretion of the Issuer, any payment of distributions on the Notes scheduled to be paid on any Distribution Payment Date shall be cancelled mandatorily and automatically, in whole or in part, if and to the extent:

(i) the amount of such distribution payment scheduled to be paid together with any Additional Amounts thereon and any payments of interest, dividends or distributions made or scheduled to be made by the Issuer on all other Tier 1 Instruments in the relevant financial year of the Issuer would exceed the amount of the available Distributable Items, provided that, for such purpose, the available Distributable Items shall be increased by an amount equal to what has been accounted for as expenses for payments of interest, dividends or distributions on Tier 1 Instruments (including payments of distributions together with any Additional Amounts thereon on the Notes) in the calculation of the profit (*Gewinn*) on which the available Distributable Items are based; or

(ii) the Competent Authority orders the relevant distribution payment scheduled to be paid to be cancelled in whole or in part; or

(iii) the amount of such distribution payment scheduled to be paid, together with other distributions of the kind referred to in § 24(2) BWG (implementing Article 141(2) CRD IV in Austria) in aggregate would cause the Maximum Distributable Amount (if any) then applicable to the Issuer and/or the RBI Regulatory Group to be exceeded.

Any distribution payment so cancelled will be non-cumulative or compounding and will be cancelled permanently and no payments will be made nor shall any Holder be entitled to any payment or indemnity in respect thereof. Any such cancellation of distributions will not constitute an event of default of the Issuer and imposes no restrictions on the Issuer.

The Maximum Distributable Amount (the calculation thereof respectively) is a rather complex concept which applies when the combined capital buffer requirements are not (or not fully) met, and its determination is subject to considerable uncertainty (see also the risk factor "*Some aspects of the manner how CRR/CRD IV is applied and/or will be amended in the future are uncertain.*").

The Distributable Items of the Issuer will, *inter alia*, depend on its profits and those of its subsidiaries, including the dividends that it receives from its subsidiaries. If the Issuer's profits are weak, and/or if it does not receive any (or only small) dividends from its subsidiaries, the Distributable Items may not be sufficient for full (or any) payment of distributions on the Notes.

The Distributable Items will be determined on the basis of (i) the audited (*geprüft*) and adopted (*festgestellt*) unconsolidated annual financial statements of the Issuer, prepared in accordance with accounting provisions applied by the Issuer and accounting regulations then in effect, for the latest financial year of the Issuer ended prior to the relevant Distribution Payment Date; or (ii) if such audited and adopted unconsolidated annual financial statements of the Issuer are not available at the relevant Distribution Payment Date, unaudited unconsolidated *pro forma* financial statements of the Issuer, prepared in accordance with accounting provisions applied by the Issuer in

relation to its unconsolidated annual financial statements and accounting regulations then in effect in relation to the Issuer's unconsolidated annual financial statements.

There is however a risk, that these *pro forma* financial statements may deviate substantially from the audited financial statements for the same accounting period, and Holders are therefore exposed to the risk that they will not receive any distributions even if the audited financial statements show sufficient Distributable Items to make payments on the Notes.

Because the Issuer is entitled to cancel distribution payments in its full discretion, it may do so even if it could make such payments without exceeding the limits described above and even if it was intrinsically profitable. Distribution payments on the Notes may be cancelled even if the Issuer's shareholders continue to receive dividends and/or distributions are made on any instruments ranking *pari passu* or junior to, the Notes. RBI currently intends to give due consideration to the capital hierarchy however may deviate from that approach in its sole discretion. However, even if the Issuer was willing to make distribution payments, it could be prevented from doing so by mandatory and automatic cancellation due to regulatory provisions and/or regulatory action. In all such instances, Holders would receive no, or only reduced, distributions on the Notes.

Any actual or anticipated cancellation of distributions payments on the Notes will likely have an adverse effect on the market price of the Notes. In addition, as a result of the distribution cancellation provisions of the Notes, the market price of the Notes may be more volatile than the market prices of other debt securities on which distributions accrue that are not subject to such cancellation and may be more sensitive generally to adverse changes in the Issuer's financial condition. Likewise, as the Maximum Distributable Amount is linked to the combined capital buffer requirements, any indication that the Issuer may not (or not fully) meet such combined buffer capital requirement may have an adverse effect on the market price of the Notes.

Holders of Notes should be aware that there will be no circumstances under which distribution payments on the Notes will be compulsory for the Issuer. Holders should therefore not rely on receiving any distribution payments on the Notes, regardless of whether the Issuer has sufficient Distributable Items, and Holders should be aware that the market price of the Notes is subject to volatility and downturn, in particular in case of any indication that distribution payments on the Notes are or might be cancelled.

The regulatory classification of the Notes as Additional Tier 1 instruments may be changed.

In the opinion of the Issuer, the Notes shall qualify as Additional Tier 1 instruments pursuant to Article 52 CRR upon issue. During the approval process of the Prospectus, the CSSF does not assess the regulatory classification of the Notes as Additional Tier 1 instruments of the Issuer. There is the risk that there is a change in the regulatory classification of Additional Tier 1 instruments that would be likely to result in the exclusion of the Notes from own funds or reclassification as a lower quality form of own funds. If that is the case, this can have a negative impact on the capitalisation of the Issuer.

The Issuer may be required to reduce the initial principal amount of the Notes to absorb losses, which would reduce any redemption amount and any distribution payable on the Notes while the Notes are written down.

The Notes are issued in order to meet prudential capital requirements with the intention and purpose of being eligible as own funds of both, the Issuer and the RBI Regulatory Group. In the opinion of the Issuer, the Notes shall constitute AT 1 Instruments of the Issuer upon issue, *i.e.* Additional Tier 1 instruments pursuant to Article 52 CRR of the Issuer on an individual basis as well as of the RBI Regulatory Group on a consolidated basis. Such eligibility depends on a number of statutory conditions being satisfied. One of these conditions relates to the ability of the Notes and the proceeds of their issue to be available to absorb any losses of the Issuer. Accordingly, under the Terms and Conditions of the Notes, if a Trigger Event has occurred, the Issuer will reduce the then prevailing Current Principal Amount (as defined in the Terms and Conditions) of each Note by the relevant Write-Down Amount. Such Trigger Event occurs at any time: (i) the Group CET 1 Capital Ratio (*i.e.* the Common Equity Tier 1 capital ratio pursuant to Article 92(2)(a) CRR of RBI Regulatory Group on a consolidated basis); and/or (ii) the Issuer CET 1 Capital Ratio (*i.e.* the Common Equity Tier 1 capital ratio pursuant to Article 92(2)(a) CRR of the Issuer on an individual basis) is lower than the Trigger Level (which is determined at 5.125 per cent. in the Terms and Conditions).

Holders of Notes should be aware that the composition of the RBI Regulatory Group, which among other things is relevant for determining whether a Trigger Event has occurred, may change from time to time for reasons such as any future changes in the Applicable Supervisory Regulations dealing with the requirements for prudential consolidation or corporate actions related to the RBI Regulatory Group.

For the avoidance of doubt, a Trigger Event may be determined at any time and may occur on more than one occasion and each Note may be subject to a Write-Down on more than one occasion. The occurrence of a Trigger Event, which would result in a Write-Down of the Current Principal Amount of the Notes, is inherently unpredictable and depends on a number of factors, many of which may be outside the Issuer's control. A Trigger Event could occur at any time.

The aggregate reduction of the aggregate Current Principal Amount of all Notes outstanding on the Effective Date, will be equal to the lower of: (i) the amount necessary to generate sufficient Common Equity Tier 1 capital pursuant to Article 50 CRR that would restore the Group CET 1 Capital Ratio and the Issuer CET 1 Capital Ratio to the Trigger Level at the point of such reduction, after taking into account (subject as provided below) the *pro rata* write-down and/or conversion of the prevailing principal amount of all Loss Absorbing Instruments (if any) to be written down and/or converted concurrently (or substantially concurrently) with the Notes, provided that, with respect to each Loss Absorbing Instrument (if any), such *pro rata* write-down and/or conversion shall only be taken into account to the extent required to restore the Group CET 1 Capital Ratio and the Issuer CET 1 Capital Ratio contemplated above to the lower of: (x) such Loss Absorbing Instrument's trigger level; and (y) the Trigger Level and, in each case, in accordance with the terms of the relevant Loss Absorbing Instruments and the Applicable Supervisory Regulations; and (ii) the amount that would result in the Current Principal Amount of a Note being reduced to EUR 0.01.

Such aggregate reduction shall be applied to each Note *pro rata* on the basis of its Current Principal Amount prevailing immediately prior to the Write-Down and "**Write-Down Amount**" shall mean, in respect of each Note, the amount by which the Current Principal Amount of such Note is to be written down accordingly.

If, in connection with the Write-Down or the calculation of the Write-Down Amount, there are outstanding any Loss Absorbing Instruments the terms of which provide that they shall be written down and/or converted in full and not in part only (the "**Full Loss Absorbing Instruments**") then:

(i) the provision that a Write-Down of the Notes should be effected *pro rata* with the write down and/or conversion, as the case may be, of any Loss Absorbing Instruments shall not be construed as requiring the Notes to be Written-Down in full solely by virtue of the fact that such Full Loss Absorbing Instruments (as defined in the Terms and Conditions) may be written down and/or converted in full; and

(ii) for the purposes of calculating the Write-Down Amount, the Full Loss Absorbing Instruments will be treated (for the purposes only of determining the write down of principal and/or conversion, as the case may be, among the Notes and any Loss Absorbing Instruments on a *pro rata* basis) as if their terms permitted partial write down and/or conversion, such that the write down and/or conversion of such Full Loss Absorbing Instruments shall be deemed to occur in two concurrent stages: (x) first, the principal amount of such Full Loss Absorbing Instruments shall be written down and/or converted *pro rata* (in the manner contemplated above) with the Notes and all other Loss Absorbing Instruments to the extent necessary to restore the Group CET 1 Capital Ratio and the Issuer CET 1 Capital Ratio to the Trigger Level; and (y) second, the balance (if any) of the principal amount of such Full Loss Absorbing Instruments remaining following (x) shall be written off and/or converted, as the case may be, with the effect of increasing the Group CET 1 Capital Ratio and the Issuer CET 1 Capital Ratio above the Trigger Level.

To the extent the write-down and/or conversion of any Loss Absorbing Instruments is not possible or not made for any reason, this shall not in any way prevent any Write-Down of the Notes. Instead, in such circumstances, the Notes will be Written-Down and the Write-Down Amount determined as provided above but without including for this purpose any Common Equity Tier 1 capital in respect of the write-down or conversion of such Loss Absorbing Instruments, to the extent it is not possible for them to be or they are not for any reason, written-down and/or converted.

If a Write-Down pursuant to the Terms and Conditions occurs during any Distribution Period, unpaid distributions accrued on the Current Principal Amount to but excluding the Effective Date (as defined in the Terms and Conditions)) are cancelled. In accordance with the Terms and Conditions, the Notes shall bear distributions on the adjusted Current Principal Amount from and including the Effective Date. A reduction of the Current Principal Amount of a Note pursuant to the provisions described above will not constitute a default of the Issuer for any purpose.

Holders may lose all or some of their investment as a result of a Write-Down. If the Issuer is liquidated or becomes insolvent prior to the Notes being written up in full (if at all) pursuant to the Terms and Conditions, Holders' claims for principal (and distributions, if any) will be based on the reduced Current Principal Amount of the Notes.

The market price of the Notes is expected to be affected by fluctuations in the Common Equity Tier 1 capital ratio of both the Issuer and the RBI Regulatory Group. Any indication that the Issuer CET 1 Capital Ratio and/or the Group CET 1 Capital Ratio are approaching the level that would trigger a Trigger Event may have an adverse effect on the market price of the Notes.

Upon the occurrence of a Trigger Event, there may be a Write-Down of the Notes even if other capital instruments of the Issuer are not written down or converted into Common Equity Tier 1 instruments.

The Terms and Conditions of other capital instruments already in issue or to be issued after the date hereof by the Issuer may vary and accordingly such instruments may not be written down at the same time, or to the same extent, as the Notes, or at all. Alternatively, such other capital instruments may provide that they shall convert into Common Equity Tier 1 instruments, or become entitled to reinstatement of the principal amount of the Notes or other compensation in the event of a potential recovery of the Issuer and/or any other entity of the RBI Regulatory Group or a subsequent change in the financial condition thereof. Such capital instruments may also provide for such reinstatement or compensation in different circumstances from those in which, or to a different extent to which, the principal amount of the Notes may be reinstated.

The Issuer is under no obligation to reinstate any written down amounts.

The Issuer is under no obligation to reinstate any principal amounts which have been subject to any Write-Down up to a maximum of the Original Principal Amount, even if certain conditions (further described in the Terms and Conditions) that would permit the Issuer to do so, were met. Any Write-Up of the Notes is at the sole discretion of the Issuer.

Moreover, the Issuer will, *inter alia*, only have the option to Write-Up the Current Principal Amount of the Notes subject to certain limitations set forth in the Terms and Conditions and if the Maximum Distributable Amount (if any) would not be exceeded when operating a Write-Up (see also the risk factor "*Some aspects of the manner how CRR/CRD IV is applied and/or will be amended in the future are uncertain*.").

No assurance can be given that these conditions will ever be met or that the Issuer will ever write up (fully or partially) the principal amount (*i.e.* the then Current Principal Amount) of the Notes following a Write-Down.

Furthermore, any Write-Up must be undertaken on a *pro rata* basis with all Notes and among any Loss Absorbing Written-Down Instruments (as defined in the Terms and Conditions).

The calculation of the Common Equity Tier 1 capital ratios will be affected by a number of factors, many of which may be outside the Issuer's control.

The calculation of the Common Equity Tier 1 capital ratios of the Issuer and/or of the RBI Regulatory Group could be affected by a wide range of factors, including, among other things, factors affecting the level of earnings or dividend payments, the mix of its businesses, its ability to effectively manage the risk-weighted assets in its ongoing businesses, losses in the context of its banking activities or other businesses, changes in RBI Regulatory Group's structure or organization. The calculation of the ratios also may be affected by changes in the applicable laws and regulations or applicable accounting rules and the manner in which accounting policies are applied, including the manner in which permitted discretion under the applicable accounting rules is exercised.

Holders are, due to the Notes being subject to Write-Down in case of the occurrence of a Trigger Event, directly exposed to any changes of the Common Equity Tier 1 capital ratios and will, unless and until the Notes are written-

up, lose all or part of their investment in case of a redemption of the Notes or in the liquidation or insolvency of the Issuer.

Due to the uncertainty regarding whether a Trigger Event will have occurred, it will be difficult to predict when, if at all, the Current Principal Amount of the Notes may need to be written down. Accordingly, the trading behaviour of the Notes may not necessarily follow the trading behaviour of other types of subordinated instruments. Any indication that the Common Equity Tier 1 capital ratios of the Issuer and/or of the RBI Regulatory Group are approaching the level that would trigger a Trigger Event may have an adverse effect on the market price and liquidity of the Notes. Under such circumstances, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to more conventional investments.

Some aspects of the manner how CRR/CRD IV is applied and/or will be amended in the future are uncertain.

Many of the provisions of the Terms and Conditions of the Notes depend on the final interpretation or even implementation of CRR/CRD IV (including any regulations promulgated thereunder).

CRR/CRD IV is a complex set of rules and regulations that imposes a series of new requirements, some of which are still subject to transitional provisions and others are likely to be amended in the near future. Although the CRR is directly applicable in each EU Member State, the CRR provides for important interpretational issues to be further specified through binding technical standards and/or delegated legal acts, and leaves certain other matters to the discretion of the Competent Authority.

In addition, since November 2014, the Issuer and the RBI Regulatory Group are subject to direct supervision of the ECB. The manner in which many of the concepts and requirements under CRR/CRD IV are applied to the Issuer and the RBI Regulatory Group remains somehow uncertain.

Furthermore, the interplay between the Supervisory Review and Evaluation Process ("**SREP**") requirements and the Maximum Distributable Amount and the determination of the Maximum Distributable Amount are complex. The Maximum Distributable Amount imposes a cap on the Issuer's ability to make discretionary payments including distribution payments on the Notes, on the Issuer's ability to reinstate the Current Principal Amount of the Notes following a Write-Down and on its ability to redeem or repurchase Notes. There are a number of factors for such complexity:

(i) It applies when certain capital buffers are not maintained. A "capital buffer" is an amount of capital that a credit institution is required to maintain beyond the minimum amount required by applicable regulations. If the institution fails to meet the capital buffer, it becomes subject to restrictions on payments and distributions on Tier 1 instruments (including its ability to make payments on and to redeem and repurchase Additional Tier 1 instruments such as the Notes), and on the payment of certain bonuses to employees. There are several different buffers, some of which are intended to encourage countercyclical behaviour (with extra capital retained when profits are robust), and others of which are intended to provide additional capital cushions for institutions whose failure would result in a significant systemic risk.

(ii) Certain capital buffers (such as the capital conservation buffer and the systemic risk buffer) apply from 1 January 2016 and are gradually phased in until 2019 (subject to certain discretion of the competent authorities). Certain buffers rates depend and will depend on the macro-economic situation (in case of the (institution-specific) countercyclical buffer: the credit cycle and risks due to excess credit growth in an EU Member State, taking into account specificities of the national economy), the existence of systemic risks (in case of the systemic risk buffer) or because of the assessment of a credit institution/its group as G-SII or O-SII (in case of the G-SII buffer and the O-SII buffer). As a result, it is difficult to predict when the Maximum Distributable Amount will apply to the Notes, and to what extent.

(iii) The Issuer will have the discretion to determine how to allocate the Maximum Distributable Amount among the different types of payments contemplated in Article 141(2) CRD IV. Moreover, payments made earlier in the relevant period will reduce the remaining Maximum Distributable Amount available for payments later in the relevant period, and the Issuer will have no obligation to preserve any portion of the Maximum Distributable Amount for payments scheduled to be made later in a given period. Even if the Issuer attempts to do so, there can be no assurance that it will be successful, because the Maximum

Distributable Amount will depend on the amount of profits earned during the course of the relevant period, which will necessarily be difficult to predict.

These issues and other possible issues of interpretation make it difficult to determine how the Maximum Distributable Amount will apply as a practical matter to limit distribution payments on the Notes, the reinstatement of the Current Principal Amount of the Notes following a Write-Down and the ability of the Issuer to redeem and repurchase Notes (see also the risk factor "*New governmental or regulatory requirements and changes in perceived levels of adequate capitalisation and leverage could lead to increased capital requirements and reduced profitability for RBI Group*.").

This uncertainty and the resulting complexity may adversely impact the trading price and the liquidity of the Notes.

The application of certain capital requirements on an individual level might be waived by the competent authorities. As a result, the Common Equity Tier 1 capital ratios would only apply on the level of the RBI Regulatory Group and interaction with buffer requirements on an individual level might be unclear. As a result, the determination of a Trigger Event, a Write-up and the Maximum Distributable Amount might be difficult.

Furthermore, the European Commission's reform package of 23 November 2016 foresees a requirement for MREL to be taken into account in the calculation of the Maximum Distributable Amount (in addition to "Pillar 1", the Pillar 2 capital requirements and the combined buffer requirement), subject to a six-month grace period in case of inability to issue eligible debt, during which restrictions relating to Maximum Distributable Amounts would not be triggered, but competent authorities would be able to take other appropriate measures. The introduction of such additional capital requirements could impact the Issuer's ability to meet the combined buffer requirement, which, in turn, might impact its ability to make payments on the Notes which could affect the market value of the Notes (see also the risk factor "*New governmental or regulatory requirements and changes in perceived levels of adequate capitalisation and leverage could lead to increased capital requirements and reduced profitability for RBI Group*.").

The Notes are perpetual and may not be redeemed at the option of the Holders, any rights of the Issuer to redeem or repurchase Notes are subject to the prior permission of the competent authority, and redemption may occur at a time when the redemption proceeds are less than the market price of the Notes.

The Notes are perpetual and have no scheduled maturity date. The Issuer is under no obligation to redeem the Notes at any time before liquidation or insolvency.

The Issuer may at its sole discretion, redeem the Notes at any time either for tax or regulatory reasons at the Redemption Amount plus accrued distributions, if any. In addition, the Issuer may at its sole discretion redeem the Notes, but not before five years after the date of their issuance, on specified Call Redemption Dates at the applicable Call Redemption Amount plus accrued distributions, if any. Such optional redemption features are likely to limit the market price of the Notes, as during any period when the Issuer may decide to redeem the Notes, the market price of the Notes generally will not rise substantially above the price at which they can be redeemed (see also the risk factor "*The Issuer may be required to reduce the initial principal amount of the Notes to absorb losses, which would reduce any redemption amount and any distribution payable on the Notes while the Notes are written down.*").

Any such redemption and any repurchase of the Notes (including any repurchase for market making purposes) are subject to the prior permission of the competent authority pursuant to Article 4(1)(40) CRR which is responsible to supervise the Issuer and/or the RBI Regulatory Group (the "**Competent Authority**") and compliance with regulatory capital rules applicable from time to time to the Issuer. Under the CRR, the Competent Authority may only permit institutions to redeem Additional Tier 1 instruments such as the Notes if certain conditions prescribed by the CRR are complied with. These conditions, as well as a number of other technical rules and standards relating to regulatory capital requirements applicable to the Issuer, should be taken into account by the Competent Authority in its assessment of whether or not to permit any redemption or repurchase. It is uncertain how the Competent Authority will apply these criteria in practice and such rules and standards may change during the maturity of the Notes. It is therefore difficult to predict whether, and if so, on what terms, the Competent Authority will grant its prior permission for any redemption or repurchase of the Notes.

The Issuer shall not give a notice of redemption after a Write-Down Notice has been given in respect of the relevant Trigger Event until the Effective Date of the Write-Down. In addition, if a Trigger Event occurs after a notice of

redemption but before the date on which such redemption becomes effective, the notice of redemption shall automatically be deemed revoked and shall be null and void and the relevant redemption shall not be made.

Furthermore, even if the Issuer would be granted the prior permission of the Competent Authority, any decision by the Issuer as to whether it will redeem the Notes will be made at the absolute discretion of the Issuer, and the Issuer may have regard to external factors such as the economic and market impact of exercising a redemption right, regulatory capital requirements and prevailing market conditions. The Issuer disclaims, and investors should therefore not expect, that the Issuer will exercise any redemption right in relation to the Notes. Holders of the Notes should therefore be aware that they may be required to bear the financial risks of an investment in the Notes perpetually.

If not for tax or regulatory reasons, the Issuer may exercise its right to redeem the Notes at its option only if the Current Principal Amount of each Note is equal to its Original Principal Amount.

The Holders of the Notes have no rights to call for redemption of their Notes and should not invest in the Notes in the expectation that any redemption right will be exercised by the Issuer. Excluding the Holders' right to demand for redemption of the Notes is mandatory due to the Applicable Supervisory Regulations. Thus, without redemption by Holders being excluded, the Issuer would not be able to issue the Notes at all. Investors should therefore carefully consider whether they think that a right of redemption only for the Issuer would be to their detriment, and should, if they think that this is the case, not invest in the Notes.

Even if the Issuer redeems the Notes in any of the circumstances mentioned above, there is a risk that the Notes may be redeemed at times when the redemption proceeds are less than the current market price of the Notes, which may result in a crystallisation of a loss for the Holders, in particular if the Current Principal Amount is less than the Original Principal Amount.

In the event that any Notes are redeemed, a Holder of such Notes may be exposed to risks, including the risk that his investment will have a lower than expected yield (risk of redemption).

According to the Terms and Conditions, the Issuer has the right to call the Notes in certain circumstances. If the Issuer redeems the Notes, a Holder of such Notes is exposed to the risk that, due to such redemption, its investment will have a lower than expected yield. The Issuer might exercise its call right if the yield on comparable notes in the capital markets falls, which means that the Holder may only be able to reinvest the redemption proceeds in notes with a lower yield or with a similar yield of a higher risk, in particular if the Current Principal Amount is less than the Original Principal Amount.

There are no events of default under the Notes.

The Terms and Conditions of the Notes do not provide for events of default allowing acceleration of the Notes if certain events occur. Accordingly, if the Issuer fails to meet any obligations due and payable under the Notes (although in any case, payments of distributions are at the sole discretion of the Issuer) investors will not have a right of acceleration of the Notes. Upon a payment default relating to any obligations under the Notes, the sole remedy available to Holders for recovery of amounts owing in respect of any such payment will be the institution of proceedings to enforce such payment. Notwithstanding the foregoing, the Issuer will not, by virtue of the opening of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

The Issuer's interests may not be aligned with those of investors in the Notes.

The Issuer CET 1 Capital Ratio as well as the Group CET 1 Capital Ratio, the Distributable Items and the Maximum Distributable Amount will depend in part on decisions made by the Issuer and/or other entities of the RBI Group relating to their businesses and operations, as well as the management of their capital position. The Issuer and/or other entities of the RBI Group will have no obligation to consider the interests of Holders in connection with their strategic decisions, including in respect of capital management and the relationship among the various entities of the RBI Group and RBI Group's structure.

The Issuer may decide not to raise capital at a time when it is feasible to do so, even if that would result in the occurrence of a Trigger Event. Moreover, in order to avoid the use of public resources, the Competent Authority may decide that the Issuer should allow a Trigger Event to occur at a time when it is feasible to avoid it.

Holders will not have any claim against the Issuer and/or other entities of RBI (Regulatory) Group relating to decisions that affect the capital position of the Issuer and/or the RBI (Regulatory) Group, regardless of whether they result in the occurrence of a Trigger Event. Such decisions could cause Holders to lose all or part of their investment in the Notes.

The Notes may be subject to write-down or conversion powers exercised by a resolution authority resulting in: (i) the amount outstanding to be reduced, including to zero; (ii) a conversion into ordinary shares or other instruments of ownership; or (iii) the terms of the Notes being varied (statutory loss absorption).

The stated aim of the SRM is to provide relevant resolution authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimize taxpayers' exposure to losses.

The powers provided to such resolution authorities include write-down and conversion powers which may be used prior to or on entry into resolution to ensure that, *inter alia*, relevant capital instruments fully absorb losses of the issuing institution and/or the group ("power of write-down or conversion of relevant capital instruments"). Accordingly, resolution authorities will be required to order the write-down of such relevant capital instruments on a permanent basis, or convert them into CET 1 items (such as ordinary shares or other instruments of ownership), once the conditions for resolution or the conditions for exercising the power of write-down or conversion of relevant capital instruments (both as described below) are met, and before any resolution tool (other than the bail-in tool) is made use of (statutory loss absorption). Resolution authorities shall exercise the write-down or conversion in relation to statutory loss absorption in a way that results in: (i) CET 1 items being reduced first in proportion to the relevant losses; and (ii) thereafter, if CET 1 is not sufficient to cover the relevant losses, the principal amount of Additional Tier 1 instruments ("**AT 1**") (such as the Notes) being reduced or converted to cover the relevant losses and recapitalise the entity; and (iii) thereafter, if CET 1 and AT 1 are not sufficient, the principal amount of Tier 2 instruments ("**Tier 2**") being reduced or converted.

The relevant resolution authorities may also apply, if the conditions for resolution are met, the bail-in tool with the objective of restoring the capital of the failing institution to enable it to continue to operate as a going concern. In such case, the resolution authority is entitled to write-down or convert CET 1, AT 1 and Tier 2 in the manner and order set out above, plus if CET 1, AT 1 and Tier 2 are not sufficient to cover the relevant losses and recapitalise the entity, other subordinated debt (in accordance with the hierarchy of claims in the normal insolvency proceedings) and if still insufficient, the rest of eligible liabilities including certain senior debt (in accordance with the hierarchy of claims in the normal insolvency proceedings) being reduced down to zero on a permanent basis or converted.

For the purpose of the bail-in tool, the conditions for resolution are:

(i) the competent authority or the resolution authority determines that the institution is failing or likely to fail; and

(ii) having regard to timing and other relevant circumstances, there is no reasonable prospect that any alternative private sector measures, including measures by an institutional protection scheme, or supervisory action, including early intervention measures or the write-down or conversion of relevant capital instruments taken in respect of the institution, would prevent the failure of the institution within a reasonable timeframe; and

(iii) a resolution action is necessary in the public interest.

The first and second conditions for resolution also apply to the exercise of the write-down or conversion powers in relation to relevant capital instruments, provided that the test also applies to the failure of a group. A group shall be deemed to be failing or likely to fail where the group infringes, or there are objective elements to support a determination that the group, in the near future, will infringe, its consolidated prudential requirements in a way that would justify action by the competent authority including but not limited to because the group has incurred or is likely to incur losses that will deplete all or a significant amount of its own funds. It should be noted that the power of write-down or conversion of relevant capital instruments may be applied before and independent from the bail-in

tool, and that therefore holders of subordinated notes may be subject to statutory loss absorption while the claims of holders of senior notes remain unaffected.

Any write-down or conversion of all or part of the principal amount of any instrument, including accrued but unpaid interest in respect thereof, in accordance with the bail-in tool or the write-down and conversion powers would not constitute an event of default under the terms of the relevant instruments. Consequently, any amounts so written down or converted would be irrevocably lost and the holders of such instruments would cease to have any claims thereunder, regardless whether or not the institution's financial position is restored.

Hence, the Notes may be subject to write-down or conversion into CET 1 which may result in Holders losing some or all of their investment in the Notes. The exercise of any such power is highly unpredictable and any suggestion or anticipation of such exercise could materially adversely affect the market price of the Notes.

Investors should be aware that if write-down or conversion powers are exercised by a resolution authority: (i) the amount outstanding of the Notes may be (permanently) reduced, including to zero; (ii) the Notes may be converted into ordinary shares or other instruments of ownership; and/or (iii) the terms of the Notes may be varied (*e.g.* the variation of maturity of a debt instrument).

Where no such resolution tools and powers as set out above are applied, the Issuer may be subject to national insolvency proceedings.

The Issuer may be subject to resolution powers which may also have a negative impact on the Notes.

Provided that the Issuer meets the applicable conditions for resolution, the resolution authority has certain resolution powers which it may exercise either individually or in any combination together with or in preparation of applying a resolution instrument. Such resolution powers in particular include:

- the power to transfer to another entity rights, assets or liabilities of the Issuer (such as the Notes);
- the power to reduce, including to reduce to zero, the nominal value of or outstanding amount due in respect of eligible liabilities of the Issuer;
- the power to convert eligible liabilities of the Issuer into ordinary shares or other instruments of ownership of the Issuer, a relevant parent institution or a bridge institution to which assets, rights or liabilities of the Issuer are transferred;
- the power to cancel debt instruments issued by the Issuer (such as the Notes);
- the power to require the Issuer or a relevant parent institution to issue new shares or other instruments of ownership or other capital instruments, including preference shares and contingent convertible instruments; and/or
- the power to amend or alter the maturity of debt instruments (such as the Notes) and other eligible liabilities issued by the Issuer or the amount of interest payable under such debt instruments and other eligible liabilities, or the date on which the interest becomes payable, including by suspending payment for a temporary period.

The exercise of such resolution powers could have a negative impact on the Issuer and/or the Notes.

Credit ratings of Notes may not adequately reflect all risks of the investment in such Notes, credit rating agencies could assign unsolicited ratings, and ratings may be suspended, downgraded or withdrawn, all of which could have an adverse effect on the market price and trading price of the Notes.

A rating of Notes may not adequately reflect all risks of the investment in such Notes. Credit rating agencies could decide to assign credit ratings to the Notes on an unsolicited basis. Equally, ratings may be suspended, downgraded or withdrawn. Any such unsolicited rating, suspension, downgrading or withdrawal may have an adverse effect on the market price and trading price of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

The Notes are governed by German law (with the provisions on status being governed by Austrian law), and changes in applicable laws, regulations or regulatory policies may have an adverse effect on the Issuer, the Notes and the Holders.

The Terms and Conditions of the Notes will be governed by German law, except that the provisions on status are governed by Austrian law. Holders should thus note that the governing law may not be the law of their own home jurisdiction and that the law applicable to the Notes may not provide them with similar protection as their own law. Furthermore, no assurance can be given as to the impact of any possible judicial decision or change to German (and, in relation to the provisions on status, Austrian) law, or administrative practice after the date of this Prospectus.

The statutory presentation period provided under German law will be reduced under the Terms and Conditions applicable to the Notes in which case Holders may have less time to assert claims under the Notes.

Pursuant to the Terms and Conditions of the Notes the regular presentation period of 30 years (as provided in § 801 (1) sentence 1 of the German Civil Code (*Bürgerliches Gesetzbuch – BGB*)) will be reduced. In case of partial or total non-payment of amounts due under the Notes the Holder will have to arrange for the presentation of the relevant Global Note to the Issuer. Due to the abbreviation of the presentation period the likelihood that the Holder will not receive the amounts due to him increases since the Holder will have less time to assert his claims under the Notes in comparison to holders of debt instruments the terms and conditions of which do not shorten the statutory presentation period at all or to a lesser degree than the Terms and Conditions of the Notes.

The Terms and Conditions may be amended by resolution of the Holders in which a Holder may be subject to the risk of being outvoted by a majority resolution of the Holders.

The Terms and Conditions may be amended by the Issuer with consent of the Holders by way of a majority resolution in a Holders Meeting or by a vote not requiring a physical meeting (*Abstimmung ohne Versammlung*) as described in §§ 5 *et seq*. of the German Act on Debt Securities (*Gesetz über Schuldverschreibungen aus Gesamtemissionen – SchVG*), the Issuer may subsequently amend the Terms and Conditions with the consent of the majority of Holders as described in the Terms and Conditions, which amendment will be binding on all Holders of the relevant Series of Notes, even on those who voted against the change.

Therefore, a Holder may be subject to the risk of being outvoted by a majority resolution of the Holders. As such majority resolution is binding on all Holders of a particular Series of Notes, certain rights of such Holder against the Issuer under the Terms and Conditions may be amended or reduced or even cancelled, which may have significant negative effects on the market price of the Notes and the return from the Notes.

The Holders may by majority resolution provide for the appointment or dismissal of a joint representative. If a joint representative is appointed, a Holder may be deprived of its individual right to pursue and enforce a part or all of its rights under the Terms and Conditions against the Issuer, such right passing to the Holders' joint representative who is then exclusively responsible to claim and enforce the rights of all the Holders.

An Austrian court can appoint a trustee (Kurator) for the Notes to exercise the rights and represent the interests of Holders on their behalf in which case the ability of Holders to pursue their rights under the Notes individually may be limited.

Pursuant to the Austrian Notes Trustee Act (*Kuratorengesetz*), a trustee (*Kurator*) can be appointed by an Austrian court upon the request of any interested party (*e.g.* a Holder) or upon the initiative of the competent court, for the purposes of representing the common interests of the Holders in matters concerning their collective rights. In particular, this may occur if insolvency proceedings are initiated against the Issuer, in connection with any amendments to the terms and conditions of the Notes or changes relating to the Issuer, or under other similar circumstances. If a trustee is appointed, it will exercise the collective rights and represent the interests of the Holders and will be entitled to make statements on their behalf which shall be binding on all Holders. Where a trustee represents the interests and exercises the rights of Holders, this may conflict with or otherwise adversely affect the interests of individual or all Holders.

Risks associated with the reform of interest rate benchmarks.

So-called benchmarks and other indices such as the annual swap rate for swap transactions which are deemed "benchmarks" (each a "**Benchmark**" and together, the "**Benchmarks**"), to which the distributions on the Notes will, from and including the First Reset Date, be linked, have become the subject of regulatory scrutiny and recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause the relevant benchmarks to perform differently than in the past, or have other consequences which may have a material adverse effect on the value of the Notes and the rate of distributions which the Notes bear.

International proposals for reform of Benchmarks include the European Council's regulation (EU) 2016/1011 of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (the "**Benchmark Regulation**"). In addition to the aforementioned proposal, there are numerous other proposals, initiatives and investigations which may impact Benchmarks.

Any changes to a Benchmark as a result of the Benchmark Regulation or other initiatives, could have a material adverse effect on the costs of refinancing a Benchmark or the costs and risks of administering or otherwise participating in the setting of a Benchmark and complying with any such regulations or requirements. Although it is uncertain whether or to what extent any of the above-mentioned changes and/or any further changes in the administration or method of determining a Benchmark could have an effect on the value of any Notes or the distributions which will, as from and including the First Reset Date, be linked to the relevant Benchmark, investors should be aware that any changes to the relevant Benchmark may have a material adverse effect on the value of the Notes.

Holders are exposed to the risk of partial or total inability of the Issuer to make distribution and/or redemption payments under the Notes.

Holders are subject to the risk of a partial or total inability of the Issuer to make distribution and/or redemption payments that are, subject to the limitations described in the Terms and Conditions, scheduled to be made under the Notes. Any deterioration of the creditworthiness of the Issuer would increase the risk of loss. A materialisation of the credit risk may result in partial or total inability of the Issuer to make distribution and/or redemption payments.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

Holders assume the risk that the credit spread of the Issuer widens resulting in a decrease in the price of the Notes.

A credit spread is the margin payable by the Issuer to the Holder of an instrument as a premium for the assumed credit risk. Credit spreads are offered and sold as premiums on current risk-free interest rates or as discounts on the price.

Factors influencing the credit spread include, among other things, the creditworthiness and rating of the Issuer, probability of default, recovery rate, remaining term to maturity of the notes and obligations under any collateralisation or guarantee and declarations as to any preferred payment or subordination. The liquidity situation of the market, the general level of interest rates, overall economic developments, and the currency, in which the relevant obligation is denominated may also have a negative effect.

Holders are exposed to the risk that the credit spread of the Issuer widens resulting in a decrease in the price of the Notes.

The Holder may be exposed to the risk that due to future money depreciation (inflation), the real yield of an investment may be reduced.

Inflation risk describes the possibility that the market price of assets such as the Notes or income therefrom will decrease as inflation reduces the purchasing power of a currency. Inflation causes the rate of return to decrease in value. If the inflation rate exceeds the distribution paid on any Notes (if any) the yield on such Notes will become negative.

There can be no assurance that a liquid secondary market for the Notes will develop or, if it does develop, that it will continue. In an illiquid market, a Holder may not be able to sell his Notes at fair market prices.

Application has been made to admit the Notes to trading on the Luxembourg Stock Exchange's regulated market.

There can be no assurance that a liquid secondary market for the Notes will develop or, if it does develop, that it will continue. In an illiquid market, a Holder might not be able to sell its Notes at any time at fair market prices or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. Generally, these types of Notes would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a material adverse effect on the market price of Notes. The possibility to sell the Notes might additionally be restricted by country-specific reasons.

There is a risk that trading in the Notes will be suspended, interrupted or terminated, which may have an adverse effect on the price of such Notes.

The listing and admission to trading of the Notes may – depending on the rules applicable to the stock exchange – be suspended or interrupted by the stock exchange or a competent regulatory authority upon the occurrence of a number of reasons, including violation of price limits, breach of statutory provisions, occurrence of operational problems of the stock exchange or generally if deemed required in order to secure a functioning market or to safeguard the interests of Holders. Furthermore, trading in the Notes may be terminated, either upon decision of the stock exchange, a regulatory authority or upon application by the Issuer. Holders should note that the Issuer has no influence on trading suspension or interruptions (other than where trading in the Notes is terminated upon the Issuer's decision) and that in any event they must bear the risks connected therewith. In particular, Holders may not be able to sell their Notes where trading is suspended, interrupted or terminated, and the stock exchange quotations of such Notes may not adequately reflect the price of such Notes. Finally, even if trading in Notes is suspended, interrupted or terminated, Holders should note that such measures may neither be sufficient nor adequate nor in time to prevent price disruptions or to safeguard the Holders' interests; for example, where trading in Notes is suspended after price-sensitive information relating to such Notes has been published, the price of such Notes may already have been adversely affected. All these risks would, if they materialise, have a material adverse effect on the Holders.

Holders are exposed to the risk of an unfavourable development of market prices of their Notes which materialises if the Holder sells the Notes.

The development of market prices of the Notes depends on various factors, such as changes of market interest rate levels, the policies of central banks, overall economic developments, inflation rates or the lack of or excess demand for the relevant type of instrument. The Holder is therefore exposed to the risk of an unfavourable development of market prices of its Notes which materialises if the Holder sells the Notes. Holders should also be aware that Notes may be issued at a price higher than the market price at issue and/or the redemption amount. This will increase the impact that unfavourable market price developments may have on the Notes.

Exchange rate risks may occur, if a Holder's financial activities are denominated in a currency or currency unit other than the Euro. Furthermore, government and monetary authorities may impose exchange controls that could adversely affect an applicable exchange rate.

The Issuer will pay principal and distributions on the Notes in Euro. This presents certain risks relating to currency conversions if a Holder's financial activities are denominated principally in a currency or currency unit ("**Holder's Currency**") other than Euro. These include the risk that exchange rates may significantly change (including changes

due to devaluation of the Euro or revaluation of the Holder's Currency) and the risk that authorities with jurisdiction over the Holder's Currency may impose or modify exchange controls. An appreciation in the value of the Holder's Currency relative to the Euro would decrease: (i) the Holder's Currency-equivalent yield on the Notes; (ii) the Holder's Currency-equivalent value of the principal payable on the Notes; and (iii) the Holder's Currency-equivalent market price of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, Holders may receive less distribution or principal than expected, or no distributions or principal.

If a loan or credit is used to finance the acquisition of the Notes, the loan or credit may significantly increase the amount of a loss.

If a loan is used to finance the acquisition of the Notes by a Holder and the Issuer is subsequently unable to repay any or all of the principal and distributions otherwise payable under the Notes, or if the trading price diminishes significantly, the Holder may not only have to face a potential loss on its investment, but it will also have to repay the loan and pay interest thereon. A loan may therefore significantly increase the amount of a potential loss. Holders should not assume that they will be able to repay the loan or pay interest thereon from the profits of a transaction. Instead, Holders should assess their financial situation prior to an investment, as to whether they are able to pay interest on the loan, repay the loan on demand, and that they may suffer losses instead of realising gains.

Incidental costs related in particular to the purchase and sale of the Notes may have a significant impact on the profit potential of the Notes.

When Notes are purchased or sold, several types of incidental costs (including transaction fees and commissions) may be incurred in addition to the purchase or sale price of the Notes. These incidental costs may significantly reduce or eliminate any profit from holding the Notes. Credit institutions as a rule charge commissions which are either fixed minimum commissions or pro-rata commissions, depending on the order value. To the extent that additional - domestic or foreign - parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, Holders may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs).

In addition to such costs directly related to the purchase of Notes (direct costs), investors must also take into account any follow-up costs (such as custody fees). Investors should inform themselves about any additional costs incurred in connection with the purchase, custody or sale of the Notes before investing in the Notes.

Potential investors should note that the purchase price applicable to the Notes on a given day will often include a bid-ask spread so that the purchase price will be higher than the price at which Holders are able to sell any such Notes on that given day.

Holders have to rely on the functionality of the relevant clearing system.

The Notes are purchased and sold through different clearing systems, such as Euroclear or CBL. The Issuer does not assume any responsibility as to whether the Notes are actually transferred to the securities portfolio of the relevant investor. Holders have to rely on the functionality of the relevant clearing system.

The applicable tax regime may change to the disadvantage of the Holders; therefore, the tax impact of an investment in the Notes should be carefully considered.

Distribution payments on Notes, or profits realised by a Holder upon the sale or repayment of Notes, may be subject to taxation in the Holder's state of residence or in other jurisdictions in which the Holder is subject to tax. The tax consequences which generally apply to Holders may, however, differ from the tax impact on an individual Holder. Prospective investors, therefore, should contact their own tax advisors on the tax impact of an investment in the Notes.

Among other things, there may be no authority addressing whether a Holder would be entitled to a deduction for loss at the time of a Write-Down. An investor may, for example, be required to wait to take a deduction until it is certain that no Write-Up can occur, or until there is an actual or deemed sale, exchange or other taxable disposition of the Notes. It is also possible that, if an investor takes a deduction at the time of a Write-Down, it may be required

to recognise a capital or income gain at the time of a future Write-Up. Furthermore, the applicable tax regime may change to the disadvantage of the Holder in the future.

Legal investment considerations may restrict certain investments, in particular as the Notes are subordinated and loss absorbing instruments.

The investment activities of certain Holders are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) Notes are legal investments for it; (ii) Notes can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Furthermore, the Terms and Conditions of the Notes may contain certain exclusions or restrictions of the Issuer's or other parties' (*e.g.* the Calculation Agent, the Paying Agent etc.) liability for negligent acts or omissions in connection with the Notes, which could result in the Holders not being able to claim (or only to claim partial) indemnification for damage that has been caused to them. Holders should therefore inform themselves about such exclusions or restrictions of liability and consider whether these are acceptable for them.

The Issuer is exposed to conflicts of interest which might adversely affect the Holders.

The Issuer may from time to time act in other capacities with regard to the Notes. This fact could generate conflicts of interest and may affect the market price of the Notes.

The Issuer may use all or some of the proceeds received from the sale of the Notes to enter into hedging transactions which may affect the market price of the Notes.

Furthermore, members of the Issuer's Management and Supervisory Boards may serve on management or supervisory boards of various different companies (others than RBI), including customers of and investors in RBI, which may also compete directly or indirectly with the Issuer. Directorships of that kind may expose such persons to potential conflicts of interest if the Issuer maintains active business relations with said companies, which could have a material adverse effect on the Issuer's business, financial position and results of operations.

USE OF PROCEEDS

The net proceeds from the issue of the Notes will be used by the Issuer for its general funding purposes.

TERMS AND CONDITIONS OF THE NOTES

§ 1
CURRENCY, DENOMINATION, FORM, CERTAIN DEFINITIONS

(1) *Currency*, *Denomination*. This issue by RAIFFEISEN BANK INTERNATIONAL AG (the "**Issuer**") of EUR 650,000,000 Fixed to Reset Rate Additional Tier 1 Notes of 2017 with a First Reset Date on 15 December 2022 (the "**Notes**") is being issued on 5 July 2017 (the "**Issue Date**") in Euro (the "**Specified Currency**") in the aggregate principal amount of EUR 650,000,000 (in words: six hundred fifty million euro) in the denomination of EUR 200,000 (the "**Specified Denomination**" or the "**Original Principal Amount**") each.

(2) *Form*. The Notes are being issued in bearer form.

(3) Temporary Global Note – Exchange for Permanent Global Note.

(a) The Notes are initially represented by a temporary global note (the "**Temporary Global Note**") without coupons. The Temporary Global Note will be exchangeable for Notes in the Specified Denomination represented by a permanent global note (the "**Permanent Global Note**" and, together with the Temporary Global Note, the "**Global Notes**") without coupons. The Global Notes shall each be signed by authorised representatives of the Issuer and shall each be authenticated by or on behalf of the Principal Paying Agent. Definitive Notes and coupons will not be issued.

(b) The Temporary Global Note shall be exchangeable for the Permanent Global Note in the form and subject to the conditions provided in § 1(3)(a) above from a date (the "**Exchange Date**") not earlier than 40 calendar days after the date of issuance of the Temporary Global Note. Such exchange shall only be made to the extent that certifications have been delivered to the effect that the beneficial owner or owners of the Notes represented by the Temporary Global Note is (are) not (a) U.S. person(s) (other than certain financial institutions or certain persons holding Notes through such financial institutions) as required by U.S. tax law. Payment of distributions on Notes represented by a Temporary Global Note will be made only after delivery of such certifications. A separate certification shall be required in respect of each such payment of distributions. Any such certification received on or after the 40th calendar day after the date of issuance of the Temporary Global Note will be treated as a request to exchange such Temporary Global Note pursuant to § 1(3)(b). Any securities delivered in exchange for the Temporary Global Note shall be delivered only outside of the United States (as defined in § 6(5)).

(4) *Clearing System*. The Global Note(s) will be kept in custody by or on behalf of a Clearing System until all obligations of the Issuer under the Notes have been satisfied. "**Clearing System**" means each of Clearstream Banking, *société anonyme*, Luxembourg, 42 Avenue J.F. Kennedy, 1855 Luxembourg, Grand Duchy of Luxembourg ("**CBL**") and Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, 1210 Brussels, Belgium ("**Euroclear**" and, together with CBL, the "**ICSDs**") and any successor in such capacity. The Notes shall be issued in Classical Global Note form and kept in custody by a common depositary on behalf of both ICSDs.

(5) *Holder of Notes*. "**Holder**" means any holder of a proportionate co-ownership or other comparable right in the Global Note which may be transferred to a new Holder in accordance with the provisions of the Clearing System.
(6) *Business Day*. "**Business Day**" means a calendar day (other than a Saturday or a Sunday) on which the Trans-European Automated Real-time Gross Settlement Express Transfer System 2 or its successor ("**TARGET**") is open.

§ 2
STATUS

(1) *Ranking.* The Notes constitute direct, unsecured and subordinated obligations of the Issuer and constitute AT 1 Instruments (as defined below).

In the insolvency or liquidation of the Issuer, the obligations of the Issuer under the Notes will rank:

(a) junior to all present or future: (i) unsubordinated instruments or obligations of the Issuer; (ii)(x) any Tier 2 Instruments (as defined below); and (y) all other instruments or obligations of the Issuer ranking or expressed to rank subordinated to the unsubordinated obligations of the Issuer (other than instruments or obligations ranking or expressed to rank *pari passu* with or subordinated to the Notes);

(b) *pari passu*: (i) among themselves; and (ii) with all other present or future (x) AT 1 Instruments (as defined below); and (y) instruments or obligations ranking or expressed to rank *pari passu* with the Notes including the Existing Hybrid Instruments (as defined below) (other than Existing Hybrid Instruments ranking or expressed to rank senior to the Notes); and

(c) senior to all present or future: (i) ordinary shares of the Issuer and any other CET 1 Instruments (as defined below); and (ii) all other subordinated instruments or obligations of the Issuer ranking or expressed to rank: (x) subordinated to the obligations of the Issuer under the Notes; or (y) *pari passu* with the ordinary shares of the Issuer and any other CET 1 Instruments.

For the avoidance of doubt, Holders will neither participate in any reserves of the Issuer nor in liquidation profits (*Liquidationsgewinn* within the meaning of § 8(3)(1) of the Austrian Corporate Income Tax Act 1988 (*Körperschaftsteuergesetz 1988*)) in the event of the Issuer's liquidation.

The rights of the Holders of the Notes to payment of principal on the Notes are at any time limited to a claim for the prevailing Current Principal Amount (as defined in § 5(11).

(2) *No Negative Equity and Waiver of Petition.* The Holders will be entitled to payments, if any, under the Notes only once any negative equity (*negatives Eigenkapital* within the meaning of § 225(1) of the Austrian Enterprise Code (*Unternehmensgesetzbuch – UGB*)) has been removed (*beseitigt*) or if, in the event of the liquidation of the Issuer, all other creditors (other than creditors the claims of which rank or are expressed to rank *pari passu* with or junior to the Notes) of the Issuer have been satisfied first.

No insolvency proceedings against the Issuer are required to be opened in relation to the obligations of the Issuer under the Notes. The Notes do not contribute to a determination that the liabilities of the Issuer exceed its assets; therefore the obligations of the Issuer under the Notes, if any, will not contribute to the determination of over-indebtedness (*Überschuldung*) in accordance with § 67(3) of the Austrian Insolvency Code (*Insolvenzordnung – IO*).

(3) *No Set-off, Netting or Security.* Claims of the Issuer are not permitted to be set-off or netted against payment obligations of the Issuer under the Notes, and no contractual collateral may be provided by the Issuer or any third person for the liabilities constituted by the Notes. The Notes are neither secured nor subject to a guarantee that enhances the seniority of the claims under the Notes. The Notes are not subject to any arrangement, contractual or otherwise, that enhances the seniority of the claims under the Notes in insolvency or liquidation.

(4) *Definitions.* In these Terms and Conditions:

"**AT 1 Instruments**" means any (directly or indirectly issued) capital instruments of the Issuer that qualify as Additional Tier 1 instruments pursuant to Article 52 CRR, including any capital instruments that qualify as Additional Tier 1 instruments pursuant to transitional provisions under the CRR.

"**CET 1 Instruments**" means any capital instruments of the Issuer that qualify as Common Equity Tier 1 instruments pursuant to Article 28 CRR.

"**CRR**" means the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012(*Capital Requirements Regulation*), as amended or replaced from time to time, and any references in these Terms and Conditions to relevant Articles of the CRR include references to any applicable provisions of law amending or replacing such Articles from time to time.

"**Existing Hybrid Instruments**" means the following (directly or indirectly) issued capital instruments of the Issuer, including any obligations of the Issuer under any support agreements of the Issuer in relation to obligations under such instruments: (i) the EUR 200,000,000 Perpetual Non-cumulative Subordinated Floating Rate Capital Notes issued by RZB Finance (Jersey) III Limited (ISIN: XS0193631040); and (ii) the EUR 500,000,000 Non-cumulative Subordinated Perpetual Callable Step-up Fixed to Floating Rate Capital Notes issued by RZB Finance (Jersey) IV Limited (ISIN: XS0253262025).

"**Tier 2 Instruments**" means any (directly or indirectly issued) capital instruments of the Issuer that qualify as Tier 2 instruments pursuant to Article 63 CRR, including any capital instruments that qualify as Tier 2 instruments pursuant to transitional provisions under the CRR.

§ 3
DISTRIBUTIONS

(1) *Distribution Rates and Distribution Payment Dates*. The Notes shall bear distributions on the Current Principal Amount (as defined below) at the rate of 6.125 per cent. *per annum* (the "**First Rate of Distributions**") from and including 5 July 2017 (the "**Distribution Commencement Date**") to but excluding 15 December 2022 (the "**First Reset Date**") and thereafter at the relevant Reset Rate of Distributions (as determined in accordance with § 3(4)) from and including each Reset Date to but excluding the next following Reset Date. Distributions will be scheduled to be paid semi-annually in arrear on 15 December and 15 June in each year (each such date, a "**Distribution Payment Date**"), commencing on 15 December 2017 (short first coupon).

Distributions will fall due subject to the provisions set out in § 3(6) and § 4(4).

(2) *Calculation of Amount of Distributions*. If the amount of distributions scheduled to be paid under the Notes is required to be calculated for any period of time: (i) such amount of distributions for any Distribution Period ending on or prior to the First Reset Date shall be calculated by the Calculation Agent by applying the First Rate of Distributions to the Current Principal Amount; and (ii) such amount of distributions for any Distribution Period commencing on or after the First Reset Date shall be calculated by the Calculation Agent by applying the applicable Reset Rate of Distributions to the Current Principal Amount, in each case multiplying such amount by the applicable Day Count Fraction (as defined below), and rounding the resultant figure to the nearest full cent with EUR 0.005 being rounded upwards.

If a Write-Down (as defined in § 5(8)) occurs during any Distribution Period as a result of which unpaid distributions accrued on the Current Principal Amount to but excluding the Effective Date (as defined in § 5(11)) are cancelled in accordance with § 3(6)(c), the Notes shall bear distributions on the adjusted Current Principal Amount from and including the Effective Date.

If a Write-Up (as defined in § 5(9)) occurs during any Distribution Period, the amount of distributions shall be calculated by the Calculation Agent on the basis of the adjusted Current Principal Amount from time to time so that the relevant amount of distributions is determined by reference to such Current Principal Amount as adjusted from time to time and as if such Distribution Period were comprised of two or (as applicable) more consecutive distribution periods, with distribution calculations based on the number of days for which each Current Principal Amount was applicable.

"**Distribution Period**" means the period from and including the Distribution Commencement Date to but excluding the first Distribution Payment Date and each successive period from and including a Distribution Payment Date to but excluding the next succeeding Distribution Payment Date.

(3) *Day Count Fraction*. "**Day Count Fraction**" means, in respect of the calculation of an amount of distributions on any Note for any period of time (including the first such day to but excluding the last) (the "**Calculation Period**"):

(a) if the Calculation Period is equal to or shorter than the Determination Period during which the Calculation Period ends, the number of calendar days in such Calculation Period divided by the product of: (x) the

number of calendar days in such Determination Period; and (y) the number of Determination Dates (as specified below) that would occur in one calendar year; or

(b) if the Calculation Period is longer than the Determination Period during which the Calculation Period ends, the sum of:

(i) the number of calendar days in such Calculation Period falling in the Determination Period in which the Calculation Period begins divided by the product of: (x) the number of calendar days in such Determination Period; and (y) the number of Determination Dates normally ending in any year; and

(ii) the number of calendar days in such Calculation Period falling in the next Determination Period divided by the product of: (x) the number of calendar days in such Determination Period; and (y) the number of Determination Dates normally ending in any year.

Where:
"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date.

"**Determination Date**" means 15 December and 15 June in each year.

(4) *Determination of the Reset Rate of Distributions*.

(a) *Reset Rate of Distributions.* The rate of distributions for each Reset Period (each a "**Reset Rate of Distributions**") shall be the sum of: (x) the Reference Rate (as defined below); and (y) the Margin (as defined below), *per annum*, such sum converted from an annual basis to a semi-annual basis in accordance with market convention, all as determined by the Calculation Agent (as specified in § 6(1)).

"**Reference Rate**" in respect of each Reset Period means the annual swap rate (expressed as a percentage) for swap transactions in the Specified Currency with a term of five years, which appears on the Screen Page (as defined below) as of 11.00 a.m. (Frankfurt time) on the relevant Reset Determination Date (as defined below).
If the Screen Page is unavailable or if the Reference Rate does not appear on the Screen Page as at such time on the relevant Reset Determination Date, the Calculation Agent shall request the principal office of each Reference Bank (as defined below) to provide the Calculation Agent with its Mid-Market Swap Rate quotation (expressed as a percentage rate) at approximately 11.00 a.m. (Frankfurt time) on the relevant Reset Determination Date.

"**Mid-Market Swap Rate**" means the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating interest rate swap transaction in the Specified Currency with a term of five years and in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/360 day count basis, is based on 6-month EURIBOR.

If three or more of the Reference Banks provide the Calculation Agent with such rates, the Reference Rate for the relevant Reset Period shall be deemed to be the arithmetic mean (rounded if necessary to the nearest one hundred-thousandth of a percentage point, with 0.000005 being rounded upwards) of such rates eliminating the highest rate (or, in the event of equality, one of the highest) and the lowest rate (or, in the event of equality, one of the lowest), all as determined by the Calculation Agent.

If only two quotations are provided, the Reference Rate will be the arithmetic mean of the quotations provided. If only one quotation is provided, the Reference Rate will be the quotation provided. If no quotations are provided, the Reference Rate will be equal to the last available 5-year mid swap rate for euro swap transactions, expressed as an annual rate, on the Reuters screen ICESWAP2 page.

"**Margin**" means 5.954 per cent.

Where:

"**Reference Banks**" means five leading swap dealers in the interbank market as selected by the Issuer.

"**Reset Date**" means the First Reset Date and each fifth anniversary thereof for as long as the Notes remain outstanding.

"**Reset Period**" means the period from and including a Reset Date to but excluding the next following Reset Date.

"**Reset Determination Date**" means the second Business Day (as defined in § 1(6)) prior to any Reset Date.

"**Screen Page**" means Reuters Screen Page ICESWAP2 under the heading "EURIBOR BASIS – EUR" and above the caption "11:00AM FRANKFURT" or the successor page displayed by the same information provider or any other information provider nominated by the Calculation Agent as the replacement information provider for the purposes of displaying the Reference Rate.

(b) *Notification of Reset Rate of Distributions*. The Calculation Agent will cause the Reset Rate of Distributions determined in accordance with § 3(4)(a) to be notified to the Issuer, any stock exchange on which the Notes are from time to time listed (if required by the rules of such stock exchange) and to the Holders in accordance with § 10 as soon as possible after its determination.

(c) *Determinations Binding*. All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this § 3 by the Calculation Agent shall (in the absence of wilful default, bad faith, inequitableness or manifest error) be binding on the Issuer, the Paying Agents and the Holders.

(5) *Default Distributions*. The Notes shall cease to bear distributions from the expiry of the calendar day preceding the due date for redemption (if the Notes are redeemed). If the Issuer fails to redeem the Notes when due, distributions shall continue to accrue on the Current Principal Amount of the Notes from and including the due date for redemption to but excluding the date of actual redemption of the Notes at the applicable rate of distributions determined pursuant to this § 3. This does not affect any additional rights that might be available to the Holders.

(6) *Cancellation of Distributions*.

(a) The Issuer, at its full discretion, may at all times cancel, in whole or in part, any payment of distributions on the Notes scheduled to be paid on any Distribution Payment Date for an unlimited period and on a non-cumulative basis. The Issuer may use such cancelled payments without restrictions to meet its obligations as they fall due. If the Issuer makes use of such right, it shall give notice to the Holders without undue delay and in any event no later than on the Distribution Payment Date.

(b) Without prejudice to such full discretion of the Issuer, any payment of distributions on the Notes scheduled to be paid on any Distribution Payment Date shall be cancelled mandatorily and automatically, in whole or in part, if and to the extent:

(i) the amount of such distribution payment scheduled to be paid together with any Additional Amounts thereon and any payments of interest, dividends or distributions made or scheduled to be made by the Issuer on all other Tier 1 Instruments in the relevant financial year of the Issuer would exceed the amount of the available Distributable Items, provided that, for such purpose, the available Distributable Items shall be increased by an amount equal to what has been accounted for as expenses for payments of interest, dividends or distributions on Tier 1 Instruments (including payments of distributions together with any Additional Amounts thereon on the Notes) in the calculation of the profit (*Gewinn*) on which the available Distributable Items are based; or

(ii) the Competent Authority orders the relevant distribution payment scheduled to be paid to be cancelled in whole or in part; or

(iii) the amount of such distribution payment scheduled to be paid, together with other distributions of the kind referred to in § 24(2) BWG (implementing Article 141(2) CRD IV in Austria) in aggregate would cause the Maximum Distributable Amount (if any) then applicable to the Issuer and/or the RBI Regulatory Group to be exceeded.

If any payment of distributions on the Notes scheduled to be paid on any Distribution Payment Date is so mandatorily and automatically cancelled, the Issuer shall give notice to the Holders thereof without undue delay. Any failure to give such notice shall not affect the validity of the cancellation and shall not constitute a default for any purpose.

(c) If a Write-Down (as defined in § 5(8)) occurs during any Distribution Period, unpaid distributions accrued on the Current Principal Amount to but excluding the Effective Date (as defined in § 5(8)) will be cancelled mandatorily and automatically in full.

(d) Any distribution payment so cancelled will be non-cumulative and will be cancelled permanently and no payments will be made nor will any Holder be entitled to receive any payment or indemnity in respect thereof. Any such cancellation of distributions will not constitute an event of default of the Issuer and will not impose any restrictions on the Issuer.

(7) *Definitions*. In these Terms and Conditions:

"**BWG**" means the Austrian Banking Act (*Bankwesengesetz – BWG*), as amended or replaced from time to time, and any references in these Terms and Conditions to relevant paragraphs of the BWG include references to any applicable provisions of law amending or replacing such provisions from time to time.

"**Competent Authority**" means the competent authority pursuant to Article 4(1)(40) CRR which is responsible to supervise the Issuer and/or the RBI Regulatory Group.

"**CRD IV**" means the Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (*Capital Requirements Directive IV*), as implemented in Austria and as amended or replaced from time to time, and any references in these Terms and Conditions to relevant Articles of the CRD IV include references to any applicable provisions of law amending or replacing such Articles from time to time.

"**Distributable Items**" means in respect of any payment of distributions on the Notes the distributable items as defined in Article 4(1)(128) CRR in respect of each financial year of the Issuer, as at the end of the latest financial year of the Issuer ended prior to the relevant Distribution Payment Date for which such Relevant Financial Statements are available, all as determined in accordance with the accounting principles applied by the Issuer and as derived from the most recent Relevant Financial Statements.

"**Maximum Distributable Amount**" means any maximum distributable amount (*maximal ausschüttungsfähiger Betrag*) relating to the Issuer and/or the RBI Regulatory Group, as the case may be, that may be required to be calculated in accordance with § 24(2) BWG (implementing Article 141(2) CRD IV in Austria).

"**RBI Regulatory Group**" means, from time to time, any banking group: (i) to which the Issuer belongs; and (ii) to which the own funds requirements pursuant to Parts Two and Three of the CRR on a consolidated basis due to prudential consolidation in accordance with Part One, Title Two, Chapter Two of the CRR apply.

"**Relevant Financial Statements**" means: (i) the audited (*geprüft*) and adopted (*festgestellt*) unconsolidated annual financial statements of the Issuer, prepared in accordance with accounting provisions applied by the Issuer and accounting regulations then in effect, for the latest financial year of the Issuer ended prior to the relevant Distribution Payment Date; or (ii) if such audited and adopted unconsolidated annual financial statements of the Issuer are not available at the relevant Distribution Payment Date, unaudited unconsolidated *pro forma* financial statements of the Issuer, prepared in accordance with accounting provisions applied by the Issuer in relation to its unconsolidated annual financial statements and accounting regulations then in effect in relation to the Issuer's unconsolidated annual financial statements.

"**Tier 1 Instruments**" means: (i) the CET 1 Instruments; (ii) the AT 1 Instruments; and (iii) any other instruments or obligations of the Issuer ranking *pari passu* with respect to payment of interest, dividends or distributions with CET 1 Instruments or AT 1 Instruments.

§ 4
PAYMENTS

(1)(a) *Payment of Principal*. Payment of principal on the Notes shall be made, subject to § 4(2) below, to the Clearing System or to its order for credit to the accounts of the relevant accountholders of the Clearing System.

(b) *Payment of Distributions*. Payment of distributions on the Notes shall be made, subject to § 3(6) above and § 4(2) below, to the Clearing System or to its order for credit to the accounts of the relevant accountholders of the Clearing System and in case of payment of distributions on Notes represented by a Temporary Global Note, upon due certification as provided for in § 1(3)(b).

(2) *Manner of Payment*. Subject to applicable fiscal and other laws and regulations, payments of amounts due in respect of the Notes shall be made in the Specified Currency.

(3) *Discharge*. The Issuer shall be discharged by payment to, or to the order of, the Clearing System.

(4) *Payment Business Day*. If the due date for any payment of any amount in respect of the Notes would otherwise fall on a calendar day which is not a Payment Business Day (as defined below), then the due date for such payment will be postponed and the Holders will not be entitled to such payment until the next calendar day which is a Payment Business Day. In such case the Distribution Period will not be adjusted and the Holders will not be entitled to any compensation for any such delay.

"**Payment Business Day**" means a calendar day (other than a Saturday or a Sunday): (i) on which the Clearing System is open; and (ii) which is a Business Day (as defined in § 1(6)).

(5) *References to Principal and Distributions*. References in these Terms and Conditions to "principal" in respect of the Notes shall be deemed to include, as applicable: the Current Principal Amount (as defined in § 5(11); the Redemption Amount of the Notes (as defined in § 5(7)); and any premium and any other amounts (other than distributions) which may be payable under or in respect of the Notes. References in these Terms and Conditions to "distributions" in respect of the Notes shall be deemed to include, as applicable, any Additional Amounts (as defined in § 7(1)) which may be payable under § 7(1).

§ 5
REDEMPTION AND WRITE-DOWN

(1) *No Scheduled Maturity.* The Notes are perpetual and have no scheduled maturity date.

(2) *No Redemption at the Option of a Holder*. The Holders do not have a right to demand the redemption of the Notes.

(3) *Redemption at the Option of the Issuer*. The Issuer may, upon giving notice in accordance with § 5(7), redeem the Notes in whole, but not in part, at the Redemption Amount on any Call Redemption Date. In addition, the Issuer will pay distributions, if any, accrued on the Current Principal Amount to but excluding the date of redemption specified in the notice, subject to cancellation of distributions pursuant to § 3(6). Any such redemption pursuant to this § 5(3) shall not be possible before five years from the date of issuance and shall only be possible provided that the conditions to redemption and repurchase laid down in § 5(6) are met.

"**Call Redemption Date**" means the First Reset Date and each Distribution Payment Date thereafter.

The Issuer may exercise its redemption right pursuant to § 5(3) only if the Current Principal Amount of each Note is equal to its Original Principal Amount.

(4) *Redemption for Reasons of Taxation*. If a Tax Event occurs, the Issuer may, upon giving notice in accordance with § 5(7), redeem the Notes in whole, but not in part, at the Redemption Amount at any time on the date of redemption specified in the notice, provided that the conditions to redemption and repurchase laid down in § 5(6) are met. In addition, the Issuer will pay distributions, if any, accrued on the Current Principal Amount to but excluding the date of redemption specified in the notice, subject to cancellation of distributions pursuant to § 3(6).

Where:

A "**Gross-up Event**" occurs if there is a change in the applicable tax treatment of the Notes based on a decision of the local tax authority having competence over the Issuer as a result of which the Issuer has paid, or will or would on the next Distribution Payment Date be required to pay, any Additional Amounts (as defined in § 7(1)).

A "**Tax Deductibility Event**" occurs if there is a change in the applicable tax treatment of the Notes as a result of which the Issuer, in computing its taxation liabilities in Austria, would not be entitled to claim a deduction in respect of distributions paid on the Notes, or such deductibility is materially reduced.

"**Tax Event**" means a change in, or amendment to, or clarification of, the applicable tax treatment of the Notes, including without limitation, a Tax Deductibility Event or a Gross-up Event, which change or amendment or clarification: (x) subject to (y), becomes effective on or after the date of issuance of the Notes; or (y) in the case of a change, if such change is enacted on or after the date of issuance of the Notes.

(5) *Redemption for Regulatory Reasons.* If a Regulatory Event occurs, the Issuer may, upon giving notice in accordance with § 5(7), redeem the Notes in whole, but not in part, at the Redemption Amount at any time on the date of redemption specified in the notice, provided that the conditions to redemption and repurchase laid down in § 5(6) are met. In addition, the Issuer will pay distributions, if any, accrued on the Current Principal Amount to but excluding the date of redemption specified in the notice, subject to cancellation of distributions pursuant to § 3(6).

A "**Regulatory Event**" occurs if there is a change in the regulatory classification of the Notes under the Applicable Supervisory Regulations that would be likely to result in their exclusion in full or in part from own funds (other than as a consequence of a Write-Down) or reclassification as a lower quality form of own funds (in each case, on an individual basis of the Issuer and/or on a consolidated basis of the RBI Regulatory Group).

(6) *Conditions to Redemption and Repurchase*. Any redemption pursuant to this § 5 and any repurchase pursuant to § 9(2) is subject to:

(a) the Issuer having obtained the prior permission of the Competent Authority for the redemption or any repurchase pursuant to § 9(2) in accordance with Article 78 CRR, if applicable to the Issuer at that point in time, whereas such permission may, *inter alia*, require that:

  (i) either the Issuer replaces the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or

  (ii) the Issuer has demonstrated to the satisfaction of the Competent Authority that the own funds of the Issuer would, following such redemption or repurchase, exceed the minimum capital requirements (including any capital buffer requirements) by a margin that the Competent Authority considers necessary at such time; and

(b) in the case of any redemption prior to the fifth anniversary of the date of issuance of the Notes:

  (i) due to a Tax Event, the Issuer has demonstrated to the satisfaction of the Competent Authority that the applicable change in tax treatment is material and was not reasonably foreseeable as at the date of issuance of the Notes; or

  (ii) due to a Regulatory Event, the Competent Authority considers such change to be sufficiently certain and the Issuer has demonstrated to the satisfaction of the Competent Authority that the relevant change in the regulatory classification of the Notes was not reasonably foreseeable as at the date of issuance of the Notes.

Notwithstanding the above conditions, if, at the time of any redemption or purchase, the prevailing Applicable Supervisory Regulations permit the redemption or purchase only after compliance with one or more alternative or additional pre-conditions to those set out above in this § 5(6), the Issuer shall comply with such other and/or, as appropriate, additional pre-conditions, if any.

For the avoidance of doubt, any refusal of the Competent Authority to grant permission in accordance with Article 78 CRR shall not constitute a default for any purpose.

(7) *Redemption Notice; Redemption Amount.* Any notice of redemption in accordance with § 5(3), § 5(4) or § 5(5) shall be given by the Issuer to the Holders in accordance with § 10 observing a notice period of not less than 30 calendar days nor more than 60 calendar days. Such notice shall be irrevocable (subject to § 5(8)(d)) and shall specify:

(a) in the case of a notice of redemption in accordance with § 5(3) the Call Redemption Date or in the case of a notice of redemption in accordance with § 5(4) or § 5(5) the date of redemption; and

(b) the Redemption Amount at which the Notes are to be redeemed.

"**Redemption Amount**" per Note means the Current Principal Amount per Note.

Any notice of redemption in accordance with § 5(3), § 5(4) or § 5(5) and this § 5(7) will be subject to § 5(8)(d).

(8) *Write-Down*.

(a) If a Trigger Event (as defined below) has occurred, the Issuer will:

(i) immediately inform the Competent Authority that the Trigger Event has occurred;

(ii) determine the Write-Down Amount (as defined below) as soon as possible, but in any case within a maximum period of one month following the determination that a Trigger Event has occurred;

(iii) without undue delay inform the Principal Paying Agent and the Holders that a Trigger Event has occurred by publishing a notice (such notice a "**Write-Down Notice**") which will specify the Write-Down Amount as well as the new/reduced Current Principal Amount of each Note and the Effective Date (as defined below), provided that any failure to provide such Write-Down Notice shall not affect the effectiveness of, or otherwise invalidate any Write-Down or give Holders any rights as a result of such failure; and

(iv) (without the need for the consent of Holders) reduce the then prevailing Current Principal Amount of each Note by the relevant Write-Down Amount (such reduction being referred to as a "**Write-Down**", and "**Written Down**" shall be construed accordingly)) without undue delay, but not later than within one month, with effect as from the Effective Date.

For the avoidance of doubt, a Trigger Event may be determined at any time and may occur on more than one occasion, each Note may be subject to a Write-Down on more than one occasion and the Current Principal Amount of a Note may never be reduced to below EUR 0.01.

(b) *Write-Down Amount.*

(i) The aggregate reduction of the aggregate Current Principal Amount of all Notes outstanding on the Effective Date will, subject as provided below, be equal to the lower of:

(A) the amount necessary to generate sufficient Common Equity Tier 1 capital pursuant to Article 50 CRR that would restore the Group CET 1 Capital Ratio and the Issuer CET 1 Capital Ratio to the Trigger Level at the point of such reduction, after taking into account (subject as provided below) the *pro rata* write-down and/or conversion of the prevailing principal amount of all Loss Absorbing Instruments (if any) to be written down and/or converted concurrently (or substantially concurrently) with the Notes, provided that, with

respect to each Loss Absorbing Instrument (if any), such *pro rata* write-down and/or conversion shall only be taken into account to the extent required to restore the Group CET 1 Capital Ratio and the Issuer CET 1 Capital Ratio contemplated above to the lower of: (x) such Loss Absorbing Instrument's trigger level; and (y) the Trigger Level and, in each case, in accordance with the terms of the relevant Loss Absorbing Instruments and the Applicable Supervisory Regulations; and

(B) the amount that would result in the Current Principal Amount of a Note being reduced to EUR 0.01.

(ii) The aggregate reduction determined in accordance with § 5(8)(b)(i) shall be applied to each Note *pro rata* on the basis of its Current Principal Amount prevailing immediately prior to the Write-Down, and references herein to "**Write-Down Amount**" shall mean, in respect of each Note, the amount by which the Current Principal Amount of such Note is to be Written Down accordingly.

(iii) If, in connection with the Write-Down or the calculation of the Write-Down Amount, there are outstanding any Loss Absorbing Instruments the terms of which provide that they shall be written down and/or converted in full and not in part only (the "**Full Loss Absorbing Instruments**"), then:

(A) the provision that a Write-Down of the Notes should be effected *pro rata* with the write-down and/or conversion, as the case may be, of any Loss Absorbing Instruments shall not be construed as requiring the Notes to be Written-Down in full solely by virtue of the fact that such Full Loss Absorbing Instruments may be written down and/or converted in full; and

(B) for the purposes of calculating the Write-Down Amount, the Full Loss Absorbing Instruments will be treated (for the purposes only of determining the write-down of principal and/or conversion, as the case may be, among the Notes and any Loss Absorbing Instruments on a *pro rata* basis) as if their terms permitted partial write-down and/or conversion, such that the write-down and/or conversion of such Full Loss Absorbing Instruments shall be deemed to occur in two concurrent stages: (x) first, the principal amount of such Full Loss Absorbing Instruments shall be written down and/or converted *pro rata* (in the manner contemplated above) with the Notes and all other Loss Absorbing Instruments to the extent necessary to restore the Group CET 1 Capital Ratio and the Issuer CET 1 Capital Ratio to the Trigger Level; and (y) second, the balance (if any) of the principal amount of such Full Loss Absorbing Instruments remaining following (x) shall be written off and/or converted, as the case may be, with the effect of increasing the Group CET 1 Capital Ratio and the Issuer CET 1 Capital Ratio above the Trigger Level.

(iv) To the extent the write-down and/or conversion of any Loss Absorbing Instruments for the purpose of § 5(8)(b)(i)(A) is not possible or not made for any reason, this shall not in any way prevent any Write-Down of the Notes. Instead, in such circumstances, the Notes will be Written-Down and the Write-Down Amount determined as provided above but without including for the purpose of § 5(8)(b)(i)(A) any Common Equity Tier 1 capital in respect of the write-down or conversion of such Loss Absorbing Instruments, to the extent it is not possible for them to be or they are not for any reason, written-down and/or converted.

(v) The Issuer's determination of the relevant Write-Down Amount shall be irrevocable and binding on the Holders.

(c) Any reduction of the Current Principal Amount of a Note pursuant to this § 5(8) shall not constitute a default by the Issuer for any purpose, and the Holders shall have no right to claim for amounts Written-Down, whether in the insolvency or liquidation of the Issuer or otherwise, save to the extent (if any) such amounts are subject to a Write-Up in accordance with § 5(9).

(d) The Issuer shall not give a notice of redemption after a Write-Down Notice has been given in respect of the relevant Trigger Event until the Effective Date of the Write-Down.

In addition, if a Trigger Event occurs after a notice of redemption but before the date on which such redemption becomes effective, the notice of redemption shall automatically be deemed revoked and shall be null and void and the relevant redemption shall not be made.

(9) *Write-Up*. The Issuer may, at its sole discretion, to the extent permitted in compliance with the Applicable Supervisory Regulations, reinstate any portion of the principal amount of the Notes which has been Written Down (such portion, the "**Write-Up Amount**"), subject to the below limitations. The reinstatement of the Current Principal Amount (such reinstatement being referred to herein as a "**Write-Up**", and "**Written Up**" shall be construed accordingly) may occur on more than one occasion (and each Note may be Written Up on more than one occasion), provided that the principal amount of each Note shall never be Written Up to an amount greater than its Original Principal Amount.

Write-Ups do not have priority over dividend payments and other distributions on shares and other CET 1 Instruments of the Issuer, *i.e.* such payments and distributions are permitted even if no full Write-Up of the Notes has been effected.
There will be no obligation for the Issuer to operate or accelerate a Write-Up under any circumstances.

If the Issuer so decides in its sole discretion, the Write-Up will occur with effect as from the Write-Up Date (as defined below).

At its discretion (without being obliged to) the Issuer may effect such Write-Up, provided that:

(a) at the time of the Write-Up, there must not exist any Trigger Event that is continuing; any Write-Up is also excluded if such Write-Up would give rise to the occurrence of a Trigger Event;

(b) such Write-Up is applied on a *pro rata* basis to all Notes and on a *pro rata* basis with the write-up of all Loss Absorbing Written-Down Instruments (if any); and

(c) the sum of: (x) the aggregate amount attributed to the relevant Write-Up of the Notes on the Write-Up Date (as defined below) and the aggregate amount of any previous Write-Up of the Notes since the end of the then previous financial year and prior to the Write-Up Date; (y) the aggregate amount of the increase in principal amount of each Loss Absorbing Written-Down Instrument at the time of the relevant Write-Up and the aggregate amount of the increase in principal amount of each Loss Absorbing Written-Down Instrument resulting from any previous write-up since the end of the then previous financial year and prior to the time of the relevant Write-Up; and (z) the aggregate amount of any distribution and any Additional Amounts thereon paid on the aggregate Current Principal Amount of the Notes and the aggregate amount of any distribution and any additional amounts thereon paid on Loss Absorbing Written-Down Instruments as calculated at the moment the Write-Up is operated will not exceed the Maximum Write-Up Amount at any time after the end of the then previous financial year.

The amount of any Write-Up and payments of distributions on the reduced Current Principal Amount shall be treated as payment resulting in a reduction of Common Equity Tier 1 capital and shall be subject, together with other distributions on CET 1 Instruments, to any applicable restrictions relating to the Maximum Distributable Amount, including those referred to in § 24(2) BWG (implementing Article 141(2) CRD IV in Austria).

If the Issuer elects to effect a Write-Up, it will publish a notice about the Write-Up (including the amount of the Write-Up as a percentage of the Original Principal Amount and the effective date of the Write-Up (in each case a "**Write-Up Date**")) no later than 10 calendar days prior to the relevant Write-Up Date to the Principal Paying Agent and, in accordance with § 10, to the Holders. The Write-Up shall be deemed to be effected, and the Current Principal Amount shall be deemed to be increased by the amount specified in the notice, with effect as of the Write-Up Date.

(10) *Records of the Clearing Systems.* Any Write-Down or Write-Up shall be reflected in the records of CBL and Euroclear as a pool factor.

(11) *Definitions.* In these Terms and Conditions:

"**Applicable Supervisory Regulations**" means, at any time, any requirements of Austrian law or contained in the regulations, requirements, guidelines or policies of the Competent Authority, the European Parliament and/or the European Council, then in effect in Austria and applicable to the Issuer and the RBI Regulatory Group, including but not limited to the provisions of the BWG, the CRD IV, the CRR and the CDR in each case as amended from time to time, or such other law, regulation or directive as may come into effect in place thereof.

"**CDR**" means the Commission Delegated Regulation (EU) No 241/2014 of 7 January 2014 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for Own Funds requirements for institutions (*Capital Delegated Regulation*), as amended or replaced from time to time, and any references in these Terms and Conditions to relevant Articles of the CDR include references to any applicable provisions of law amending or replacing such Articles from time to time.

"**Current Principal Amount**" means initially the Original Principal Amount, which from time to time, on one or more occasions, may be reduced by a Write-Down and, subsequent to any such reduction, may be increased by a Write-Up (as defined below), if any (up to the Original Principal Amount).

"**Effective Date**" means the date as is selected by the Issuer and specified as such in the Write-Down Notice to the Holders, but which shall be no later than one month (or such shorter period as the Competent Authority may require) following the occurrence of the relevant Trigger Event.

"**Group CET 1 Capital Ratio**" means the Common Equity Tier 1 capital ratio pursuant to Article 92(2)(a) CRR of the RBI Regulatory Group on a consolidated basis, as calculated by the Issuer in accordance with the Applicable Supervisory Regulations, which determination will be binding on the Holders.

"**Issuer CET 1 Capital Ratio**" means the Common Equity Tier 1 capital ratio pursuant to Article 92(2)(a) CRR of the Issuer on an individual basis, as calculated by the Issuer in accordance with the Applicable Supervisory Regulations, which determination will be binding on the Holders.

"**Loss Absorbing Instrument**" means, at any time, any AT 1 Instrument (other than the Notes) that may have all or some of its principal amount written down (whether on a permanent or temporary basis) or converted (in each case, in accordance with its terms or otherwise) on the occurrence or as a result of the Issuer CET 1 Capital Ratio and/or the Group CET 1 Capital Ratio falling below a certain trigger level.

"**Loss Absorbing Written-Down Instrument**" means, at any time, any AT 1 Instrument (other than the Notes) or, as applicable, any instrument issued by a member of the RBI Regulatory Group and qualifying as Additional Tier 1 instruments pursuant to Article 52 CRR of the Issuer and/or the RBI Regulatory Group, that, at the point in time falling immediately prior to any Write-Up of the Notes, is outstanding and has a prevailing principal amount that is less than its original principal amount because all or some of its principal amount has been written-down on a temporary basis, and that has terms permitting a principal write-up to occur on a basis similar to that provided in § 5(9) in the circumstances existing on the relevant Write-Up Date.

"**Maximum Write-Up Amount**" means the lower of:

(i) the consolidated Profit multiplied by the sum of the aggregate Original Principal Amount of the Notes and the aggregate initial principal amount of all Loss Absorbing Written-Down Instruments of the RBI Regulatory Group (for the avoidance of doubt, before any write-down), and divided by the total Tier 1 capital pursuant to Article 25 CRR of the RBI Regulatory Group as at the date the relevant Write-Up is operated; and

(ii) the Profit on an unconsolidated basis multiplied by the sum of the aggregate Original Principal Amount of the Notes and the aggregate initial principal amount of all Loss Absorbing Written-Down Instruments of the Issuer (for the avoidance of doubt, before any write-down), and divided by the total Tier 1 capital pursuant to Article 25 CRR of the Issuer as at the date the relevant Write-Up is operated;

or any higher or lower amount permitted to be used under the Applicable Supervisory Regulations in effect on the date of the relevant Write-Up.

"**Profit**" means: (i) the net income for the year (*Jahresüberschuss*) of the Issuer on an unconsolidated basis recorded in the Relevant Financial Statements; or (ii) the consolidated net income for the year (*Jahresüberschuss*) on a consolidated basis recorded in the consolidated financial statements of the Issuer, in each case after such Relevant Financial Statements or consolidated financial statements have formally been determined (*festgestellt*) by either the supervisory board (*Aufsichtsrat*) or, if so requested, the shareholders' meeting (*Hauptversammlung*) of the Issuer.

A "**Trigger Event**" occurs if at any time: (i) the Group CET 1 Capital Ratio and/or (ii) the Issuer CET 1 Capital Ratio is lower than the Trigger Level. The determination as to whether a Trigger Event has occurred shall be made by the Issuer and the Competent Authority.

"**Trigger Level**" means 5.125 per cent.

§ 6
PRINCIPAL PAYING AGENT AND CALCULATION AGENT

(1) *Appointment; Specified Offices*. The initial Principal Paying Agent and the initial Calculation Agent and their respective initial specified offices are:

Principal Paying Agent:

CITIBANK N.A.
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Where these Terms and Conditions refer to the term "Paying Agent(s)", such term shall include the Principal Paying Agent.

Calculation Agent:

CITIBANK N.A.
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

The Paying Agent(s) and the Calculation Agent (together the "**Agents**" and each an "**Agent**") reserve the right at any time to change their respective specified office to some other specified office in the same country.

(2) *Variation or Termination of Appointment*. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint another Principal Paying Agent, additional or other Paying Agents or another Calculation Agent. The Issuer shall at all times maintain: (i) a Principal Paying Agent; (ii) so long as the Notes are listed on a stock exchange, a Paying Agent (which may be the Principal Paying Agent) with a specified office in such country as may be required by the rules of such stock exchange or its supervisory authorities; and (iii) a Calculation Agent. The Issuer will give notice to the Holders of any variation, termination, appointment of or any other change in any Agent as soon as possible upon the effectiveness of such change.

(3) *Agents of the Issuer*. The Agents act solely as agents of the Issuer and do not have any obligations towards or relationship of agency or trust to any Holder.

(4) *Determinations Binding*. All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of these Terms and Conditions by

any Agent shall (in the absence of wilful default, bad faith, inequitableness or manifest error) be binding on the Issuer, all other Agents and the Holders.

(5) *United States*. For purposes of these Terms and Conditions, "**United States**" or "**U.S.**" means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).

§ 7
TAXATION

(1) *General Taxation.* All payments of distributions in respect of the Notes will be made by the Issuer free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by the Republic of Austria or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. If such withholding or deduction is required by law, the Issuer will pay such additional amounts in relation to distributions (but not principal) as will be necessary in order that the net amounts received by the Holders after such withholding or deduction will equal the respective amounts which would otherwise have been receivable in respect of the Notes in the absence of such withholding or deduction (the "**Additional Amounts**"). However, no such Additional Amounts will be payable on account of any Taxes which:

(a) are payable by any person (including the Issuer) acting as custodian bank or collecting agent on behalf of a Holder, or by the Issuer if no custodian bank or collecting agent is appointed or otherwise in any manner which does not constitute a withholding or deduction by the Issuer from payments of principal or distributions made by it; or

(b) are payable by reason of the Holder having, or having had, some personal or business connection with the Republic of Austria; or

(c) are withheld or deducted pursuant to: (i) any European Union directive concerning the taxation of distributions income; or (ii) any international treaty or understanding relating to such taxation and to which the Republic of Austria or the European Union is a party, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such directive, treaty or understanding; or

(d) are withheld or deducted by a Paying Agent from a payment if the payment could have been made by another Paying Agent without such withholding or deduction; or

(e) are payable by reason of a change in law that becomes effective more than 30 days after the relevant distribution becomes due; or

(f) would not be payable if the Holder can avoid such a withholding or deduction providing a certificate of residence, certificate of exemption or any other similar documents required according to the respective applicable regulations.

The restrictions on the payment of distributions set forth in § 3(6) shall apply to any Additional Amounts *mutatis mutandis*.

(2) *U.S. Foreign Account Tax Compliance Act (FATCA)*. The Issuer is authorised to withhold or deduct from amounts payable under the Notes to a Holder or beneficial owner of Notes sufficient funds for the payment of any tax that it is required by law to withhold or deduct pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

§ 8
PRESENTATION PERIOD

The presentation period provided in § 801(1) sentence 1 German Civil Code is reduced to ten years for the Notes.

§ 9
FURTHER ISSUES OF NOTES, REPURCHASES AND CANCELLATION

(1) *Further Issues of Notes*. The Issuer may from time to time, without the consent of the Holders, issue further Notes having the same terms as the Notes in all respects (or in all respects except for the issue date, issue price, Distribution Commencement Date and/or first Distribution Payment Date) so as to form a single series with the Notes.

(2) *Repurchases*. Provided that all applicable regulatory and other statutory restrictions are observed, and provided further that the conditions to redemption and repurchase laid down in § 5(6) are met, the Issuer and/or any of its subsidiaries may repurchase Notes in the open market or otherwise at any price. Notes repurchased by the Issuer or the subsidiary may, at the option of the Issuer or such subsidiary, be held, resold or surrendered to the Principal Paying Agent for cancellation.

(3) *Cancellation*. All Notes redeemed in full shall be cancelled forthwith and may not be reissued or resold.

§ 10
NOTICES

(1) *Notices of the Issuer*. All notices of the Issuer concerning the Notes shall be published in electronic form on the website of the Issuer (www.rbinternational.com) and, as long as the Notes are listed on the Luxembourg Stock Exchange, on the website of the Luxembourg Stock Exchange (www.bourse.lu) or on such other website or other medium for the publication of notices as is required by the rules and regulations of the Luxembourg Stock Exchange. Any notice so given will be deemed to have been validly given on the third calendar day following the date of such publication.

(2) *Publication of Notices of the Issuer via the Clearing System*. In addition to the publication of notices pursuant to § 10(1) the Issuer will deliver the relevant notices to the Clearing System, for communication by the Clearing System to the Holders. Any such notice shall be deemed to have been given to the Holders on the seventh calendar day after the calendar day on which said notice was given to the Clearing System.

(3) Any notice so given pursuant to § 10(1) and (2) above will be deemed to have been given, if published more than once, on the day following the date on which the first such publication is deemed to be made.

(4) *Form of Notice to Be Given by any Holder*. Notices regarding the Notes which are to be given by any Holder to the Issuer shall be validly given if delivered in writing in English language to the Issuer or the Principal Paying Agent (for onward delivery to the Issuer) and by hand or mail. The Holder shall provide evidence satisfactory to the Issuer of its holding of the Notes. Such evidence may be: (i) in the form of a certification from the Clearing System or the Custodian with which the Holder maintains a securities account in respect of the Notes that such Holder is, at the time such notice is given, the Holder of the relevant Notes; or (ii) in any other appropriate manner.

"**Custodian**" means any bank or other financial institution of recognised standing authorised to engage in securities custody business with which the Holder maintains a securities account in respect of the Notes and includes the Clearing System.

§ 11
AMENDMENTS TO THE TERMS AND CONDITIONS, JOINT REPRESENTATIVE

(1) *Amendment of the Terms and Conditions*. Subject to compliance with the Applicable Supervisory Regulations for the Notes to qualify as AT 1 instruments, the Issuer may amend the Terms and Conditions with the consent of a majority resolution of the Holders pursuant to §§ 5 *et seqq.* of the German Debt Securities Act and the consent by the Competent Authority, to the extent then required under prevailing Applicable Supervisory Regulations. There will be no amendment of the Terms and Conditions without the Issuer's consent.

In particular, the Holders may consent to amendments which materially change the substance of the Terms and Conditions, including such measures as provided for under § 5(3) of the German Debt Securities Act by resolutions passed by such majority of the votes of the Holders as stated under § 11(2) below. A duly passed majority resolution will be binding upon all Holders.

"**German Debt Securities Act**" means the German Debt Securities Act (*SchVG*), as amended or replaced from time to time, and any references in these Terms and Conditions to relevant paragraphs of the German Debt Securities Act include references to any applicable provisions of law amending or replacing such provisions from time to time.

(2) *Majority requirements.* Except as provided by the following sentence and provided that the quorum requirements are being met, the Holders may pass resolutions by simple majority of the voting rights participating in the vote. Resolutions which materially change the substance of the Terms and Conditions, in particular in the cases of § 5(3)(1) through (9) of the German Debt Securities Act, may only be passed by a majority of at least 75 per cent. of the voting rights participating in the vote (a "**Qualified Majority**"). The voting right is suspended as long as any Notes are attributable to the Issuer or any of its affiliates (within the meaning of § 271(2) of the German Commercial Code (*Handelsgesetzbuch – HGB*)) or are being held for the account of the Issuer or any of its affiliates.

(3) *Resolutions*. Resolutions of the Holders will be made either in a Holders' meeting in accordance with § 11(3)(a) or by means of a vote without a meeting (*Abstimmung ohne Versammlung*) in accordance with § 11(3)(b), in either case convened by the Issuer or a joint representative, if any.

(a) Resolutions of the Holders in a Holders' meeting will be made in accordance with §§ 9 et seqq. of the German Debt Securities Act. The convening notice of a Holders' meeting will provide the further details relating to the resolutions and the voting procedure. The subject matter of the vote as well as the proposed resolutions will be notified to Holders in the agenda of the meeting.

(b) Resolutions of the Holders by means of a voting not requiring a physical meeting (*Abstimmung ohne Versammlung*) will be made in accordance with § 18 of the German Debt Securities Act. The request for voting as submitted by the chairman (*Abstimmungsleiter*) will provide the further details relating to the resolutions and the voting procedure. The subject matter of the vote as well as the proposed resolutions will be notified to Holders together with the request for voting.

(4) *Second Holders' meeting*. If it is ascertained that no quorum exists for the vote without meeting pursuant to § 11(3)(b), the chairman (*Abstimmungsleiter*) may convene a meeting, which shall be deemed to be a second meeting within the meaning of § 15(3) sentence 3 of the German Debt Securities Act.

(5) *Registration*. The exercise of voting rights is subject to the registration of the Holders. The registration must be received at the address stated in the request for voting no later than the third day prior to the meeting in the case of a Holders' meeting (as described in § 11(3)(a) or § 11(4)) or the beginning of the voting period in the case of voting not requiring a physical meeting (as described in § 11(3)(b)), as applicable. As part of the registration, Holders must demonstrate their eligibility to participate in the vote by means of a special confirmation of their respective depositary bank hereof in text form and by submission of a blocking instruction by the depositary bank stating that the relevant Notes are not transferable from and including the day such registration has been sent until and including the stated end of the meeting or day the voting period ends, as the case may be.

(6) *Joint representative*. The Holders may by majority resolution provide for the appointment or dismissal of a joint representative, the duties and responsibilities and the powers of such joint representative, the transfer of the rights of the Holders to the joint representative and a limitation of liability of the joint representative. Appointment of a joint representative may only be passed by a Qualified Majority if such joint representative is to be authorised to consent to a material change in the substance of the Terms and Conditions in accordance with § 11(1) hereof.

The joint representative shall have the duties and powers provided by law or granted by majority resolutions of the Holders. The joint representative shall comply with the instructions of the Holders. To the extent that the joint representative has been authorised to assert certain rights of the Holders, the Holders shall not be entitled to assert such rights themselves, unless explicitly provided for in the relevant majority resolution. The joint representative shall provide reports to the Holders on its activities. The provisions of the German Debt Securities Act apply with regard to the recall and the other rights and obligations of the joint representative.

Unless the joint representative is liable for wilful misconduct (*Vorsatz*) or gross negligence (*grobe Fahrlässigkeit*), the joint representative's liability shall be limited to ten times the amount of its annual remuneration.

(7) *Notices*. Any notices concerning this § 11 will be made in accordance with §§ 5 *et seqq.* of the German Debt Securities Act and § 10.

§ 12
APPLICABLE LAW, PLACE OF JURISDICTION AND ENFORCEMENT

(1) *Applicable Law*. The Notes, as to form and content, and all rights and obligations of the Holders and the Issuer, shall be governed by, and shall be construed exclusively in accordance with, German law. The status provisions in § 2 shall be governed by, and shall be construed exclusively in accordance with, Austrian law.

(2) *Place of Jurisdiction*. Subject to any exclusive court of venue for specific legal proceedings in connection with the German Debt Securities Act, the District Court (*Landgericht*) in Frankfurt am Main, Federal Republic of Germany, shall have exclusive jurisdiction for any action or other legal proceedings (the "**Proceedings**") arising out of or in connection with the Notes.

(3) *Enforcement*. Any Holder of Notes may in any Proceedings against the Issuer, or to which such Holder and the Issuer are parties, protect and enforce in its own name its rights arising under such Notes on the basis of: (a) a statement issued by the Custodian with whom such Holder maintains a securities account in respect of the Notes: (i) stating the full name and address of the Holder; (ii) specifying the aggregate principal amount of the Notes credited to such securities account on the date of such statement; and (iii) confirming that the Custodian has given written notice to the Clearing System containing the information pursuant to (i) and (ii); and (b) a copy of the Global Note certified as being a true copy by a duly authorised officer of the Clearing System or a depositary of the Clearing System, without the need for production in such Proceedings of the actual records or the Global Note representing the Notes. Each Holder may, without prejudice to the foregoing, protect and enforce its rights under the Notes also in any other way which is admitted in the country of the Proceedings.

GENERAL INFORMATION ON THE ISSUER AND THE GROUP

1. INFORMATION ABOUT THE ISSUER

1.1. Corporate history and development of the Issuer

Raiffeisen Bank International AG ("**RBI**") was established in 1991 under the name of DOIRE Handels- und Beteiligungsgesellschaft mbH as a holding company for bundling investments and interests in CEE by Raiffeisen Zentralbank Österreich Aktiengesellschaft ("**RZB**"), which was founded 1927, originally under the name "Girozentrale der österreichischen Genossenschaften". The holding company was renamed several times and operated under the name of "Raiffeisen International Bank-Holding AG" ("**RI**") from 2003 until 2010, when its name was ultimately changed to Raiffeisen Bank International AG. RBI's initial public offering and stock exchange listing on the Vienna Stock Exchange occurred in 2005, secondary public offerings took place in 2007 and 2014.

In 2010, major parts of RZB's banking business were spun-off and merged with RI (the "**Merger 2010**"). As a consequence of the Merger 2010 the commercial banking business and associated equity participations of RZB were transferred to RI. With effective date of the Merger 2010, RI changed its name to Raiffeisen Bank International AG and took over RZB's Austrian credit institution license pursuant to the Austrian Banking Act (*Bankwesengesetz* – "**BWG**").

In March 2017, RBI merged with its parent company RZB (the "**Merger 2017**"). RBI was the absorbing institution and therefore legal successor of RZB. Due to the Merger 2017, RBI became the central institution of the Raiffeisen Regional Banks and holder of the liquidity reserve (according to BWG, in particular § 27a BWG). Therefore RBI acts as central liquidity clearing unit of the Raiffeisen Regional Banks.

1.1.1 *General information about the Issuer*

RBI's legal name is "Raiffeisen Bank International AG". "Raiffeisen Bank International" and "RBI" are used as commercial names. RBI is a stock corporation formed and operated under Austrian law with unlimited duration with its registered domicile in Vienna, Austria. RBI is incorporated in Austria and registered with the company register of the Commercial Court of Vienna (*Handelsgericht Wien*) under FN 122119m since 9 July 1991. RBI's head office and principle place of business is located at: Am Stadtpark 9, A-1030 Vienna, Austria. RBI's general telephone number is +43 (1) 717 07 0.

1.1.2. *Statutory purpose of the Issuer*

The purpose of the Issuer according to its articles of association is to enter into banking transactions of the kind set out in § 1(1) BWG and into related transactions in connection therewith, with certain exceptions including without limitation the investment fund business, the building society business and the issuance of mortgage bonds and municipal bonds.

Further purposes of the Issuer are: (a) consultancy and management services of any kind for the business enterprises in which the Issuer holds a participation or which are otherwise affiliated with the Issuer; and (b) activities and services of any kind which are directly or indirectly connected with the banking business, including in particular the activities set out in § 1(2) and (3) BWG, the performance of management consulting services, including company organisation services and services in the field of automatic data processing and information technology.

For the financing of its corporate purpose the Issuer is authorised in compliance with applicable law to raise own funds as defined in the CRR or subordinated and non-subordinated debt capital represented by securities or otherwise.

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

1.1.3. *Statutory auditors*

RBI's auditor is KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Porzellangasse 51, 1090 Vienna, Austria ("**KPMG**"), a member of the Austrian Chamber of Auditors (*Kammer der Wirtschaftstreuhänder*). KPMG audited RBI's German language consolidated financial statements for the years ending as of 31 December 2015 and 2016 in accordance with Austrian generally accepted auditing standards, which require KPMG to comply with the international standards on auditing as published by the international federation of accountants and issued its audit opinions on 2 March 2016 and 28 February 2017, respectively.

For information purposes only: KPMG has also audited the German language consolidated financial statements of RZB (which has been merged in the meantime with the Issuer as of 18 March 2017) as of 31 December 2016 in accordance with Austrian generally accepted auditing standards, which require KPMG to comply with the international standards on auditing as published by the international federation of accountants, and issued an unqualified auditor's report (*Bestätigungsvermerk*) on 1 March 2017 thereon.

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

The Issuer is not aware of any recent events particular to RBI (*i.e.* occurring after the most recent published unaudited interim consolidated financial statements of the Issuer as of 31 March 2017) that are to a material extent relevant to the evaluation of its solvency.

2. BUSINESS OVERVIEW

2.1. Principle areas of activity

The RBI Group is a universal banking group offering banking and financial products as well as services to retail and corporate customers, financial institutions and public sector entities predominantly in or with a connection to Austria and CEE. In CEE, RBI operates through its Network Banks, leasing companies and numerous specialized financial service providers. RBI Group's products and services include loans, deposits, payment and account services, credit and debit cards, leasing and factoring, asset management, distribution of insurance products, export and project financing, cash management, foreign exchange and fixed income products as well as investment banking services. RBI's specialist institutions provide Raiffeisen Banks and Raiffeisen Regional Banks with retail products for distribution.

2.2. Strategy

RBI's business activities comprise the corporate customer business, financial services for retail customers in CEE and business with banks and other institutional clients. Ongoing changes and challenges in the business environment in which financial institutions operate – particularly tighter regulatory requirements, bank-specific taxes and politically motivated market interventions, the persistently low interest rate environment, new technological challenges and competitors – demand flexibility in adjusting structures and business models. RBI responded to these developments with two key strategic measures: on the one hand, with the transformation program, which was launched in February 2015, and on the other hand, through the Merger 2017.

This transformation program was designed to strengthen the capital base – it targeted a consolidated CET 1 ratio (fully loaded) of at least 12 per cent. by 2017 – and reduce risk-weighted assets. With a consolidated CET 1 ratio (fully loaded) of 13.6 per cent. at 31 December 2016, RBI achieved its target ahead of schedule.

The focus for RBI continues to be on the CEE region, which offers structurally higher growth rates than Western Europe and which as a result of higher levels of net interest rates offers a more attractive potential for income generation. The Merger 2017 also enlarged RBI's business portfolio by the addition of leading specialist institutions in Austria – notably a building society, an asset management company and a pension fund management company. Additionally, RBI can draw benefits from the comparably more stable development of the Austrian business areas, which further have been strengthened by the Merger 2017.

RBI's business model is based on the following core competencies:

- RBI maintains and develops a strong and reliable brand that serves as the basis for its business model.

- RBI provides all retail customer segments with comprehensive financial services through the customers' respective preferred sales and communication channel.
- RBI is a reliable business partner for corporate and institutional clients that have a link to the target region, and offers financial services of an international standard.
- RBI distinguishes itself through its strong local presence, customer focus and long-term business relationships.
- RBI utilizes the strengths of country-specific business strategies combined with central business management standards.

This is used as a basis by RBI in the provision of services to some 17 million retail and private banking customers as well as small enterprises, roughly 90,000 corporate clients (medium-sized businesses, major local companies and international corporations) and approximately 8,000 institutional clients (banks, insurance companies, asset managers, sovereigns and public-sector organizations). RBI aims to provide its customers comprehensive financial services to meet their needs and in this way build long-term business partnerships. RBI implements this strategy through the provision of advisory services and innovative solutions.

For corporate and institutional clients, key emphasis is placed on group-wide sales and management tools with a focus on capital- and liquidity-efficient products (particularly trade finance, capital market products and hedging of currency, interest rate and credit risks, as well as payment transfer business). At the same time, group-wide product competence centres not only enhance efficiency through the pooling of know-how, but also facilitate customer access to complex financing products (*e.g.* in the areas of project, real estate and export financing).

Polish Rightsizing Programme

In respect of Poland a rightsizing programme has been announced on 10 April 2017 ("**Rightsizing Programme**"), which includes the restructuring and redesign of its branch footprint, FTE reduction, the migration of a part of its operating processes, efficient and integrated IT systems and improvements in expense management. Raiffeisen Bank Polska S.A plans to close 60 to 70 retail branches by 2018 and, by the end of 2019, to convert up to an additional 90 retail branches into a cost effective, fit for purpose format. In addition, RBI's Polish subsidiary, Raiffeisen Bank Polska S.A., is striving to streamline support functions, rightsize the number of staff following the implementation of automation and demand management processes, as well as to reduce external spending in the main cost categories. It is estimated that approximately 850-950 FTEs will be subject to lay-offs due to rightsizing by 2019.

The Rightsizing Programme commenced in April 2017 (a restructuring provision of up to PLN 45 million will be recognised in the first half of 2017), and is expected to be completed in 2019 with a view to achieving a cost-to-income ratio of below 55 per cent. from 2019 onwards. Raiffeisen Bank Polska S.A. seeks to achieve minimum savings of PLN 200 million by 2019 (compared to the cost base of Raiffeisen Bank Polska S.A. in 2016). In order to digitally transform Raiffeisen Bank Polska S.A.and enhance customer experience, in 2017 Raiffeisen Bank Polska S.A. plans to launch an investment programme of approximately PLN 100 million within the next two years. Under the plan, Raiffeisen Bank Polska S.A. will take initiatives aimed at the automation and digitalisation of sales and operations in all business segments and areas.

Initial public offering of Raiffeisen Bank Polska S.A

Raiffeisen Bank Polska S.A. is currently preparing for an initial public offering ("**IPO**") with a free float of 15 per cent. of its shares to be listed on the Warsaw Stock Exchange. This was a commitment to the Polish regulator when Polbank was acquired by RBI. On 19 June 2017 Raiffeisen Bank Polska S.A. has announced its intention to proceed with the IPO and to list shares on the Warsaw Stock Exchange.

Selected growth in Russia

RBI's net interest margin in Russia in the first quarter 2017 was 5.66 per cent., which was supported by the oil price driven appreciation of the RUB versus the EUR. In the first quarter 2017 the positive credit risk situation was reflected by a provisioning ratio of 0.19 per cent. as well as an NPL ratio of 5.6 per cent. and an NPL coverage ratio

of 76.1 per cent. The central bank key rate was slightly reduced recently and the general economic environment showed subdued growth and moderate inflation.

RBI remains committed to the Russian market, where it is focusing on the quality of its customer service and targeting further improvements in operational efficiency. A program reducing risk-weighted assets was in place in Russia in 2015 and 2016. This program is completed and hence RBI is planning focused growth in selected areas. These are in the corporate market – with a balanced risk approach and with a particular focus on commission based products – multinational customers and the largest corporates as well midcaps; and in the retail market affluent customers and small and medium sized enterprises while aiming at an increased digital presence.

2.3. Significant new products and services

Currently no significant new products and services are being introduced.

2.4. Principle markets and business segments

Segment reporting at RBI Group is based on the current organizational structure pursuant to IFRS 8. A cash generating unit within RBI Group is either a country or a business activity. Markets in CEE are thereby grouped into regional segments comprising countries with comparable economic profiles and similar long-term economic growth expectations. This results in the following segments:

- ***Central Europe***
  (Czech Republic, Hungary, Poland, Slovakia and Slovenia)

  RBI's segment Central Europe comprises the Czech Republic, Hungary, Poland, Slovakia and Slovenia. In each of these countries, RBI is represented by a credit institution (except Slovenia), leasing companies (except Poland) and other specialised financial institutions.

- ***Southeastern Europe***
  (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania, Serbia)

  The segment Southeastern Europe includes Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Romania and Serbia. Within these countries, RBI is represented by credit institutions, leasing companies, as well as, in some markets, by separate capital management and asset management companies and pension funds. Moldova, where RBI only owns a leasing company, is managed out of the Romanian subsidiary. Consequently and due to its close economic ties to Romania, Moldova is reported as part thereof.

- ***Eastern Europe***
  (Belarus, Russia and the Ukraine)

  The Eastern Europe segment comprises Belarus, Russia and the Ukraine. The Network Bank in Russia is one of the largest foreign credit institutions in Russia. RBI also offers leasing products to its Russian clients through a leasing company. In Belarus and the Ukraine RBI Group is represented by credit institutions, leasing companies and other financial service companies.

- ***Group Corporates & Markets***
  (business with large Austrian and multinational corporate customers as well as financial institutions and sovereigns managed from Vienna; customer and proprietary capital markets related business managed from Vienna; Raiffeisen banking group Austria; business of Austrian subsidiaries which are financial institutions and specialised companies)

  The Group Corporates & Markets segment has been introduced for operative business booked in Austria. This primarily comprises financing business with Austrian and international corporate customers serviced from Vienna, Group Markets, Financial Institutions & Sovereigns, and business with entities of the Raiffeisen banking group Austria. Also included in the segment are financial service providers and specialized companies such as Raiffeisen Centrobank AG ("**RCB**"), Kathrein Privatbank Aktiengesellschaft, Raiffeisen Bausparkasse Gesellschaft m.b.H., Raiffeisen-Leasing Ges.m.b.H., Raiffeisen Factor Bank AG and Raiffeisen Kapitalanlage-Gesellschaft mit beschränkter Haftung.

- ***Corporate Center***
  (central management functions at Group head office and other Group units)

  The Corporate Center segment encompasses all the services as well as the oversight function provided by RBI Group headquarters in Vienna in various divisions to implement the overall strategy and that are allocated to this segment to ensure comparability. This segment also includes liquidity management, as well as RBI's equity participation management (including holdings) and minority interests (*e.g.* UNIQA Insurance Group AG, Leipnik-Lundenburger Invest Beteiligungs AG.

2.5. Capital position and requirements

Based on the ECB's Supervisory Review and Evaluation Process ("**SREP**") in 2016, RBI Regulatory Group (please see section "*Organization Structure*" below) received a Pillar 2 requirement of 2.25 per cent. and a Pillar 2 guidance of 1.00 per cent. with both to be fulfilled by Common Equity Tier 1 ("**CET 1**") from 1 January 2017. Consequently, RBI Regulatory Group's consolidated minimum CET 1 ratio (transitional) requirement amounts to 8.55 per cent. for 31 March 2017. This is the sum of 4.5 per cent. Pillar 1 requirement plus 2.25 per cent. Pillar 2 requirement and 1.80 per cent. combined buffer requirement (including the countercyclical buffer of 0.05 per cent. as of 31 March 2017) on a transitional basis. The combined buffer requirement of 1.80 per cent. is the sum of 1.25 per cent. capital conservation buffer plus 0.50 per cent. systemic risk buffer and 0.05 per cent. countercyclical buffer (derived from requirements in the various countries). By 2019, the combined buffer requirement will rise to approximately 4.65 per cent. CET 1 (taking into consideration the phase-in arrangements for the capital conservation buffer and systemic risk buffer in Austria as well as the currently known increase of the countercyclical buffer rates in the respective countries based on RBI Group's risk weighted assets as of 31 March 2017). A breach of the combined buffer requirement would induce constraints, for example in relation to dividend distributions and coupon payments on certain capital instruments. As at 31 March 2017, RBI Regulatory Group's CET 1 ratio (transitional/fully loaded) was 12.4/12.2 per cent. (*Source:* RBI's unaudited interim consolidated financial statements as of 31 March 2017) (or 12.8/12.6 per cent. including first quarter interim results 2017) (*Source*: internal data, unaudited)). RBI has indicated a medium term target for its CET1 ratio (fully loaded) of around 13 per cent., which includes an appropriate management buffer above regulatory requirements.

RBI Regulatory Group's consolidated Tier 1 ratio requirement as from 1 January 2017 amounts to 10.05 per cent. and the consolidated own funds minimum requirement to 12.05 per cent. In that context, any shortfall in Pillar 1 and Pillar 2 requirement components which would otherwise be made up of Additional Tier 1 capital according to CRR ("**AT 1**") or Tier 2 up to their respective limits would have to be met with CET 1 for an AT 1 shortfall and AT 1 or CET 1 for a Tier 2 shortfall in order to avoid a breach of the Maximum Distributable Amount. As at 31 March 2017 RBI Regulatory Group's Tier 1 ratio (transitional/fully loaded) was 12.4/12.3 per cent. (*Source*: RBI's unaudited interim consolidated financial statements as of 31 March 2017) (or 12.8/12.7 per cent. including first quarter interim results 2017) (*Source*: internal data, unaudited)) and its Total capital ratio (transitional/fully loaded) was 17.0/16.8 per cent. (*Source*: RBI's unaudited interim consolidated financial statements as of 31 March 2017) (or 17.4/17.2 per cent. including first quarter interim results 2017 (*Source*: internal data, unaudited)). For the Maximum Distributable Amount calculation, the applicable Pillar 1 & Pillar 2 requirements and the combined buffer requirements are taken into account. The Maximum Distributable Amount trigger for RBI Regulatory Group is at 10.05 per cent. (as of 31 March 2017) as the AT1 requirement of 1.5 per cent. has to be covered by CET 1 capital. Consequently, as at 31 March 2017 the buffer to MDA trigger is 2.35 per cent. (or 2.75 per cent. including first quarter interim results 2017).

Available distributable items ("**ADI**") of RBI as at 31 December 2016 amount to EUR 812 million (*Source*: internal data, unaudited). This figure is based on audited UGB/BWG (local Austrian accounting standard) accounts. ADI as at 31 March 2017, reflecting RBI after the Merger 2017, amount to EUR 855 million based on unaudited UGB/BWG accounts (including first quarter 2017 interim results, excluding IPS contribution to be determined by year-end by the regulating authority) (*Source*: internal data, unaudited).

RBI's CET 1 ratio as well as its Tier 1 ratio (transitional and fully loaded) on an individual level were 21.8 per cent. as at 31 December 2016 and 19.8 per cent. as at 31 March 2017. Its total capital ratio was 33.1 per cent. as at year-end 2016 and 29.9 per cent. as at 31 March 2017 (*Source:* Internal data, unaudited).

RBI has calculated certain figures and ratios including first quarter 2017 interim results only for the purpose of this Prospectus and may not on a continuing basis constantly include all or some of these items in its financial reporting for future periods.

2.6. Competitive position

RBI considers itself a leading corporate bank in Austria and a leading universal credit institution in CEE.

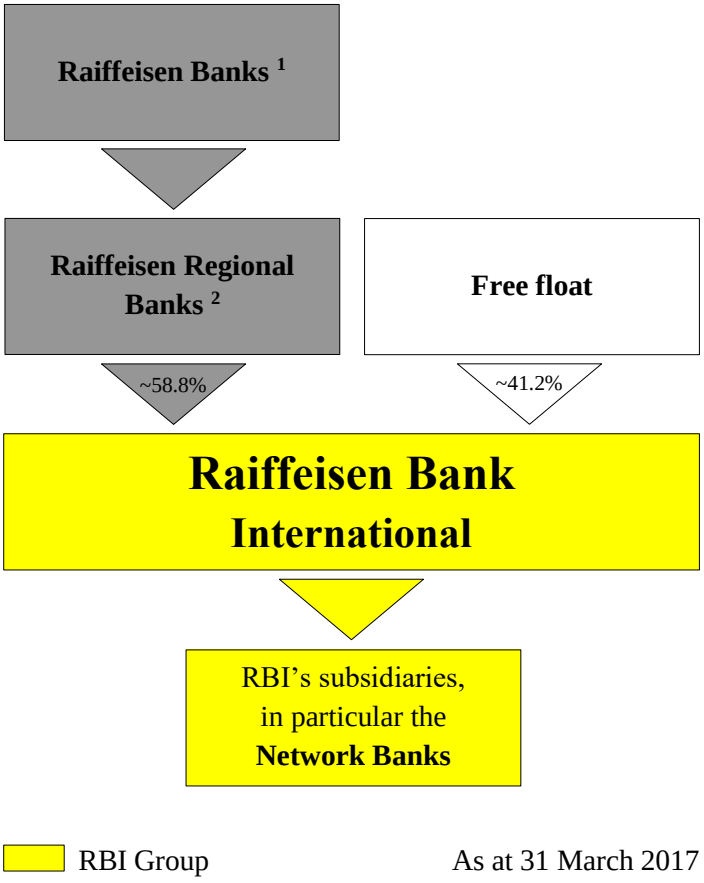
3. ORGANISATIONAL STRUCTURE

3.1. RBI is part of the Raiffeisen banking group Austria

RBI's majority shareholders are jointly the Raiffeisen Regional Banks (*Raiffeisen-Landesbanken*), which directly and/or indirectly hold approximately 58.8 per cent. of RBI's shares as at 31 March 2017. Each of the Raiffeisen Regional Bank is in turn directly and/or indirectly held by the locally operating Raiffeisen Banks in its respective federal province. On the other hand RBI is the central institution of the Raiffeisen Regional Banks (according to BWG, in particular § 27a BWG), functioning, *inter alia*, as the central liquidity clearing unit of the Raiffeisen Regional Banks, whereas each of the Raiffeisen Regional Banks is the central institution of the Raiffeisen Banks located in its respective federal province. RBI, Raiffeisen Regional Banks and Raiffeisen Banks, as well as most of their subsidiaries are jointly often referred to and commonly known as Raiffeisen banking group Austria (*Raiffeisen Bankengruppe Österreich*).

This group does not constitute a group of companies (*Konzern*) pursuant to § 15 of the Austrian Stock Corporation Act (*Aktiengesetz – AktG*) nor a credit institution group (*Kreditinstitutsgruppe*) pursuant to § 30 BWG nor a credit institution association (*Kreditinstitute-Verbund*) pursuant to § 30a BWG.

Simplified scheme of RBI's direct and indirect owners



(1) The Raiffeisen Banks are located in each of Austria's federal provinces, are mainly organised as co-operatives, act in their local environment as so-called universal credit institutions (*Universalkreditinstitute*). Each of the Raiffeisen Regional Banks is collectively owned by the Raiffeisen Banks in the respective federal province. For the avoidance of doubt, the Raiffeisen Banks neither belong to RBI Group nor the RBI Regulatory Group.

(2) The Raiffeisen Regional Banks are RAIFFEISEN LANDESBANK NIEDERÖSTERREICH-WIEN AG, Raiffeisen-Landesbank Steiermark AG, Raiffeisen Landesbank Oberösterreich Aktiengesellschaft, Raiffeisen Landesbank Tirol AG, Raiffeisenverband Salzburg eGen, Raiffeisenlandesbank Kärnten - Rechenzentrum und Revisionsverband regGenmbH, Raiffeisenlandesbank Burgenland und Revisionsverband regGenmbH, and Raiffeisenlandesbank Vorarlberg Waren- und Revisionsverband regGenmbH. They operate mainly at a regional level, render central services for the Raiffeisen Banks within their region and also operate as universal credit institutions. For the avoidance of doubt, the Raiffeisen Regional Banks neither belong to RBI Group nor the RBI Regulatory Group.

Due to disparities between certain regulatory and accounting provisions, RBI Group is not fully identical with RBI Regulatory Group. "**RBI Regulatory Group**" means, from time to time, any banking group: (i) to which the Issuer belongs; and (ii) to which the own funds requirements pursuant to Parts Two and Three of the CRR on a consolidated basis due to prudential consolidation in accordance with Part One, Title Two, Chapter Two of the CRR apply. For the avoidance of doubt, the Federal IPS is not such a banking group.

The term RBI Group therefore refers to the scope of consolidation in accordance with IFRS, while the RBI Regulatory Group refers to the scope of prudential consolidation of own funds which does not include all entities included in the RBI Group.

Like the Raiffeisen Banks and the Raiffeisen Regional Banks, RBI belongs to the Raiffeisen banking group Austria. Thus and due to its function as central institution of the Raiffeisen Regional Banks, RBI is a member of several joint institutions of the Raiffeisen banking group Austria, such as a statutory deposit guarantee scheme, a voluntary customer guarantee scheme and an institutional protection scheme ("**IPS**").

3.1.1. *Österreichischer Raiffeisenverband (Austrian Raiffeisen Association) and trademarks*

By virtue of RBIs membership in the Austrian Raiffeisen Association (*Österreichischer Raiffeisenverband* - "**ÖRV**"), RBI is entitled to use the name "Raiffeisen" and a logo element of the Raiffeisen organization, the so-called Gable Cross (*Giebelkreuz*). These are registered trademarks of the ÖRV. However, the "Raiffeisen Bank International" name and logo is a registered combined trademark of RBI in Austria, and the protection of the name and logo "Raiffeisen Bank International" has been expanded to all relevant countries where relevant units of RBI Group presently operate.

3.1.2. *Österreichische Raiffeisen-Einlagensicherung eGen (statutory deposit guarantee scheme)*

Pursuant to the Austrian Deposit Guarantee and Investor Protection Act (*Einlagensicherungs- und Anlegerentschädigungsgesetz* – "**ESAEG**"), 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 banking sector. RBI is a member of *Österreichische Raiffeisen-Einlagensicherung eGen* ("**ÖRE**"), the statutory deposit guarantor and investor compensator of the Raiffeisen banking group Austria. The amount of protected deposits with RBI is small and accordingly RBI's contributions to ÖRE are not substantial.

3.1.3. *Raiffeisen-Kundengarantiegemeinschaft Österreich (voluntary customer guarantee scheme)*

In addition to the statutory deposit guarantee scheme, the nationwide voluntary Raiffeisen Customer Guarantee Scheme Austria (*Raiffeisen-Kundengarantiegemeinschaft Österreich*, "**RKÖ**") shall provide supplementary protection in the event of bankruptcy of a member institution. RKÖ consists of the provincial Raiffeisen customer guarantee associations open to each of the Austrian Raiffeisen Banks and Raiffeisen Regional Banks as well as RBI. Approximately 83 per cent. of all Raiffeisen Banks are currently members of a customer guarantee association. RBI is also a member of RKÖ.

3.1.4. *Federal Institutional Protection Scheme ("Federal IPS")*

RBI became a member of the Federal Institutional Protection Scheme ("**Federal IPS**") and assumed from RZB all rights and obligations under the Federal IPS agreements of RZB in the course of the Merger 2017.

Hence, the Federal IPS currently consists of RBI, all Raiffeisen Regional Banks, Posojilnica Bank eGen, Raiffeisen Wohnbaubank Aktiengesellschaft and Raiffeisen Bausparkasse Gesellschaft m.b.H.

Pursuant to Article 113(7) CRR an Institutional Protection Scheme is required to ensure the solvency and liquidity of its members. Along with the Federal IPS, within the Raiffeisen banking group Austria there are six regional institutional protection schemes ("**Regional IPS**") formed by the respective Raiffeisen Regional Bank and its local Raiffeisen Banks as members. There are no Regional IPS in Salzburg and Carinthia. The Raiffeisen Regional Banks

and Raiffeisen Banks situated in these federal provinces operate regional voluntary solidarity schemes instead. A Raiffeisen Regional Bank shall be supported in the first instance, by the Regional IPS or solidarity scheme, as the case may be; if there is insufficient capacity on regional level, Federal IPS steps in.

All IPS of the Raiffeisen banking group Austria are based on and are constituted under civil law agreements. Each member of the Federal IPS may terminate its membership of the Federal IPS with two years' notice by the end of a calendar quarter. However, for a period of three years from the Merger 2017, the Issuer has waived its right to give notice of termination.

The Federal IPS is required by the regulator to set up an *ex-ante* fund by contributions of its members. The Federal IPS fund's current target volume is EUR 827 million, to be reached by end-2022; it is based on the results of an annual stress test and confirmed by the regulator. The current fund size is EUR 187 million as of 31 December 2016. In 2016, RZB Group's contribution was approximately EUR 75 million.

Under the Federal IPS agreements, ÖRE is mandated to invest the resources of the Federal IPS fund as a trustee and to operate the Federal IPS' security schemes.

Financial support to members may take various forms including guarantees, liquidity support, loans and or equity subscriptions. Financial resources for such support are primarily taken from the *ex-ante* fund. If necessary, additional resources will be provided by ex-post contributions going up to 50 per cent. of the average operating income of a member of the last three business years, however limited by the preservation of the respective minimum regulatory capital requirements plus a 10 per cent. buffer. Additional contributions may be requested from members up to 25 per cent. of their remaining capital in excess of its minimum regulatory capital requirement (plus 10 per cent. buffer), if any. Further contributions may be made on a voluntary basis or if required by the regulator.

3.2. Dependencies from other entities within RBI Group

RBI is dependent from valuations of and dividends from its subsidiaries. RBI is further dependent from outsourced operations, in particular in the areas of back-office activities as well as IT.

4. TREND INFORMATION

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

There have been no material adverse changes in the prospects of RBI since 31 December 2016.

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

RBI has identified the following trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on its prospects for at least the current financial year:

- ***Continuing increase in governmental and regulatory requirements.*** Under the SSM, the ECB is given specific tasks related to financial stability and banking supervision, among others empowering the ECB to directly supervise significant banks such as RBI (both, on an individual level as well a as on the consolidated level of RBI Regulatory Group). The ECB is, *inter alia,* empowered to require significant credit institutions to comply with additional individual own funds and liquidity adequacy requirements in particular as part of the supervisory review and evaluation process "(**SREP**") (which may exceed regular regulatory requirements) or take early correction measures to address potential problems. The new supervisory regime and the SSM's supervisory new procedures and practices are not yet fully established and/or disclosed and it is expected that these will be subject to constant scrutiny, change and development. A further pillar of the Banking Union is the SRM which is meant to establish a uniform procedure for the resolution of credit institutions that are subject to the SSM. As a result of a resolution measure under the SRM, a creditor of RBI may already be exposed to the risk of losing part or all of the invested capital prior to the occurrence of insolvency or a liquidation of RBI. These developments may result in negative consequences and charges for RBI (Regulatory) Group and could have a material adverse effect on RBI Group's prospects. Furthermore, full implementation of the capital and liquidity requirements introduced by Basel III (as implemented by the CRD IV and CRR), as well as any stress tests that the ECB may conduct in its capacity as the European banking supervisor, could lead to even more stringent requirements being imposed on RBI and the RBI (Regulatory) Group with regard to capital adequacy

and liquidity planning and this in turn may restrict RBI´s margin and potential for growth. The implementation of multifaceted regulatory requirements will also put pressure on RBI in the years to come. (See risk factor "*New governmental or regulatory requirements and changes in perceived levels of adequate capitalisation and leverage could lead to increased capital requirements and reduced profitability for RBI Group.*").

- ***General trends regarding the financial industry.*** The trends and uncertainties affecting the financial sector in general and consequently also RBI Group continue to include the macroeconomic environment. The financial sector as a whole, but in particular also RBI Group, is affected by the related instability of and increased volatility on the financial markets. RBI Group will not be able to escape the effects of corporate insolvencies, deteriorations in the creditworthiness of borrowers and valuation uncertainties due to the volatile securities market. Likewise, the extraordinarily low interest rate level could affect the behaviour of investors and clients alike, which may lead to weaker provisioning and/or pressure on the interest rate spread. In 2017, RBI Group therefore faces a difficult environment once again.

4.3. Profit Forecasts or Estimates

Not applicable. This Prospectus does not contain profit forecasts or estimates.

5. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

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

The members of the Management Board and Supervisory Board may be contacted at RBI's business address at Am Stadtpark 9, A-1030 Vienna, Austria.

The current members of the Management Board and the Supervisory Board listed below have extensive experience in the Austrian banking market and the Raiffeisen banking group Austria and hold the following additional supervisory board mandates or similar functions in various companies as of the date of this Prospectus.

Body (members)	**Major functions outside RBI** (functions within RBI Group are marked with *)
Members of RBI's Management Board	
Johann Strobl (Chairman)	▪ ***Supervisory Board*** – Raiffeisen Bank Polska S.A., Poland (*chairman*)* – Raiffeisenbank a.s., Prague, Czech Republic* – AO Raiffeisenbank, Moscow, Russia *(chairman)** – Raiffeisen Bank S.A., Bucharest, Romania *(chairman)** – DAV Holding Kft, Budapest, Hungary (*chairman*)* – Tatra banka, a.s., Bratislava, Slovakia*
Klemens Breuer (Deputy Chairman)	▪ ***Supervisory Board*** – Raiffeisen (Beijing) Investment Management Co., Ltd., Beijing, China *(chairman)** – Raiffeisen Centrobank AG *(chairman)** – Raiffeisen Kapitalanlage-Gesellschaft mit beschränkter Haftung (*chairman*)* – Kathrein Privatbank Aktiengesellschaft* – Raiffeisen Bank Polska S.A, Warsaw, Poland* – Raiffeisen Bank S.A., Bucharest, Romania* – AO Raiffeisenbank, Moscow, Russia* – Raiffeisenbank a.s., Prague, Czech Republic* *(chairman)* – Tatra banka a.s., Bratislava, Slovakia* (chairman as of 1 July 2017) – UNIQA Insurance Group AG

Martin Grüll	▪ ***Supervisory Board*** – ZUNO BANK AG *(chairman)** – Raiffeisen Bank Aval JSC, Kiew, Ukraine *(chairman)** – Priorbank JSC, Minsk, Belarus *(chairman)** – Raiffeisenbank (Bulgaria) EAD, Sofia, Bulgaria* – AO Raiffeisenbank, Moscow, Russia* – Raiffeisenbank Polska S.A., Warsaw, Poland* – Raiffeisenbank a.s., Prague, Czech Republic* – Raiffeisen Bank S.A., Bucharest, Romania* – Tatra banka, a.s., Bratislava, Slovakia* ▪ ***Advisory Board*** – Raiffeisen Property Holding International GmbH (*First Vice Chairman*)* ▪ ***Managing Director*** – Raiffeisen CEE Region Holding GmbH* – Raiffeisen CIS Region Holding GmbH* – Raiffeisen RS Beteiligungs GmbH* – Raiffeisen SEE Region Holding GmbH*
Andreas Gschwenter	▪ ***Supervisory Board*** – Raiffeisenbank Austria d.d., Zagreb, Croatia *(chairman)** – Raiffeisen Bank Zrt., Budapest, Hungary *(chairman)** – AO Raiffeisenbank, Moscow, Russia* – Raiffeisenbank a.s., Prague, Czech Republic* – Raiffeisen Bank Polska S.A., Poland* – Raiffeisen Bank S.A., Burcharest, Romania* – Tatra banka, a.s., Bratislava, Slovakia* – RSC Raiffeisen Service Center GmbH*
Peter Lennkh	▪ ***Supervisory Board*** – Raiffeisen banka a.d., Belgrad, Serbia *(chairman)* * – AO Raiffeisenbank, Moscow, Russia* – Raiffeisen Bank d.d. Bosna i Hercegovina, Sarajevo, Bosnia and Herzegovina* – Raiffeisenbank a.s., Prague, Czech Republic* – Raiffeisen Bank Polska S.A., Poland* – Raiffeisen Bank S.A., Bucharest, Romania* – Tatra banka a.s., Bratislava, Slovakia* – Oesterreichische Kontrollbank Aktiengesellschaft ▪ ***Advisory Board*** – RBI LGG Holding GmbH *(chairman)**
Hannes Mösenbacher	▪ ***Supervisory Board*** – Raiffeisen Bank d.d. Bosna i Hercegovina, Sarajevo, Bosnia and Herzegovina *(chairman)** – Raiffeisen Centrobank AG* – Raiffeisen Bank Polska S.A., Warsaw, Poland* – Raiffeisenbank a.s., Prague, Czech Republic* – AO Raiffeisenbank, Moscow, Russia* – Tatra banka a.s., Bratislava, Slovakia* *(member as of 1 July 2017)*

Members of RBI's Supervisory Board

Erwin Hameseder *(Chairman)*	▪ ***Management Board*** – RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN registrierte Genossenschaft mit beschränkter Haftung (*chairman*) ▪ ***Supervisory Board*** – AGRANA Beteiligungs-Aktiengesellschaft (*chairman*) – LEIPNIK-LUNDENBURGER INVEST Beteiligungs Aktiengesellschaft (chairman) – Kurier Redaktionsgesellschaft m.b.H. (chairman) – KURIER Zeitungsverlag und Druckerei Gesellschaft m.b.H. (chairman) – Mediaprint Zeitungs- und Zeitschriftenverlag Gesellschaft m.b.H. (*chairman*) – RAIFFEISEN LANDESBANK NIEDERÖSTERREICH-WIEN AG (*chairman*) – RWA Raiffeisen Ware Austria Aktiengesellschaft – Südzucker AG, Mannheim, Deutschland – STRABAG SE – UNIQA Insurance Group AG ▪ ***Managing Director*** – Medicur - Holding Gesellschaft m.b.H. – Printmedien Beteiligungsgesellschaft m.b.H. ▪ ***Shareholders' committee*** – Kurier Redaktions GmbH& Co KG
Martin Schaller *(First Deputy Chairman)*	▪ ***Management Board*** – Raiffeisen-Landesbank Steiermark AG (chairman) ▪ ***Supervisory Board/Advisory Board*** – Landes-Hypothekenbank Steiermark Aktiengesellschaft (chairman) – GRAWE-Vermögensverwaltung – Grazer Wechselseitige Versicherung Aktiengesellschaft – ÖWGES Gemeinnützige Wohnbaugesellschaft m.b.H – Comm-Unity EDV GmbH – Raiffeisen Informatik Center Steiermark GmbH – Raiffeisen Software GmbH ▪ ***Managing Director*** – RLB-Stmk Verbund eGen – RLB-Stmk Verwaltung eGen – RLB-Stmk Holding eGen
Heinrich Schaller *(Second Deputy Chairman)*	▪ ***Management Board*** – Raiffeisenlandesbank Oberösterreich Aktiengesellschaft (*chairman*) ▪ ***Supervisory Board*** – OÖ Wohnbau Gesellschaft für den Wohnungsbau, gemeinnützige GmbH *(chairman)* – OÖ Wohnbau gemeinnützige Wohnbau- und Beteiligung GmbH *(chairman)* – Salzburger Landeshypothekenbank Aktiengesellschaft *(chairman)* – AMAG Austria Metall AG – Energie AG Oberösterreich – Oberösterreichische Landesbank Aktiengesellschaft – Raiffeisen Software GmbH – Salinen Austria Aktiengesellschaft – Österreichische Salinen Aktiengesellschaft – voestalpine AG – VIVATIS Holding AG – Oesterreichische Kontrollbank Aktiengesellschaft ▪ ***Managing Director*** – RLB Holding reg. Gen.m.b.H OÖ – RBG OÖ Verbund eGen

Bettina Selden	
Birgit Noggler	▪ ***Managing Director*** – BIN Beteiligungsverwaltungs GmbH ▪ ***Supervisory Board*** – NOE Immobilien Development AG – Immigon portfolioabbau ag
Eva Eberhartinger	▪ ***Supervisory Board*** – Österreichische Bundesfinanzierungsagentur – Maxingvest AG, Hamburg, Deutschland
Klaus Buchleitner	▪ ***Management Board*** – RAIFFEISEN LANDESBANK NIEDERÖSTERREICH-WIEN AG (*chairman*) ▪ ***Supervisory Board*** – NÖM AG (*chairman*) – Raiffeisen Software GmbH *(chairman)* – BayWa Aktiengesellschaft, München, Deutschland – LEIPNIK-LUNDENBURGER INVEST Beteiligungs Aktiengesellschaft – Niederösterreichische Versicherung AG – Saint Louis Sucre S.A., Paris, France – Süddeutsche Zuckerrübenverwertungs-Genossenschaft e.G., Ochsenfurt, Deutschland – AGRANA Beteiligungs-Aktiengesellschaft ▪ ***Corporate Management*** – RAIFFEISEN-HOLDING NIEDERÖSTERREICH-WIEN registrierte Genossenschaft mit beschränkter Haftung
	▪ ***Shareholders' committee*** – Austria Juice GmbH
Peter Gauper	▪ ***Management Board*** – Raiffeisenlandesbank Kärnten - Rechenzentrum und Revisionsverband reg. Gen.m.b.H. (chairman) – Raiffeisen-Bezirksbank Klagenfurt ▪ ***Managing Director*** – Raiffeisen-Vermögensverwertungs GmbH – RB Verbund GmbH – RBK GmbH – RLB Beteiligungsmanagement GmbH – RLB Verwaltungs GmbH – RS Beteiligungs GmbH – RLB Unternehmensbeteiligungs GmbH
Wilfried Hopfner	▪ ***Management Board*** – Raiffeisenlandesbank Vorarlberg Waren- und Revisionsverband reg. Gen.m.b.H. (chairman)
Rudolf Könighofer	▪ ***Management Board*** – Raiffeisenlandesbank Burgenland und Revisionsverband reg. Gen.m.b.H. (chairman) – Raiffeisenbezirksbank Güssing eGen – Raiffeisenbezirksbank Oberpullendorf eGen – Raiffeisenbezirksbank Oberwart eGen ▪ ***Supervisory Board*** – Raiffeisen Informatik GmbH – UNIQA Insurance Group AG – Neue Eisenstädter gemeinnützige Bau-, Wohn-, und Siedlungsgesellschaft mbH ▪ ***Shareholder's committee:*** – Raiffeisen Software GmbH
Johannes Ortner	▪ ***Management Board*** – Raiffeisen-Landesbank Tirol AG (chairman) ▪ ***Supervisory Board*** – Raiffeisen Software GmbH ▪ ***Managing Director*** – Livera Raiffeisen Immobilien Leasing GmbH

▪ **Günther Reibersdorfer**	▪ ***Management Board*** – Raiffeisenverband Salzburg eGen ▪ ***Supervisory Board*** – GEISLINGER GmbH – Porsche Bank Aktiengesellschaft ▪ ***Managing Director*** – Agroconsult Austria Gesellschaft m.b.H.

Members of the Supervisory Board delegated by the Staff Council:

Rudolf Kortenhof (*Chairman of the Staff Council*)	–
Peter Anzeletti-Reikl (*1st Deputy to the Chairman of the Staff Council*)	–
Susanne Unger (*2nd Deputy to the Chairman of the Staff Council*)	–
Natalie Egger Grunicke	–
Helge Rechberger	–

Source: Internal data.

Other / state commissioners (*Staatskommissäre*) and government commissioners (*Regierungskommissäre*)

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

A government commissioner (*Regierungskommissar*) and a deputy are appointed by the Federal Ministry of Finance for a period of no more than five years. Re-appointments are permissible. It is their task to audit cover pools according to the Austrian Act on Covered Bank Bonds (*Gesetz vom 27. Dezember 1905, betreffend fundierte Bankschuldverschreibungen - FBSchVG*). The roles are currently filled by **Dietmar Schuster** as government commissioner and **Josef Dorfinger** as deputy government commissioner.

5.2. Administrative, Management and Supervisory bodies' Potential Conflicts of Interest

RBI is not aware of any undisclosed respectively unmanaged conflicts of interest between the obligations of the Supervisory Board members and/or the Management Board members and their private or other interests.

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

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

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

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

The various functions held by the members of the Supervisory Board might cause a potential conflict of interest in specific circumstances. However, the members of the Supervisory Board are required to disclose immediately any conflict of interest to the Chairman of 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. In the event that the Chairman himself should encounter a conflict of interest, he must report this immediately to the Deputy Chairman.

No family ties between the members of the Management Board or Supervisory Board or any senior managers of the Issuer exist, except for Heinrich Schaller and Martin Schaller who are brothers.

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

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

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

The Supervisory Board of RBI is exclusively composed of qualified banking experts (see section 5.1. *Members of the administrative, management and supervisory bodies of RBI* above). Conflicts of interest may arise if Supervisory Board members are members of the supervisory boards of companies competing with RBI.

Generally, members of the Issuer´s executive bodies serving on management or supervisory boards outside RBI Group, including customers of and investors in RBI Group as well as companies of the Raiffeisen banking group Austria not related on a group level with RBI Group, may, in individual cases, be confronted with potential conflicts of interest if the Issuer maintains active business relations with said companies.

To the extent that members of executive bodies simultaneously serve on the management or supervisory boards of companies outside RBI Group, such companies (including customers of and investors in RBI Group as well as companies of the Raiffeisen banking group Austria not related on a group level with RBI Group) may also compete with RBI.

6. MAJOR SHAREHOLDERS

6.1. Shareholders of RBI

RBI is majority-owned by the Raiffeisen Regional Banks which jointly hold approximately 58.8 per cent. of RBI's issued shares as of 31 March 2017. The free float is 41.2 per cent. of RBI's issued shares.

RBI's nominal share capital consists of 328,939,621 shares, all of which are outstanding with equal voting rights. The following table sets forth the number of shares and the percentage of outstanding shares beneficially owned by RBI's principal shareholders, the Raiffeisen Regional Banks. To RBI's knowledge, no other shareholder beneficially owns more than 4 per cent. of RBI's shares. Raiffeisen Regional Banks do not have voting rights that differ from other shareholders.

Shareholders of RBI* (ordinary shares held directly and/or indirectly)	**Per cent. of share capital**
RAIFFEISEN LANDESBANK NIEDERÖSTERREICH-WIEN AG	22.6 per cent.
Raiffeisen-Landesbank Steiermark AG	10.0 per cent.
Raiffeisen Landesbank Oberösterreich Aktiengesellschaft	9.5 per cent.
Raiffeisen Landesbank Tirol AG	3.7 per cent.
Raiffeisenverband Salzburg eGen	3.6 per cent.
Raiffeisenlandesbank Kärnten - Rechenzentrum und Revisionsverband regGenmbH	3.5 per cent.
Raiffeisenlandesbank Burgenland und Revisionsverband regGenmbH	3.0 per cent.
Raiffeisenlandesbank Vorarlberg Waren- und Revisionsverband regGenmbH	2.9 per cent.
Sub-total Raiffeisen Landesbanken	**58.8 per cent.**
Sub-total free float	**41.2 per cent.**
Total	**100 per cent.**

*) excluding 509,977 treausry shares

Source: Internal data, as of 31 March 2017

6.2. Arrangements, known to RBI, the operation of which may at a subsequent date result in a change in control of RBI

At the date of this Prospectus, there are no arrangements, known to RBI, the operation of which may at a subsequent date result in a change in control of RBI.

7. FINANCIAL INFORMATION AND DOCUMENTS INCORPORATED BY REFERENCE

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

The financial information of RBI for the fiscal years 2015 and 2016 and RZB for the fiscal year 2016 incorporated by reference does not yet reflect the Merger 2017. The Merger 2017 is reflected for the first time in the unaudited consolidated financial statements of RBI for the three months ended 31 March 2017.

In the information extracted from RBI's First Quarter Report as of 31 March 2017, RBI's Annual Report 2016, RBI's Annual Report 2015 and RZB's Annual Report 2016 pursuant to sub-sections a) to d) below,

(i) the terms "Raiffeisen Bank International (RBI)" or "RBI" refer to "RBI Group" as defined in this Prospectus;

(ii) the term "RBI AG" refers to "the Issuer" or "RBI" as defined in this Prospectus;

(iii) the term "RZB AG" refers to "RZB" as defined in this Prospectus and

(iv) the term "RZB" refers to "RZB Group".

a. Translations of the unaudited interim consolidated financial statements of RBI for the three months ended 31 March 2017

Extracted from RBI's First Quarter Report as of 31 March 2017

– Statement of Comprehensive Income	pages 33 – 35
– Statement of Financial Position	page 36
– Statement of Changes in Equity	page 37
– Statement of Cash Flows	pages 38
– Segment Reporting	pages 39 – 43
– Notes	pages 44 – 94

The First Quarter Report as of 31 March 2017 of RBI containing the unaudited interim consolidated financial statements of RBI for the three months ended 31 March 2017 is made available on the website of the Issuer under
http://qr012017.rbinternational.com (in English) and
http://zb012017.rbinternational.com (in German).

b. Translations of the audited consolidated financial statements of RBI for the fiscal year 2016 and of the auditor's report

Extracted from RBI's Annual Report 2016

– Statement of Comprehensive Income	pages 86 – 88
– Statement of Financial Position	page 89
– Statement of Changes in Equity	page 90
– Statement of Cash Flows	pages 91f
– Segment Reporting	pages 93 – 99
– Notes	pages 100 – 231
– Auditor's Report	pages 233 – 238

The Annual Report 2016 of RBI containing the audited consolidated financial statements of RBI for the fiscal year 2016 is made available on the website of the Issuer under
http://ar2016.rbinternational.com (in English) and
http://gb2016.rbinternational.com (German)

c. Translations of the audited consolidated financial statements of RBI for the fiscal year 2015 and of the auditor´s report

Extracted from RBI's Annual Report 2015

– Statement of Comprehensive Income	pages 78 – 80
– Statement of Financial Position	page 81
– Statement of Changes in Equity	page 82
– Statement of Cash Flows	pages 83 – 84
– Segment Reporting	pages 85 – 91
– Notes	pages 92 – 223
– Auditor´s report	pages 224 – 225

The Annual Report 2015 of RBI containing the audited consolidated financial statements of RBI for the fiscal year 2015 is made available on the website of the Issuer under
http://ar2015.rbinternational.com (in English) and
http://gb2015.rbinternational.com (German).

The auditor's reports dated 2 March 2016 and 28 February 2017, respectively, regarding the German language annual consolidated financial statements of RBI for the fiscal years 2015 and 2016 do not contain any qualifications. RBI is responsible for the non-binding English language convenience translation of its audited annual consolidated financial statements for the financial years ended 31 December 2015 and 2016 and the related audit opinions as well as the unaudited interim consolidated financial statement for the three months' period ended 31 March 2017.

As of 31 December 2016, RBI Group was still a sub-group of RZB Group. However, RZB merged into RBI as of 18 March 2017, therefore this Prospectus also incorporates by reference the specified pages of RZB's Annual Report 2016 – which have been published prior to this Prospectus and which have been filed with the CSSF – into this Prospectus and form part of it. RBI is responsible for the non-binding English language convenience translation of the audited annual consolidated financial statements of RZB for the financial year ended 31 December 2016 and the related audit opinion.

d. Translations of the audited consolidated financial statements of RZB for the fiscal year 2016 and of the auditor's report

Extracted from RZB's Annual Report 2016

–	Statement of Comprehensive Income	pages 26 – 28
–	Statement of Financial Position	page 30
–	Statement of Changes in Equity	page 31
–	Statement of Cash Flows	pages 32f
–	Segment Reporting	pages 34 – 36
–	Notes	pages 37 – 179
–	Auditor's Report	pages 180 – 185

The Annual Report 2016 of RZB containing the audited consolidated financial statements of RZB for the fiscal year 2016 is made available on the website of the Issuer under

rzbgb2016.rbinternational.com (German) and
rzbar2016.rbinternational.com (English)

The documents incorporated by reference include the following Alternative Performance Measures ("**APM**"):

"**Return on Equity**" provides a profitability measure for both management and investors by expressing the net profit for the period as presented in the income statement as a percentage of the respective underlying (either equity related or asset related). Return on equity demonstrates the profitability of the bank on the capital invested by its shareholders and thus the success of their investment. Return on Equity is a useful measure to easily compare the profitability of a bank with other financial institutions.

ROE (before/after tax); Return on equity – Return on the total equity including non-controlling interests, *i.e.* profit before tax respectively after tax in relation to average equity on the statement of financial position. Average equity is calculated on month-end figures including non-controlling interests and does not include current year profit.

Consolidated Return on Equity – consolidated profit in relation to average consolidated equity, *i.e.* the equity attributable to the shareholders of RBI. Average equity is based on month-end figures excluding non-controlling interests and does not include current year profit.

"**Cost/income ratio**" is an economic metric and shows the company's costs in relation to its income. The ratio gives a clear view of operational efficiency. Banks use the Cost/income ratio as an efficiency measure for steering the bank and for easily comparing its efficiency with other financial institutions

Cost/income ratio – General administrative expenses in relation to operating income (less bank levies, impairments of goodwill, releases of negative goodwill and any non-recurring effects reported under sundry operating expenses).

The "**loan/deposit ratio**" indicates a bank's ability to refinance its loans by deposits rather than wholesale funding.

Loan/deposit ratio (net) – Loans and advances to customers less impairment losses, in relation to deposits from customers (in each case less claims and obligations from (reverse) repurchase agreements and securities lending).

Loan to local stable funding ratio (LLSFR) – This ratio includes a wider range of refinancing considering further stable funding. LLSFR is used as a measure for the prudence of a bank indicating the local refinancing structure of subsidiary banks. The sum of total loans and advances to customers less impairment losses on loans and advances to customers, divided by the sum of deposits from non-banks, funding from supranational institutions, capital from third parties and the total outstanding bonds (with an original maturity of at least one year issued by a subsidiary bank to investors outside the bank`s consolidated group).

"**Net interest margin**" is used for external comparison with other banks as well as an internal profitability measurement of products and segments.

Net interest margin (average interest-bearing assets) – Net interest income in relation to average interest-bearing assets.

Interest-bearing assets – Total assets less trading assets and derivatives (as interest income disclosed under net trading income), intangible fixed assets, tangible fixed assets, and other assets.

"**NPL ratio**" is an economic ratio to demonstrate the proportion of loans that have been classified as non-performing in relation to the entire loan portfolio. The definition of non-performing has been adopted from regulatory standards and guidelines and comprises in general those customers where repayment is doubtful, a realization of collaterals is expected and which thus have been moved to a defaulted customer rating segment. The ratio reflects the quality of the loan portfolio of the bank and provides an indicator for the performance of the bank's credit risk management.

NPL – Non-performing loans. A loan is classified as **non-performing** when it is expected that a specific debtor is unlikely to pay its credit obligations to the bank in full, or the debtor is overdue by 90 days or more on any material credit obligation to the bank (RBI has defined twelve default indicators).

NPL ratio – Non-performing loans in relation to total loans and advances to customers.

"**NPL coverage ratio**" describes to which extent non-performing loans have been covered by impairments thus expressing also the ability of a bank to absorb losses from its NPL.

NPL coverage ratio – Impairment losses on loans and advances to customers in relation to non-performing loans to customers.

"**Operating result**" is used to describe the operative performance of a bank for the reporting period.

Operating result – Consists of operating income less general administrative expenses.

Operating income – Comprises net interest income, net fee and commission income, net trading income and other net operating income (less bank levies, impairments of goodwill, releases of negative goodwill and any non-recurring effects reported under sundry operating expenses).

Other results – Consists of net income from derivatives and liabilities, net income from financial investments, expenses for bank levies, impairment of goodwill, releases of negative goodwill, net income from disposal of Group assets and any non-recurring effects reported under sundry operating expenses.

Any information not listed in the cross-reference list above but contained in one of the documents mentioned as source documents in such cross-reference list is pursuant to Article 28 (4) of the Prospectus Regulation not incorporated by reference as it is either not relevant for the investor or covered in another part of this Prospectus.

Documents incorporated by reference have been published on RBI's website www.rbinternational.com. Copies of all of the documents which are incorporated herein by reference will be available free of charge at the office of RBI at Am Stadtpark 9, 1030 Vienna, Austria. The latest audited financial information covers the business year ending on 31 December 2016.

8. LEGAL AND ARBITRATION PROCEEDINGS

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

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

8.1. Following the insolvency of Alpine Holding GmbH ("**Alpine**") in 2013, a number of lawsuits were filed by retail investors in Austria against RBI and another credit institution in connection with a bond which had been issued by Alpine in 2012 in an aggregate principal amount of EUR 100 million. The claims against RBI, filed either directly or by investors represented by a "class action association", amount to approximately EUR 10 million. Among others, it is claimed that the banks acted as joint lead managers of the bond issue and were or at least should have been aware of the financial problems of Alpine at the time of the issue. Thus, they should have known that Alpine was not in a position to redeem the bonds as set forth in the terms and conditions of the bonds. It is alleged that the capital market prospectus in relation to the bond issue was misleading and incomplete and that the joint lead managers including RBI, which were also involved in the preparation of the prospectus, were aware of that fact.

8.2. Particularly in connection with its lending activities, RBI Group is from time to time subject to claims from insolvency administrators or similar persons or authorities, seeking to recover assets of insolvent borrowers. In February 2012, a claim was submitted to RZB and RBI in which it was asserted that a repayment under a syndicated loan agreement was made to RZB and/or RBI prior to its agreed maturity date by a borrower who afterwards was declared insolvent. A court action was instigated by the insolvency administrator. The first instance court issued a judgment upholding the claim, but RBI filed an appeal. The judgment of the appeal court is to be expected by the end of 2017. As at the beginning of 2017, the total amount in dispute including accrued interest amounted to approximately EUR 45 million.

8.3. In September 2014, the administration of an insolvent counterparty instigated litigation proceedings against RBI in England. The counterparty's administration asserted a claim of approximately EUR 16 million plus interest resulting from incorrect calculation of the termination value of repurchase and securities lending transactions. The judgment issued in March 2017 rejected the asserted claim. The plaintiff may still appeal against such judgment.

8.4. RBI was served with a lawsuit by the Romanian Ministry of Finance against RBI and Banca de Export Import a Romaniei Eximbank SA ("**EximBank**") regarding payment of EUR 10 million in May 2017. According to the lawsuit, in the year 2013, RBI issued a letter of credit on the amount of EUR 10 million for the benefit of the Romanian Ministry of Traffic, on the request of a Romanian customer of RBI's Romanian Network Bank Raiffeisen Bank S.A., Bucharest. EximBank acted as advising bank of RBI in Romania. The Romanian Ministry of Traffic had sent a payment request under the mentioned letter of credit in March 2014 which had been denied by RBI as having been received after termination date thereof.

8.5. In May 2017, a subsidiary holding company of RBI has been sued for an amount of approximately EUR 12 million in Austria for breach of warranties under a share purchase agreement relating to a real estate company. The claimant, *i.e.* the purchaser under the share purchase agreement, alleges the breach of a warranty, more precisely it alleges the defendant warranted that the company sold under the share purchase agreement had not waived potential rental payment increases to which it may have been entitled.

8.6. In December 2016, a French company filed a law suit at the Commercial Court in Paris against Raiffeisen Bank Polska S.A. ("**RBPL**") and RBI. The French company claims damages from both banks in the aggregate amount of EUR 15.3 million alleging that RBPL failed to comply with duties of care when opening an account for a certain customer and executing money transfers through this account, and that RBI acted as a correspondent bank in this context and failed to comply with duties of care when doing so.

8.7. In June 2012, a client (the "**Slovak Claimant**") of the Issuer's subsidiary in Slovakia, Tatra banka, a.s. ("**Tatra banka**") filed a petition for compensation of damage and lost profits in the amount of approximately EUR 71 million. The lawsuit is connected with certain credit facilities agreements entered into between Tatra banka and the Slovak Claimant. The Slovak Claimant claims that Tatra banka breached its contractual obligations by refusing to execute payment orders from the Slovak Claimant´s accounts without cause and by not extending the maturity of facilities despite a previous promise to do so, which led to non-payment of the Slovak Claimant's obligations towards its business partners and the termination of the Slovak Claimant´s business activities. In February 2016, the Slovak Claimant filed a petition for increasing the claimed amount by EUR 50 million but the court refused this petition. However, a constitutional appeal is filed regarding this court's decision. The constitutional court refused this appeal.

Furthermore, a Cypriot company (the "**Cypriot Claimant**") filed a separate action for damages in the amount of approximately EUR 43.1 million. In January 2016, the Cypriot Claimant filed a petition for increasing the claimed amount by EUR 84 million and the court approved this petition. It means that the total claimed amount in this lawsuit is approximately EUR 127 million. This lawsuit is connected with the proceeding of the Slovak Claimant above because the Cypriot Claimant having filed the action had acquired the claim from a shareholder of the holding company of the Slovak Claimant. Subject matter of the claim is the same as in the proceeding above. According to the Cypriot Claimant, this had caused damage to the Slovak Claimant and, thus, also to the shareholder of the holding company in the form of a loss of value of its shares. Subsequently, said shareholder assigned his claim to the Cypriot Claimant. The Cypriot Claimant claims that Tatra banka acted contrary to the good morals as well as contrary to fair business conduct and requires Tatra banka to pay part of its claims corresponding to the loss in value of the holding company's shares. The proceeding was interrupted until the final decision in the EUR 71 million case above is issued.

8.8. Following an assignment of Tatra banka's receivable (approximately EUR 3.5 million) against a corporate customer to an assignee, two lawsuits in the total amount of approximately EUR 18.6 million were filed by the original shareholders of the corporate customer against Tatra banka. Their shares in the corporate customer had been pledged as security for a financing provided by Tatra banka to the corporate customer. The claims are claims for compensation of damages which were incurred by the original shareholders as a consequence of an alleged late notification of the assignment to the original shareholders, the fact that the assignee had realized the pledge over the shares and, thus, the original shareholders ceased to be the shareholders of the corporate customer as well as the fact that the assignee had realized a mortgage over real estates of the corporate customer (which had also been created as a security for the financing provided by Tatra banka to the corporate customer). The original shareholders claimed that the value of the corporate customer was EUR 18.6 million and that this amount would represent the damage incurred by them due to the assignment of Tatra banka´s claim against the corporate customer.

Subsequently, the original shareholders assigned their claims under the lawsuits mentioned above to a Panamanian company which is now the plaintiff. The plaintiff claims that Tatra banka had acted in contradiction of good faith principles and that it had breached an obligation arising from the Slovak Civil Code.

8.9. In 2011, a client of Raiffeisenbank Austria, d.d., Croatia ("**RBHR**") launched a claim for damages in the amount of approximately HRK 143.5 million (equals approximately EUR 19.2 million) and alleged that damages have been caused by an unjustified termination of the loan. In February 2014, the Zagreb Commercial Court issued a judgment by which the claim was declined. The plaintiff launched an appeal against this judgment which is not finally decided.

8.10. In 2015, a former client of RBHR launched a claim for damages in the amount of approximately HRK 181 million (equals approximately EUR 24 million) based on the allegation that RBHR had acted fraudulently by terminating loans, which had been granted for the financing of the client's hotel business, without justification. In previous court proceedings in respect of the termination of the loans as well as the enforcement over the real estate, all final judgments were in favor of RBHR. Based on that fact RBHR's attorneys are of the opinion that the claim is unfounded. Several hearings were held as well as submissions exchanged. So far, no ruling was passed.

8.11. In 2014, a group of former clients of RBHR launched several claims for damages in the amount of approximately HRK 120.7 million (equals approximately EUR 17 million) based on the allegation that RBHR had acted fraudulently by terminating and collecting loans. In some of the court proceedings the court issued a judgment by which the claims were declined. The plaintiffs launched an appeal against the judgments which are not finally decided. In all these cases RBHR's attorneys are of the opinion that the claims are unfounded.

8.12. In 2015, various plaintiffs launched two lawsuits against the Issuer's Romanian Network Bank Raiffeisen Bank S.A., Bucharest, claiming damages in the amount of RON 45 million and RON 35 million, respectively, based on the allegation that unfair terms in credit agreements had been used. According to the defendant's assessment, the RON 45 million claim was filed outside legal deadlines. In late 2015, the RON 45 million claim was split into over 180 separate litigations and the RON 35 million claim was also split into over 160 individual cases. Most of the individual litigations were won by Raiffeisen Bank S.A. on the merits meanwhile, part of them are already finally closed.

8.13. In 2015, a former client of the Issuer's Network Bank in the Czech Republic, Raiffeisenbank a.s. ("**RBCZ**"), launched a lawsuit against RBCZ claiming damages in the amount of approximately CZK 371 million based on the allegation that RBCZ caused damage to him by refusing to provide further financing to him. Owing to the non-payment of court fees by the claimant, a court ruling on dismissal of the lawsuit was issued but has been appealed by the claimant.

8.14. RBCZ and Raiffeisen - Leasing, s.r.o. have been approached by a Czech leasing company ("**Czech Leasing**") demanding CZK 1,057,114,000 (approximately EUR 40,000,000) on the basis that RBCZ and Raiffeisen - Leasing, s.r.o. had allegedly (i) contrived and fundamentally contributed to a mass leaving of Czech Leasing staff and (ii) organized the setting up of a new company where most of the leaving employees of the Czech Leasing have found their new job and (iii) had been poaching customers from the Czech Leasing. No lawsuit in this respect has been filed so far, but Czech Leasing has threatened that legal action will be commenced against RBCZ and Raiffeisen - Leasing, s.r.o.

8.15. In March 2017, the liquidation manager in a bankruptcy case in Russia filed a claim for approximately RUB 1.5 billion with the Arbitration court of Moscow against the Issuer's Network Bank in Russia, AO Raiffeisenbank. The claim is based on the liquidation manager's opinion that the transfer of funds by AO Raiffeisenbank as repayment of a loan had been unlawful. According to practice, bankruptcy managers dispute debtors' transactions in order to return the funds to the debtor and thus increase the size of the bankruptcy estate. The disputed transaction in this case was made over one year before bankruptcy and with no signs of insolvency of the client.

8.16. RBI was notified by the Commercial Court of Vienna (*Handelsgericht Wien*) that a review of the exchange ratio relating to the merger of RZB into RBI in March 2017 had been applied for. Examination of the applications as to fulfillment of procedural and content requirements is pending, and the court has not taken further steps to open the proceedings yet.

Prior to the merger, two internationally recognized appraisers were engaged by the management boards of RZB and RBI, independently of one another, to conduct comparative valuations based on dividend discount methodology according to international valuation standards. The fairness of the exchange ratio was additionally audited by an independent court appointed merger auditor in accordance with Austrian merger law, and was also backed by the issuance of fairness opinions by investment banks.

Should the Commercial Court of Vienna continue further steps towards initiating review proceedings as described above, then on the basis of findings from comparable review proceedings relating to other issuers, RBI would expect to be involved in a relatively long process involving – amongst others – additional expert opinions by appraisers. As a result, notwithstanding due care and diligence carried out by RBI in the course of the merger process, it cannot be ruled out that conclusions of the review proceedings may differ from the merger exchange ratio set by RBI's management in the course of the merger; as a result, RBI shareholders may ultimately be awarded the right to compensation in shares or cash payments with the effect of reduction of RBI's reserves (which in the case of an issuance of shares would be allocated to equity). Such rights would be - exclusively - to the benefit of all shareholders invested in RBI as at the time the merger was entered in the commercial register.

Save as disclosed in this section "8. *Legal and Arbitration Proceedings*" and based on the Issuer´s and RBI Group's current assessment of the facts and legal implication, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months prior to 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 Issuer or RBI Group.

9. SIGNIFICANT CHANGE IN THE FINANCIAL POSITION OF THE GROUP

No significant change in the financial position of the RBI Group has occurred since 31 March 2017.

10. MATERIAL CONTRACTS

The Raiffeisen Regional Banks and direct and indirect subsidiaries of the Raiffeisen Regional Banks are parties to a syndicate agreement regarding RBI. As a result of the syndicate agreement, the voting rights in relation to 193,449,778 shares in RBI (corresponding to approximately 58.8 per cent. of the issued shares) are mutually attributable to the Raiffeisen Regional Banks and their subsidiaries as acting in concert (§ 1(6) Austrian Takeover Act (*Übernahmegesetz - ÜbG*) pursuant to §§ 91, 92(7) of the Austrian Stock Exchange Act (*Börsegesetz – BörsG*). A corresponding attribution to the controlling shareholders of individual Raiffeisen Regional Banks pursuant to §§ 91, 92(4) BörseG is made.

The terms of the syndicate agreement include a block voting agreement in relation to the agenda of the shareholders' meeting of RBI, preemption rights and a contractual restriction on sales of the RBI shares held by the Raiffeisen Regional Banks (with a few exceptions) for a period of three years from the effective date of the Merger 2017 between RZB and RBI if the sale would directly and/or indirectly reduce the Raiffeisen Regional Banks' aggregate shareholding in RBI to less than 50 per cent. of the share capital plus one share (after expiry of the three-year period, to be reduced to 40 per cent. of RBI's share capital). Further, the Raiffeisen Regional Banks are entitled to nominate nine members of the RBI Supervisory Board.

RBI is a member of an institutional protection scheme ("**IPS**"), the Federal IPS, which besides RBI comprises of the Raiffeisen Regional Banks, Posojilnica Bank eGen as well as RBI's subsidiaries Raiffeisen Wohnbaubank Aktiengesellschaft and Raiffeisen Bausparkasse Gesellschaft m.b.H. Pursuant to Article 113(7) and Article 49(3) of

the CRR an IPS is required to ensure the solvency and liquidity of its members. For further details of the Federal IPS reference is made to the section 3.1.4. "*Federal Institutional Protection Scheme* ("*Federal IPS*")" of this Prospectus.

With respect to the RBI's membership in the RKÖ and ÖRE, reference is made to the sections 3.1.2. "*Österreichische Raiffeisen-Einlagensicherung eGen* (*statutory guarantee scheme*)" and 3.1.3. "*Raiffeisen-Kundengarantiegemeinschaft Österreich* (*voluntary guarantee scheme*)".

In 2004 and 2006, RZB had issued hybrid capital via special purpose vehicles incorporated in Jersey. The issue proceeds were on-lent in the form of supplementary capital (*Ergänzungskapital)* by the Jersey special purpose vehicles originally 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 2010, the supplementary capital subscribed by the Jersey special purpose vehicles was transferred to RBI. In connection with the Merger 2017, RBI as RZB's universal successor and new superordinated credit institution (*übergeordnetes Kreditinstitut*) assumed all of RZB's rights and liabilities under the hybrid capital, including RZB's obligations under the support agreements entered into between RZB and the Jersey special purpose vehicles for the benefit of the holders of the hybrid capital notes. The outstanding aggregate principal amount of the hybrid capital was approximately EUR 396.8 million as of Q1 2017. The issue by RZB Finance (Jersey) III Limited is recognized as Tier 1 capital in its full outstanding principal amount of approximately EUR 90.5 million. The issue by RZB Finance (Jersey) IV lost recognition as capital instrument at its first possible call date in May 2016.

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

11. THIRD PARTY INFORMATION

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

12. DOCUMENTS ON DISPLAY

This Prospectus, any supplements hereto and the documents incorporated herein by reference are available on RBI's website (www.rbinternational.com) and on the website of the Luxembourg Stock Exchange (www.bourse.lu). The day of such first publication is deemed to be the valid day of publication.

For the period of validity of this Prospectus all documents mentioned above and RBI's Articles of Association (*Satzung*) are available free of charge at RBI's registered office.

TAXATION

The following is a general overview of certain tax considerations relating to the purchasing, holding and disposing of Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. In particular, this discussion does not consider any specific facts or circumstances that may apply to a particular Noteholder. The discussions that follow for each jurisdiction are based upon the applicable laws in force and their interpretation on the date of this Prospectus. These tax laws and interpretations are subject to change that may occur after such date, even with retroactive effect.

The information contained in this section is limited to taxation issues and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Notes.

Prospective holders of Notes ("Noteholders") should consult their own tax advisers as to the particular tax consequences of subscribing, purchasing, holding and disposing the Notes, including the application and effect of any federal, state or local taxes, under the tax laws of the Republic of Austria ("Austria"), the Grand Duchy of Luxembourg and each country of which they are residents or citizens.

Austria

This section on taxation contains a brief summary of the Issuer's understanding with regard to certain important principles which are of significance in connection with the purchase, holding or sale of the Notes in Austria. This summary does not purport to exhaustively describe all possible tax aspects and does not deal with specific situations which may be of relevance for certain potential investors. The following comments are rather of a general nature and included herein solely for information purposes. They are not intended to be, nor should they be construed to be, legal or tax advice. This summary is based on the currently applicable tax legislation, case law and regulations of the tax authorities, as well as their respective interpretation, all of which may be amended from time to time. Such amendments may possibly also be effected with retroactive effect and may negatively impact on the tax consequences described. It is recommended that potential investors in the Notes consult with their legal and tax advisors as to the tax consequences of the purchase, holding or sale of the Notes. Tax risks resulting from the Notes (in particular from a potential qualification as equity for tax purposes instead of debt) shall in any case be borne by the investor. For the purposes of the following it is assumed that the Notes are legally and factually offered to an indefinite number of persons.

General remarks

Individuals having a domicile (*Wohnsitz*) and/or their habitual abode (*gewöhnlicher Aufenthalt*), both as defined in § 26 of the Austrian Federal Fiscal Procedures Act (*Bundesabgabenordnung*), in Austria are subject to income tax (*Einkommensteuer*) in Austria on their worldwide income (unlimited income tax liability; *unbeschränkte Einkommensteuerpflicht*). Individuals having neither a domicile nor their habitual abode in Austria are subject to income tax only on income from certain Austrian sources (limited income tax liability; *beschränkte Einkommensteuerpflicht*).

Corporations having their place of management (*Ort der Geschäftsleitung*) and/or their legal seat (*Sitz*), both as defined in § 27 of the Austrian Federal Fiscal Procedures Act, in Austria are subject to corporate income tax (*Körperschaftsteuer*) in Austria on their worldwide income (unlimited corporate income tax liability; *unbeschränkte Körperschaftsteuerpflicht*). Corporations having neither their place of management nor their legal seat in Austria are subject to corporate income tax only on income from certain Austrian sources (limited corporate income tax liability; *beschränkte Körperschaftsteuerpflicht*).

Both in case of unlimited and limited (corporate) income tax liability Austria's right to tax may be restricted by double taxation treaties.

Income taxation of the Notes

Austrian statutory law does not contain specific provisions on the qualification of Additional Tier 1 instruments for Austrian (corporate) income tax purposes. However, pursuant to § 8(3)(1) item 2 of the Austrian Corporate Income

Tax Act (*Körperschaftsteuergesetz*), which is typically applied for purposes of qualifying hybrid instruments either as equity or as debt for Austrian (corporate) income tax purposes, jouissance rights and other financial instruments (*Genussrechte und sonstige Finanzierungsinstrumente*) granting a right to participate in both the current profits and the liquidation profits of the issuer are to be qualified as equity instruments. In contrast thereto, jouissance rights and other financial instruments granting a right to participate either in the current profits or in the liquidation profits of the issuer or in neither of the two categories are to be qualified as debt instruments. In addition, reference has to be made to jurisprudence of the Austrian Supreme Administrative Court (*Verwaltungsgerichthof*) pursuant to which the qualification of hybrid instruments, such as jouissance rights, has to be based on whether typical equity-like criteria outweigh typical debt-like criteria from a quantitative and qualitative perspective, thereby taking into account the instrument's term, the profit dependency of distributions, the participation in the issuer's substance/liquidation profit, the granting of securities, a potential subordination and the lack of typical shareholder control and voting rights.

In April 2014, a professional interest association submitted to its members a statement received from the Austrian Federal Ministry of Finance (*Bundesministerium für* Finanzen – BMF) which confirms that due to its structural elements, Additional Tier 1 instruments within the meaning of Article 52 of the CRR can be qualified as debt for Austrian (corporate) income tax purposes based on § 8(3)(1) item 2 of the Austrian Corporate Income Tax Act. As a result of this qualification, distributions effected by the issuer under Additional Tier 1 instruments are generally deductible at the level of the issuer for corporate income tax purposes (unless general restrictions – which are applicable to any debt instruments – apply). This statement of the Austrian Ministry of Finance does not address any other potential Austrian tax aspects in the context of the issuance of Additional Tier 1 instruments. It has to date not yet been reflected in the Austrian Corporate Income Tax Guidelines (*Körperschaftsteuerrichtlinien*).

For purposes of the following, the Issuer assumes that the Notes qualify as debt for Austrian (corporate) income tax purposes. In case of a qualification of the Notes as equity, the tax consequences would substantially differ from those described below.

Pursuant to § 27(1) of the Austrian Income Tax Act (*Einkommensteuergesetz*), the term investment income (*Einkünfte aus Kapitalvermögen*) comprises:

- income from the letting of capital (*Einkünfte aus der Überlassung von Kapital*) pursuant to § 27(2) of the Austrian Income Tax Act, including dividends and interest; the tax basis is the amount of the earnings received (§ 27a(3)(1) of the Austrian Income Tax Act);
- income from realised increases in value (*Einkünfte aus realisierten Wertsteigerungen*) pursuant to § 27(3) of the Austrian Income Tax Act, including gains from the alienation, redemption and other realisation of assets that lead to income from the letting of capital (including zero coupon bonds); the tax basis amounts to the sales proceeds or the redemption amount minus the acquisition costs, in each case including accrued interest (§ 27a(3)(2)(a) of the Austrian Income Tax Act); and
- income from derivatives (*Einkünfte aus Derivaten*) pursuant to § 27(4) of the Austrian Income Tax Act, including cash settlements, option premiums received and income from the sale or other realisation of forward contracts like options, futures and swaps and other derivatives such as index certificates (the mere exercise of an option does not trigger tax liability); *e.g.*, in the case of index certificates, the tax basis amounts to the sales proceeds or the redemption amount minus the acquisition costs (§ 27a(3)(3)(c) of the Austrian Income Tax Act).

Also, the withdrawal of the Notes from a securities account (*Depotentnahme*) and circumstances leading to a restriction of Austria's taxation right regarding the Notes vis-à-vis other countries, *e.g.* a relocation from Austria (*Wegzug*), are in general deemed to constitute a sale (cf. § 27(6)(1) and (2) of the Austrian Income Tax Act). The tax basis amounts to the fair market value minus the acquisition costs (§ 27a(3)(2)(b) of the Austrian Income Tax Act).

Individuals subject to unlimited income tax liability in Austria holding the Notes as non-business assets are subject to income tax on all resulting investment income pursuant to § 27(1) of the Austrian Income Tax Act. In case of investment income from the Notes with an Austrian nexus for withholding tax purposes (*inländische Einkünfte aus Kapitalvermögen*), basically meaning income paid by an Austrian paying agent (*auszahlende Stelle*) or an Austrian custodian agent (*depotführende Stelle*), the income is subject to withholding tax (*Kapitalertragsteuer*) at a flat rate of 27.5 per cent.; no additional income tax is levied over and above the amount of tax withheld (final taxation

pursuant to § 97(1) of the Austrian Income Tax Act). In case of investment income from the Notes without such Austrian nexus for withholding tax purposes, the income must be included in the investor's income tax return and is subject to income tax at the flat rate of 27.5 per cent. In both cases upon application the option exists to tax all income subject to income tax at a flat rate pursuant to § 27a(1) of the Austrian Income Tax Act at the lower progressive income tax rate (option to regular taxation pursuant to § 27a(5) of the Austrian Income Tax Act). The acquisition costs must not include ancillary acquisition costs (*Anschaffungsnebenkosten*; § 27a(4)(2) of the Austrian Income Tax Act). Expenses such as bank charges and custody fees must not be deducted (§ 20(2) of the Austrian Income Tax Act); this applies irrespective of whether the option to regular taxation is exercised. § 27(8) of the Austrian Income Tax Act, *inter alia*, provides for the following restrictions on the offsetting of losses: negative income from realised increases in value and from derivatives may neither be offset against interest from bank accounts and other non-securitized claims vis-à-vis credit institutions (except for cash settlements and lending fees) nor against income from private foundations, foreign private law foundations and other comparable legal estates (*Privatstiftungen, ausländische Stiftungen oder sonstige Vermögensmassen, die mit einer Privatstiftung vergleichbar sind*); income subject to income tax at a flat rate pursuant to § 27a(1) of the Austrian Income Tax Act may not be offset against income subject to the progressive income tax rate (this equally applies in case of an exercise of the option to regular taxation); negative investment income not already offset against positive investment income may not be offset against other types of income. The Austrian custodian agent has to effect the offsetting of losses by taking into account all of a taxpayer's securities accounts with the custodian agent, in line with § 93(6) of the Austrian Income Tax Act, and to issue a written confirmation to the taxpayer to this effect.

Individuals subject to unlimited income tax liability in Austria holding the Notes as business assets are subject to income tax on all resulting investment income pursuant to § 27(1) of the Austrian Income Tax Act. In case of investment income from the Notes with an Austrian nexus for withholding tax purposes, the income is subject to withholding tax at a flat rate of 27.5 per cent. While withholding tax has the effect of final taxation for income from the letting of capital, income from realised increases in value and income from derivatives must be included in the investor's income tax return (nevertheless such income is taxed at the flat rate of 27.5 per cent.). In case of investment income from the Notes without an Austrian nexus for withholding tax purposes, the income must always be included in the investor's income tax return and is subject to income tax at the flat rate of 27.5 per cent. In both cases upon application the option exists to tax all income subject to income tax at a flat rate pursuant to § 27a(1) of the Austrian Income Tax Act at the lower progressive income tax rate (option to regular taxation pursuant to § 27a(5) of the Austrian Income Tax Act). The flat tax rate does not apply to income from realised increases in value and income from derivatives if realizing these types of income constitutes a key area of the respective investor's business activity (§ 27a(6) of the Austrian Income Tax Act). Expenses such as bank charges and custody fees must not be deducted (§ 20(2) of the Austrian Income Tax Act); this also applies if the option to regular taxation is exercised. Pursuant to § 6(2)(c) of the Austrian Income Tax Act, depreciations to the lower fair market value and losses from the alienation, redemption and other realisation of financial assets and derivatives in the sense of § 27(3) and (4) of the Austrian Income Tax Act, which are subject to income tax at the flat rate of 27.5 per cent., are primarily to be offset against income from realised increases in value of such financial assets and derivatives and with appreciations in value of such assets within the same business unit (*Wirtschaftsgüter desselben Betriebes*); only 55 per cent. of the remaining negative difference may be offset against other types of income.

Pursuant to § 7(2) of the Austrian Corporate Income Tax Act (*Körperschaftsteuergesetz*), corporations subject to unlimited corporate income tax liability in Austria are subject to corporate income tax on income in the sense of § 27(1) of the Austrian Income Tax Act from the Notes at a rate of 25 per cent. In the case of income in the sense of § 27(1) of the Austrian Income Tax Act from the Notes with an Austrian nexus for withholding tax purposes, the income is subject to withholding tax at a flat rate of 27.5 per cent. However, a 25 per cent. rate may pursuant to § 93(1a) of the Austrian Income Tax Act be applied by the withholding agent, if the debtor of the withholding tax is a corporation. Such withholding tax can be credited against the corporate income tax liability and, if exceeding, be refunded. Under the conditions set forth in § 94(5) of the Austrian Income Tax Act withholding tax is not levied in the first place. Losses from the alienation of the Notes can be offset against other income.

Pursuant to § 13(3)(1) in connection with § 22(2) of the Austrian Corporate Income Tax Act, private foundations (*Privatstiftungen*) pursuant to the Austrian Private Foundations Act (*Privatstiftungsgesetz*) fulfilling the prerequisites contained in § 13(3) and (6) of the Austrian Corporate Income Tax Act and holding the Notes as non-business assets

are subject to interim taxation at a rate of 25 per cent. on interest income, income from realised increases in value and income from derivatives (*inter alia*, if the latter are in the form of securities). Pursuant to the Austrian tax authorities' view, the acquisition costs must not include ancillary acquisition costs. Expenses such as bank charges and custody fees must not be deducted (§ 12(2) of the Austrian Corporate Income Tax Act). Interim tax does generally not fall due insofar as distributions subject to withholding tax are made to beneficiaries in the same tax period. In case of investment income from the Notes with an Austrian nexus for withholding tax purposes, the income is in general subject to withholding tax at a flat rate of 27.5 per cent. However, a 25 per cent. rate may pursuant to § 93(1a) of the Austrian Income Tax Act be applied by the withholding agent, if the debtor of the withholding tax is a corporation. Such withholding tax can be credited against the tax falling due. Under the conditions set forth in § 94(12) of the Austrian Income Tax Act withholding tax is not levied.

Individuals and corporations subject to limited (corporate) income tax liability in Austria are taxable on income from the Notes if they have a permanent establishment *(Betriebsstätte*) in Austria and the Notes are attributable to such permanent establishment (cf. § 98(1)(3) of the Austrian Income Tax Act, § 21(1)(1) of the Austrian Corporate Income Tax Act). In addition, individuals subject to limited income tax liability in Austria not having a permanent establishment in Austria are also taxable on interest in the sense of § 27(2)(2) of the Austrian Income Tax Act and accrued interest (including from zero coupon bonds) in the sense of § 27(6)(5) of the Austrian Income Tax Act from the Notes if the (accrued) interest has an Austrian nexus and if withholding tax is levied on such (accrued) interest. This does not apply to individuals being resident in a state with which automatic exchange of information exists (which fact must be proven by a certificate of residence). Interest with such Austrian nexus is interest the debtor of which has its place of management and/or its legal seat in Austria or is an Austrian branch of a non-Austrian credit institution; accrued interest with such Austrian nexus is accrued interest from securities issued by an Austrian issuer (§ 98(1)(5)(b) of the Austrian Income Tax Act). Under applicable double taxation treaties, relief from Austrian income tax might be available. However, Austrian credit institutions must not provide for such relief at source; instead, the investor may file an application for repayment of tax with the competent Austrian tax office.

If the Notes were not legally or factually offered to an indefinite number of persons, then tax consequences deviating from those outlined above would apply: Regarding individuals holding the Notes, no withholding tax would be deducted and the special tax rate of 27.5 per cent. would not apply; rather, investment income from the Notes would have to be included in the investor's income tax return and would be subject to the progressive income tax rate of up to 55 per cent. Also in the case of corporations and private foundations holding the Notes no withholding tax would be deducted.

Austrian inheritance and gift tax

Austria does not levy inheritance or gift tax.

Certain gratuitous transfers of assets to private law foundations and comparable legal estates (*privatrechtliche Stiftungen und damit vergleichbare Vermögensmassen*) are subject to foundation transfer tax (*Stiftungseingangssteuer*) pursuant to the Austrian Foundation Transfer Tax Act (*Stiftungseingangssteuergesetz*) if the transferor and/or the transferee at the time of transfer have a domicile, their habitual abode, their legal seat and/or their place of management in Austria. Certain exemptions apply in cases of transfers mortis causa of financial assets within the meaning of § 27(3) and (4) of the Austrian Income Tax Act (except for participations in corporations) if income from such financial assets is subject to income tax at a flat rate pursuant to § 27a(1) of the Austrian Income Tax Act. The tax basis is the fair market value of the assets transferred minus any debts, calculated at the time of transfer. The tax rate generally is 2.5 per cent., with higher rates applying in special cases.

In addition, there is a special notification obligation for gifts of money, receivables, shares in corporations, participations in partnerships, businesses, movable tangible assets and intangibles if the donor and/or the donee have a domicile, their habitual abode, their legal seat and/or their place of management in Austria. Not all gifts are covered by the notification obligation: In case of gifts to certain related parties, a threshold of EUR 50,000 per year applies; in all other cases, a notification is obligatory if the value of gifts made exceeds an amount of EUR 15,000 during a period of five years. Furthermore, gratuitous transfers to foundations falling under the Austrian Foundation Transfer Tax Act described above are also exempt from the notification obligation. Intentional violation of the notification obligation may trigger fines of up to 10 per cent. of the fair market value of the assets transferred.

Further, gratuitous transfers of the Notes may trigger income tax at the level of the transferor pursuant to § 27(6)(1) and (2) of the Austrian Income Tax Act (see above).

Luxembourg

The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues and prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only.

Withholding Tax

Under Luxembourg general tax laws currently in force and subject to the exception below, no Luxembourg withholding tax is due on payments of interest (including accrued but unpaid interest) or repayments of principal.

In accordance with the law of 23 December 2005, as amended, interest payments made by Luxembourg paying agents to Luxembourg resident individual beneficial owners are subject to a 20 per cent. withholding tax. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the law of 23 December 2005 will be subject to a withholding tax at a rate of 20 per cent.

United States

FATCA

Pursuant to "**FATCA**", a "foreign financial institution" (as defined by FATCA) may be required to withhold on certain payments it makes (the "**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Austria) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

General

Pursuant to a subscription agreement dated 29 June 2017 (the "**Subscription Agreement**") among the Issuer and the Joint Lead Managers, the Issuer has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed, subject to certain customary closing conditions, to purchase, the Notes on 5 July 2017. The Issuer has furthermore agreed to pay certain commissions to the Joint Lead Managers and to reimburse the Joint Lead Managers for certain expenses incurred in connection with the issue of the Notes.

The Subscription Agreement provides that the Joint Lead Managers under certain circumstances will be entitled to terminate the Subscription Agreement. In such event, no Notes will be delivered to investors. Furthermore, the Issuer has agreed to indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Notes.

Some of the Joint Lead Managers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer or its affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies.Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

There are no interests of natural and legal persons involved in the issue, including conflicting ones, that are material to the issue.

General

Each Joint Lead Manager has represented and agreed that it will to the best of its knowledge and belief comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Prospectus or any offering material in relation to this Prospectus or the Notes and will obtain any consent, approval or permission required from it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries of Notes and neither the Issuer nor any other Joint Lead Manager shall have any responsibility therefor.

United States of America and its territories

The Notes have not been and will not be registered under the Securities Act. Except in certain transactions exempt from the registration requirements of the Securities Act, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (the "**Regulation S**")).

Each Joint Lead Manager has represented and agreed that it will not offer, sell or deliver the Notes: (i) as part of their distribution at any time; or (ii) otherwise until 40 days after the later of the commencement of the offering or the closing date within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice setting forth the restrictions on offers and sales

of the Notes within the United States or to, or for the account or benefit of, U.S. persons to substantially the following effect:

> "The securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons: (i) as part of their distribution at any time; or (ii) otherwise until 40 days after the later of the date of the commencement of the Offering and the Closing Date, except in either case in accordance with the Regulation S under the Securities Act. Terms used above have the meanings given to them in Regulation S."

Terms used in this paragraph have the meaning given to them by Regulation S. In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of the Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Each Joint Lead Manager has represented and agreed that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Note, and it and they have complied and will comply with the offering restrictions requirement of Regulation S.

Bearer Notes which are subject to U.S. tax law requirements may not be offered, sold or delivered in the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meaning given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder.

European Economic Area:

In relation to each Member State of the European Economic Area ("**EEA**") which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Joint Lead Manager has represented and agreed, 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 Notes which are the subject of the offering contemplated by this Prospectus in relation hereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Lead Managers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive or pursuant to any applicable national law of any Relevant Member State;

provided that no such offer of Notes shall require the Issuer or any Joint Lead 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 Notes to the public**" in relation to any Notes 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 Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2014/51/EU), and includes any relevant implementing measure in that Relevant Member State.

United Kingdom

Each Joint Lead Manager has represented and agreed that:

(a) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom; and

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA would not, if the Issuer was not an authorised person, apply to the Issuer.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (x) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (y) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

Each Joint Lead Manager has acknowledged that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore and that the Notes will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"). Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Notes or caused any Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause any Notes to be made the subject of an invitation for subscription or purchase, and that it has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes, whether directly or indirectly, to persons in Singapore other than: (i) to an institutional investor under Section 274 of the SFA; (ii) to a relevant person pursuant to Section 275(1) of the SFA, or to any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for six months after that corporation or that trust has acquired the Notes under Section 275 of the SFA except:

(a) to an institutional investor under Section 274 of the SFA or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; or

(b) where no consideration is or will be given for the transfer; or

(c) where the transfer is by operation of law; or

(d) as specified in Section 276(7) of the SFA; or

(e) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Restrictions on Marketing and Sales to Retail Investors

The Notes issued pursuant to the Prospectus are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Notes to retail investors.

In particular, in June 2015, the U.K. Financial Conduct Authority (the "**FCA**") published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, which took effect from 1 October 2015 (the "**PI Instrument**").

Under the rules set out in the PI Instrument (as amended or replaced from time to time, the "**PI Rules**"):

(a) certain contingent write-down or convertible securities (including any beneficial interests therein), such as the Notes, must not be sold to retail clients in the EEA; and

(b) there must not be any communication or approval of an invitation or inducement to participate in, acquire or underwrite such securities (or the beneficial interest in such securities) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case, within the meaning of the PI Rules), other than in accordance with the limited exemptions set out in the PI Rules.

The Joint Lead Managers are required to comply with the PI Rules. By purchasing, or making or accepting an offer to purchase, any Notes (or a beneficial interest in the Notes) from the Issuer and/or the Joint Lead Managers each prospective investor represents, warrants, agrees with and undertakes to the Issuer and each of the Joint Lead Managers that:

1. it is not a retail client in the EEA (as defined in the PI Rules);

2. whether or not it is subject to the PI Rules, it will not:

   A. sell or offer the Notes (or any beneficial interest therein) to retail clients in the EEA; or

   B. communicate (including the distribution of the Prospectus) or approve an invitation or inducement to participate in, acquire or underwrite the Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case within the meaning of the PI Rules);

   in any such case other than: (i) in relation to any sale or offer to sell Notes (or any beneficial interests therein) to a retail client in or resident in the United Kingdom, in circumstances that do not and will not give rise to a contravention of the PI Rules by any person; and/or (ii) in relation to any sale or offer to sell Notes (or any beneficial interests therein) to a retail client in any EEA member state other than the United Kingdom, where (a) the prospective investor has conducted an assessment and concluded that the relevant retail client understands the risks of an investment in the Notes (or such beneficial interests therein) and is able to bear the potential losses involved in an investment in the Notes (or such beneficial interests therein) and (b) the prospective investor has at all times acted in relation to such sale or offer in compliance with Directive 2004/39/EC (Markets in Financial Instruments Directive – "**MiFID**") to the extent it applies to it or, to the extent MiFID does not apply to it, in a manner which would be in compliance with MiFID if it were to apply to it; and

3. it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Notes (or any beneficial interests therein), including (without limitation) any such laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Notes (or any beneficial interests therein) by investors in any relevant jurisdiction.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Notes (or any beneficial interests therein) from the Issuer and/or the Joint Lead Managers the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

GENERAL INFORMATION

1. **Authorisations**: The creation and issue of the Notes is covered by the approval of an annual funding plan by the Issuer's Board of Management (dated 22 May 2017) and by the Supervisory Board (dated 1 June 2017) determining the total annual issuance volume and has been authorised by a resolution of the Board of Management of the Issuer on 12 June 2017.

2. **Listing Expenses:** The expenses for the listing of the Notes and admission to trading are expected to amount to approximately EUR 15,000.

3. **Clearing System:** Payments and transfers of the Notes will be settled through Euroclear Bank SA/NV and Clearstream Banking, société anonyme, Luxembourg.

   The Notes have the following securities codes:

   ISIN: XS1640667116
   Common Code: 164066711
   German Securities Code (*WKN*): A19KU5

4. **Listing and Admission to Trading:** Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to the Official List and to be admitted to trading on the Luxembourg Stock Exchange's regulated market. The regulated market of the Luxembourg Stock Exchange is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments.

5. **Documents on Display:** For so long as any Note is outstanding, copies of the following documents may be inspected in physical form during normal business hours at the business address of the Issuer at AmStadtpark 9, 1030 Vienna, Austria:

   (a) the Articles of Incorporation (*Satzung*) of the Issuer;

   (b) this Prospectus and any supplement to this Prospectus (if any); and

   (c) the documents specified in the section "*Documents incorporated by reference*" below.

   This Prospectus will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

6. **Yield** For the subscribers, the yield of the Notes until the First Reset Date is 6.22 per cent. *per annum*, calculated on the basis of the Issue Price. Such yield is calculated in accordance with the ICMA (International Capital Markets Association) Method. The ICMA method determines the effective interest rate on notes by taking into account accrued interest on a daily basis.

7. **Websites:** For the avoidance of doubt the content of any website referred to in this Prospectus does not form part of this Prospectus, except where expressly stated otherwise.

8. **Rating:** The Issuer has received the following rating from Moody's Investors Service ("**Moody's**") and Standard & Poor's Credit Market Services Europe Limited ("**S&P**"):

	Moody's[2]	**S&P**[3]
Rating for long term obligations (senior)	Baa1 / Outlook stable	BBB+ / Outlook positive

[2] Moody's appends long-term obligation ratings at the following levels: Aaa, Aa, A, Baa, Ba, B, Caa, Ca and C. To each generic rating category from Aa to Caa Moody's assigns the numerical modifiers "1", "2" and "3". The modifier "1" indicates that the bank is in the higher end of its letter-rating category, the modifier "2" indicates a mid-range ranking and the modifier "3" indicates that the bank is in the lower end of its letter-rating category. Moody's short-term ratings are opinions of the ability of issuers to honor short-term financial obligations and range from P-1, P-2, P-3 down to NP (Not Prime).

[3] S&P assign long-term credit ratings on a scale from AAA (best quality, lowest risk of default), AA, A, BBB, BB, B, CCC, CC, C, SD to D (highest risk of default). The ratings from AA to CCC may be modified by the addition of a "+" or "-" to show the relative standing within the major rating categories. S&P may also offer guidance (termed a "credit watch") as to whether a rating is likely to be upgraded (positive), downgraded (negative) or uncertain (developing). S&P assigns short-term credit ratings for specific issues on a scale from A-1 (particularly high level of security), A-2, A-3, B, C, SD down to D (hightest risk of default).

Rating for short term obligations (senior)	P-2	A-2

The Notes are expected to be rated BB by S&P.

Credit ratings included or referred to in this Prospectus have been issued by Standard & Poor's and Moody's, each of which is established in the European Union and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended (the "**CRA Regulation**"). A list of credit rating agencies registered under the CRA Regulation is available for viewing at http://www.esma.europa.eu/page/List-registered-andcertified-CRAs. That list is updated within five working days following the adoption of a decision under Article 16, 17 or 20 CRA Regulation. The European Commission shall publish that updated list in the Official Journal of the European Union within 30 days following such update.

A credit rating assesses the creditworthiness of an entity and informs an investor therefore about the probability of the entity being able to redeem invested capital. It is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

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