

Fourth Supplement dated 5 March 2015
to the Debt Issuance Programme Prospectus dated 19 August 2014
relating to the EUR 25,000,000,000 Debt Issuance Programme

This document constitutes a supplement (the "Fourth Supplement") for the purpose of Art. 16 of the Directive 2003/71/EC of the European Parliament and the Council of 4 November 2003, as amended (the "Prospectus Directive"), as well as Article 13 of Chapter 1 of Part II of the Luxembourg law dated 10 July 2005 on prospectuses for securities, as amended (Loi relative aux prospectus pour valeurs mobilières, the "Luxembourg Prospectus Law"), to the two base prospectuses for securities relating to the EUR 25,000,000,000 Debt Issuance Programme for the issue of Notes of Raiffeisen Bank International AG (the "Issuer" or "RBI"): (i) the base prospectus in respect of non-equity securities within the meaning of Art. 22 No. 6 (4) of the Commission Regulation (EC) No. 809/2004 of 29 April 2004, as amended (the "Commission Regulation") and (ii) the base prospectus in respect of Covered Bank Bonds (non-equity securities within the meaning of Art. 22 No. 6(3) of the Commission Regulation) (the two base prospectuses together, the "Original Base Prospectus") (the Original Base Prospectus as supplemented by the First Supplement dated 29 August 2014, the Second Supplement dated 25 September 2014 and the Third Supplement dated 12 December 2014, the "Supplemented Base Prospectus" and the Supplemented Base Prospectus together with the Fourth Supplement, the "Base Prospectus").



RAIFFEISEN BANK INTERNATIONAL AG

EUR 25,000,000,000 Debt Issuance Programme

for the issue of Notes

This Fourth Supplement is supplemental to, and should only be distributed and read together with, the Supplemented Base Prospectus. Terms defined in the Supplemented Base Prospectus have the same meaning when used in this Fourth Supplement. To the extent that there is any inconsistency between (a) any statement in this Fourth Supplement and (b) any other statement prior to the date of this Fourth Supplement, the statements in (a) will prevail.

This Fourth Supplement has been approved by the *Commission de Surveillance du Secteur Financier* (the "CSSF") and will be published in electronic form on the website of the Luxembourg Stock Exchange (www.bourse.lu) and on the website of Raiffeisen Bank International AG (www.rbinternational.com).

Raiffeisen Bank International AG has requested the CSSF in its capacity as competent authority under the Luxembourg Prospectus Law to approve this Fourth Supplement and to provide the competent authorities in the Federal Republic of Germany and in the Republic of Austria with a certificate of approval (a "Notification") attesting that this Fourth Supplement has been drawn up in accordance with the Luxembourg Prospectus Law which implements the Prospectus Directive into Luxembourg law. The Issuer may request the CSSF to provide competent authorities in additional Member States within the European Economic Area with a Notification.

By approving this Fourth Supplement, the CSSF shall give no undertaking as to the economic and financial soundness of the operation or the quality or solvency of the Issuer in line with the provisions of article 7(7) of the Luxembourg Prospectus Law. The Issuer is solely responsible for the information given in this Fourth Supplement. The Issuer hereby declares, having taken all reasonable care to ensure that such is the case, that to the best of its knowledge, the information contained in this Fourth Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person has been authorised to give any information or to make any representation other than those contained in the Supplemented Base Prospectus or this Fourth Supplement in connection with the issue or sale of Notes and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer, the Dealers or any of them.

This Fourth Supplement does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Dealers to subscribe for, or purchase, any Notes.

IN ACCORDANCE WITH ARTICLE 16 PARAGRAPH 2 OF THE PROSPECTUS DIRECTIVE AND WITH ARTICLE 13 PARAGRAPH 2 OF THE LUXEMBOURG PROSPECTUS LAW, WHERE THE PROSPECTUS RELATES TO AN OFFER OF SECURITIES TO THE PUBLIC, INVESTORS WHO HAVE ALREADY AGREED TO PURCHASE OR SUBSCRIBE FOR ANY NOTES BEFORE THIS FOURTH SUPPLEMENT IS PUBLISHED HAVE THE RIGHT, EXERCISABLE WITHIN TWO WORKING DAYS AFTER THE PUBLICATION OF THIS FOURTH SUPPLEMENT, I.E. UNTIL 9 MARCH 2015, TO WITHDRAW THEIR ACCEPTANCES, PROVIDED THAT THE NEW FACTOR, MISTAKE OR INACCURACY AROSE BEFORE THE FINAL CLOSING OF THE OFFER TO THE PUBLIC AND THE DELIVERY OF THE NOTES.

- 1) On page 11 of the Supplemented Base Prospectus, the second paragraph in the section "**Any known trend affecting the issuer and its industries in which it operates**" in the "**SUMMARY**", "**Section B**", **Element "B.4.b.**", shall be deleted and replaced by the following paragraph:

"Known trends affecting the Issuer and the industries in which it operates are the difficult macroeconomic environment with decreasing growth rates and negative forecasts in several countries, the difficult political and economic situation in and with Ukraine and Russia, high exchange rate volatility as well as the continuing tense situation on the financial and capital markets. The outlook for the global economy over the near to medium term remains challenging and many forecasts predict only stagnant or modest levels of gross domestic product growth across many of the focus areas in which RBI Group operates. Some of the markets in which RBI Group operates were and will be – somewhere materially and - negatively affected by those changing conditions."

- 2) On page 12 of the Supplemented Base Prospectus, in the section "**Profit forecasts or estimates**" in the "**SUMMARY**", "**Section B**", **Element "B.9.**", the existing wording shall be deleted and replaced by the following paragraph:

"Reference is made to the subsection "**Preliminary Unaudited Results for the full year 2014 of RBI Group**" in Section B, Element B.12 below."

- 3) On pages 14 et seq. of the Supplemented Base Prospectus, the section "**Significant changes in the financial or trading position of the Issuer**" in the "**SUMMARY**", "**Section B**", **Element "B.12"** shall be deleted and replaced by the following section:

"Negative impacts with regard to the Issuer, in particular since the date of its last published financial statements (third quarter report 2014/not audited) include the following:

Preliminary Unaudited Results for the full year 2014 of RBI Group

Income Statement in EUR mn	1-12/2014	1-12/2013
Net interest income	3,789	3,729
Net provisioning for impairment losses	(1,716)	(1,149)
Net fee and commission income	1,586	1,626
Net trading income	(30)	321
General administrative expenses	(3,024)	(3,340)
Profit before tax	23	835
Profit/loss after tax	(463)	603
Consolidated profit/loss (after minorities)	(493)	557

The loss of EUR 493 million includes one-off effects such as goodwill impairments totaling EUR 306 million, primarily for subsidiary banks in Russia (EUR 148 million), Poland (EUR 99 million) and Albania (EUR 51 million), as well as deferred tax asset (DTA) write-downs amounting to EUR 196 million, primarily at Group head office (EUR 161 million) and in Asia (EUR 35 million).

For the 2014 financial year no equity dividend will be paid.

These Preliminary Unaudited Results for the full year 2014 of RBI Group ("**Results**") as stated above have been compiled on the basis of the established IFRS financial reporting process of the Issuer and the basis of accounting used for the Results is consistent with the accounting policies (International Financial Reporting Standards (IFRS) as adopted by the European Union) applied by RBI. This statement has been agreed with the independent auditor of the Issuer which has performed an examination whether the Results have been properly compiled on the basis stated and whether the basis of accounting used for the Results is consistent with the accounting policies of RBI.

The Issuer confirms that the Results are substantially consistent with the final figures to be published in the annual audited consolidated financial statements for the year 2014 of RBI Group.

The Results have not been audited.

The Issuer assumes full responsibility for the Results stated above.

Measures in the course of a strategic review

On 9 February 2015, RBI has resolved to take a number of steps to increase its capital buffers. The measures are intended to facilitate an improvement in the CET1 ratio (fully loaded) to 12 per cent by end-2017, compared to 10 per cent at end-2014. The planned steps will affect a number of operations across the RBI Group, in particular those areas which generate low returns, have high capital consumption or are of limited strategic fit.

The measures to be implemented include the intended sale of the operations in Poland and Slovenia, as well as the direct banking unit Zuno. In the context of the announced sale of Raiffeisen Bank Polska S.A., the Polish Financial Supervision Authority ("PFSA") informed RBI about the initiation of an administrative proceeding claiming the potential breach of commitments towards PFSA undertaken by RBI during the approval process of the acquisition of Polbank EFG by RBI in 2012. The Issuer is of the opinion that the commitments have not been breached; although a potential outcome of proceedings could result in a prohibition of exercising voting rights on shares of RBI's subsidiary Raiffeisen Bank Polska S.A. until the sale of shares, the Issuer believes that the allegations are unsubstantiated, and such proceedings ultimately shall be dismissed. The Issuer believes that proceedings have no impact on day-to-day business, or the sales process.

Exposure to the Russian market is intended to be reduced, with a risk-weighted asset (RWA) reduction of approximately 20 per cent planned by end-2017 (RWA in the Russian market as at 31.12.2014: EUR 8.4 billion). A reduction in exposure is also foreseen in Ukraine, where risk-weighted assets shall be decreased by approximately 30 per cent by end-2017 (RWA as at 31.12.2014: EUR 3.0 billion). In Hungary, further optimization of the operation is intended to be undertaken. As part of the drive to increase Group focus on the CEE region, operations are to be significantly scaled back or exited in Asia by end-2017 and in the US by end-2016.

The decisions are subject to approval by the Supervisory Board. The implementation of these measures is intended to result in an aggregate gross risk-weighted asset reduction in the selected markets of approximately EUR 16 billion by end-2017 (RWA as at 31.12.2014: EUR 68.7 billion). The total gross reduction from end-Q3 2014 to end-2017 is intended to amount to approximately EUR 26 billion.

The reduction is expected to be partially offset by an increase in RWA in other business areas – regulatory-driven as well as business driven.

RBI Group's CHF exposure

RBI Group's CHF exposure is mainly in Poland (approximately EUR 2.8 billion) as well as in Romania (approximately EUR 350 million), Croatia (approximately EUR 270 million) and Serbia (approximately EUR 80 million) as at 31 December 2014 (latest data available). In Hungary, CHF loans have been mostly addressed by the recent agreement between the government, the banks and the central bank, however there is a remaining position of approximately EUR 130 million (mainly corporate loans) at the end of 2014.

In the wake of the Swiss National Bank decision to abandon the CHF's peg to the EUR in January 2015, the Croatian government decided at the end of January 2015 to fix the CHF / HRK exchange rate at 6.39 HRK for the next twelve months which corresponds to the exchange rate before the decision of the Swiss National Bank. At this point of time and based on current conditions, RBI Group expects a negative influence in the mid single digit million range for the business year 2015 as clients should be able to pay back their regular maturing annuities (only those are in scope of the decision) based on the fixed exchange rate in the law.

Exchange rates - sharp depreciation of Ukrainian hryvnia and Russian rouble / CET1 ratio

The political and economic developments in the Ukraine and in Russia since the beginning of the year 2014 (see below "Recent developments / political and economic turbulence in Ukraine" and "Recent developments in Russia") have led to a sharp depreciation of the Ukrainian hryvnia ("UAH") and the Russian rouble ("RUB"). Since the beginning of the year 2014, the UAH has devaluated 68.4 per cent. against the US dollar and 61.8 per cent. against the Euro. The devaluation of the RUB amounted to 48 per cent. against the US dollar and 37.1 per cent. against the Euro versus the beginning of the year 2014 (all as at 13 February 2015).

The foreign currency ("FX") devaluations have had a negative impact on RBI Group's capital. From the total FX impact of minus 0.94 per cent on the fully loaded common equity tier one ratio ("CET 1 ratio") for the year 2014, a minus of 0.47 per cent results from the devaluation of the RUB and a minus of 0.19 per cent. results from the devaluation of the UAH. The rest results in a minus of 0.13 per cent. from US dollars as well as from a split across other currencies having no larger single effects. Given the currency devaluations, in particular of RUB and UAH, a further negative impact on the capital ratios of the Issuer cannot be excluded.

Recent developments / political and economic turbulence in Ukraine

The political turmoil in the Ukraine resulted in the annexation of Crimea by the Russian Federation as well as an armed conflict between the Ukrainian government and pro-Russian separatists in the Eastern regions of the Ukraine. Thus, the political situation in the Ukraine has become extremely unstable and serious geopolitical tensions have arisen between Russia and the west.

The political crisis in the Ukraine has aggravated the country's long standing economic problems, and the falling value of the currency as described above (see Exchange rates - sharp depreciation of Ukrainian hryvnia and Russian rouble / CET 1 ratio) is one of the consequences. The outlook of the currency remains highly uncertain. This already led and could further lead to higher provisioning needs due to increased risk costs and credit default rates and could continue to have a negative impact on the capital position of RBI Group.

Due to the annexation of Crimea, Raiffeisen Bank Aval's local branches, including their infrastructure, were sold, the corporate business was transferred to ZAO Raiffeisenbank, Moscow. In Eastern Ukraine, the number of branches had been reduced to 80 and the majority of them has been closed.

The development might be exacerbated by repercussions of the current crisis on the political situation, the economies and foreign exchange rates of other countries in which the Issuer operates.

Ukraine peace summit

On 12 February 2015, a peace plan was agreed by the political leaders of Ukraine, Russia, France and Germany and also signed by pro-Russian separatists in Minsk.

However, the measures agreed upon are yet to be implemented and the risks in connection therewith remain. It is still uncertain whether the sanctions against Russia, which would otherwise end automatically in March, April and July 2015 respectively, will be prolonged or whether additional sanctions will be required. All in all, a return to political and economic normality is expected to be difficult and challenging.

Recent developments in Russia

The developments in the Ukraine and the political turmoil in the region have had an impact on Russia, where uncertainties resulted in a sharp devaluation of the Russian rouble ("RUB") as described above (see *Exchange rates - sharp depreciation of Ukrainian hryvnia and Russian rouble / CET1 ratio*). The outlook on the currency remains highly uncertain. Moreover, the sanctions imposed in the course of the crisis as outlined below, the sharp devaluation of the Russian rouble, the decline in the oil prices as well as an increasingly critical risk perception in the international capital markets towards Russia adversely affected and will continue to affect the economy in Russia.

The massive devaluation of the Russian rouble in the fourth quarter 2014 showed substantial impact on RBI's Russian operations' balance sheets, risk weighted assets and results. The much stronger negative impact on the profit is mainly due to higher risk costs, but also almost all income as well as expense positions show impacts. Lower assets lead to lower income and despite a tough cost reduction program this may not be compensated. The devaluation of the Russian currency had an adverse impact on RBI Groups capital ratios due to a reduction of the RUB-denominated equity position which was not fully compensated by the currency-driven reduction of RUB-denominated risk weighted assets.

As a consequence of the developments in Russia, a review of the mid-term planning for the Russian unit of RBI has become necessary. The RBI Board of Management decided to rescale the Russian operations by approximately 20 per cent. until 2017 and the business plans will be adjusted accordingly.

Sanctions

As a consequence of the political developments in Ukraine and Russia, the EU as well as the United States and other countries implemented several measures of sanctions, causing restrictions in the business of the Issuer's Group associated with high costs of implementation. Additional sanctions may be imposed, if the situation in Eastern Ukraine deteriorates further. In reaction to the sanctions, counter-sanctions were imposed by Russia; further measures are expected to follow.

Developments in Hungary

The market environment in Hungary continues to be difficult and is currently under special review. Restructuring of Raiffeisen Bank in Hungary (*Raiffeisen Bank Zrt.*) is in progress, involving selective portfolio reductions and a strong focus on collection and work out. Moreover, a further optimization of the Hungarian unit will be undertaken.

New legislation has been passed by the Hungarian parliament on 4 July 2014 relating to (a) the foreign exchange ("FX") margins which can be applied to foreign currency loan disbursement and instalments and (b) unilateral rate changes on consumer loans. The new law applies to all banks operating in Hungary and requires retroactive modifications to margins and potentially to rates.

As a result of such legislation RBI expects to incur total costs of EUR 272 million related to foreign currency loans and unilateral rate changes on retail loans which were booked in the second and third quarter 2014 (see above "Additional costs Hungary"). It should be noted, that this amount does not include any effects relating to potential future conversion of foreign currency loans into local currency.

Due to amended local accounting standards, the Hungarian National Bank started a local review, among others with respect to the Issuer's Network Bank in Hungary and including the Network Bank's commercial real estate portfolio, having a net exposure of about EUR 275 million. The process and its outcome is not yet finally negotiated with the Hungarian authorities and may result in additional impairment requirements of up to EUR 51 million to be potentially booked in the financial statements of the Network Bank in Hungary according to Hungarian Accounting Standards still in 2014.

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

Developments in Slovenia

The Slovenian market is currently under special review and an intended withdrawal from this market was resolved by RBI in February 2015.

Developments in Croatia

Amendments to the Consumer Loans Act (the "**Amendments Act**") were approved by the Croatian parliament in November 2013 and came into force on 1 January 2014.

The Amendments Act has an impact on future lending business as well as on existing loans, as it authorizes the Ministry of Finance to determine the fees which may be charged by the banks in connection with consumer loans, defines the criteria for the setting of interest rates and imposes maximum interest rates as well as additional information requirements on banks.

The Amendments Act is expected to affect the Issuer's net interest margin on loans. For 2014, the estimated negative impact amounts to EUR 3.2 million and up to EUR 36 million over the whole duration of the CHF-loan portfolio (until 2048).

Developments in Asia

The Asian business has been negatively impacted by lower commodity prices, which have affected the debt servicing capability of borrowers in the Asia-Pacific region. As a consequence, the increase in the non-performing loans ("NPLs") reported in the Group Corporates segment mainly relates to Asia (EUR 734 million as of year-end 2014) and hereof mainly to Indonesia from several clients operating in the raw material and mining business.

Given the Group's total assets in Asia of approximately EUR 6 billion as of 31 December 2014, RBI intends to significantly scale back or exit its business in Asia by end-2017.

Bank levies and specific taxes:

Various countries in which RBI Group operates have already implemented bank levies or specific taxes (i.e. financial transaction tax). The expected total negative impact resulting from such taxes or levies for RBI Group for 2014 amounts to approximately EUR 161 million, and additionally from the Hungarian financial transaction tax to approximately EUR 45 million for 2014. Furthermore, other countries in which RBI Group operates are currently discussing or planning the implementation of similar bank levies.

Bank Recovery and Resolution Regime

An Austrian Recovery and Resolution Law came into force as of 1 January 2015 (the Federal Act on the Recovery and Resolution of Banks; Bundesgesetz über die Sanierung und Abwicklung von Banken; "**BaSAG**"). Payments under this law refer to European rules implementing the Bank Recovery and Resolution Directive ("BRRD"), which are not yet adopted (expected to happen sometime in 2015) and which foresee a contribution payment mechanism starting in 2015. Starting from 2016 the Austrian Resolution Fund, like all other EURO-zone-resolution funds will be transferred to the Single Resolution Fund, being in process of establishment for all EU-Eurozone members (on an optional basis also for other EU members).

The concrete amount of overall payments (with respect to RBI Group members, payments based on their respective national laws) can only be determined once the respective EU regulation / national laws have been passed and EU wide data are available. Using external benchmark estimates, however the contributions for a bank of the size of RBI Group might be in the range of approx. EUR 40 million from 2015.

Regulatory capital requirement of RBI's main shareholder RZB

In spring 2014, the Austrian Financial Markets Authority (Finanzmarktaufsicht – "FMA") issued a decree imposing on RZB as superordinated credit institution of the RZB credit institution group (Kreditinstitutgruppe) a total capital ratio requirement of 13.77 per cent. applicable from July 2014. The calculation of this ratio also includes Raiffeisen-Landesbanken-Holding GmbH as parent financial holding company.

The European Central Bank ("ECB") assumed its role as consolidating supervisor for RZB as from 4 November 2014. It is expected that the ECB as the currently responsible supervisor will issue a decision in the course of the first quarter of 2015 replacing the above capital requirement.

Regulatory capital requirement of RBI

Following the Austrian regulator's decision to set up a second level of supervision at the level of RBI Group, on 24 October 2014, RBI received notification from the FMA that it would be required to fulfil regulatory capital requirements as a separate group (i.e. RBI Group on a consolidated basis) in addition to RZB Group. Thus, RBI is sub-consolidated and also regulated separately by the European Central Bank. As a consequence, as from 30 November 2014 RBI is required to adhere to a SREP Ratio (Supervisory Review Evaluation Process Ratio) (i.e. a total capital ratio (transitional)) of 13.76 per cent. Furthermore, the volume of guarantees between RZB and RBI will have to be reduced which is expected to have a negative impact on direct business transactions between RBI and the Regional Raiffeisen Banks, i.e. the Raiffeisen-Landeszentralen, in particular as regards liquidity flows. As part of the measures relating to organisational and functional separation, respectively the unbundling of bank-specific operations between RZB and RBI, it is also required to discontinue identical board functions such as RBI's chief risk officer acting also as a member of the management board of RZB. Thus, Mr. Strobl's position as chief risk officer of RZB will terminate prior to or on 30 June 2015 at the latest.

The European Central Bank ("ECB") assumed its role as competent authority for RBI as from 4 November 2014. It is expected that the ECB as the currently competent authority will issue a decision in the course of the first quarter of 2015 replacing the above capital requirement. In order to comply with capital requirements in the future, RZB Group and/or RBI Group may have to raise additional tier 1 or tier 2 capital or reduce its risk-weighted assets.

Securitization

As part of RBI's strategic priority of strengthening capital, the bank is actively managing the securitization of assets. By the end of 2014, the Issuer closed a securitization that resulted in a reduction of Risk Weighted Assets (RWAs) by around EUR 500 million and CET1 relief of around EUR 50 million or 0.07 per cent. Going forward, the Issuer aims to securitize assets on a regular basis generating around 0.20 per cent of CET1 capital relief p.a."

4) On page 18 of the Supplemented Base Prospectus, the section "Credit ratings assigned to the issuer or its debt securities" in the "SUMMARY", "Section B", Element "B.17", shall be deleted and replaced by the following:

B.17	Credit ratings assigned to the issuer or its debt securities	<p>Credit ratings of the Issuer:</p> <p>The Issuer has obtained ratings for the Issuer from</p> <ul style="list-style-type: none"> • Moody's Investors Service ("Moody's")* • Standard & Poor's Credit Market Services Europe Limited ("S&P")*, and • Fitch Ratings Limited ("Fitch")*. <p>As of the date of this Base Prospectus such ratings are as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>Moody's¹</th> <th>S&P²</th> <th>Fitch³</th> </tr> </thead> <tbody> <tr> <td>Rating for long term obligations (senior)</td> <td>Baa2 / Review for downgrade</td> <td>A- / CreditWatch negative</td> <td>A / Outlook negative</td> </tr> <tr> <td>Rating for short term obligations (senior)</td> <td>P-2</td> <td>A-2</td> <td>F1</td> </tr> </tbody> </table>		Moody's ¹	S&P ²	Fitch ³	Rating for long term obligations (senior)	Baa2 / Review for downgrade	A- / CreditWatch negative	A / Outlook negative	Rating for short term obligations (senior)	P-2	A-2	F1
	Moody's ¹	S&P ²	Fitch ³											
Rating for long term obligations (senior)	Baa2 / Review for downgrade	A- / CreditWatch negative	A / Outlook negative											
Rating for short term obligations (senior)	P-2	A-2	F1											

¹ 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.

² S&P assign long-term credit ratings on a scale from AAA to D. 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 (neutral). S&P assigns short-term credit ratings for specific issues on a scale from A-1, A-2, A-3, B, C down to D. Within the A-1 category the rating can be designated with a "+".

³ Fitch's long-term credit ratings are set up along a scale from AAA, AA, A, BBB, BB, B, CCC, CC, C down to D. Fitch uses the intermediate modifiers "+" and "-" for each category between AA and CCC to show the relative standing within the relevant rating categories. Fitch's short-term ratings indicate the potential level of default within a 12-month period at the levels F1+, F1, F2, F3, F4, B, C and D.

		<p>*) Moody's Deutschland GmbH, An der Welle 5, 2nd Fl., 60322 Frankfurt, Germany</p> <p>Standard & Poor's Credit Market Services Europe Limited, London (Niederlassung Deutschland), 60311 Frankfurt am Main, and</p> <p>Fitch Ratings Limited, 30 North Colonnade, Canary Wharf, London E14 5GN, UK</p> <p>are established in the European Union, are 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") and are included in the list of credit rating agencies registered in accordance with the CRA-Regulation published by the European Securities and Markets Authority on its website (www.esma.europa.eu/page/List-registered-and-certified-CRAs).</p> <p>Credit ratings of the [Senior] [Subordinated] [Covered] Notes:</p> <p>[The [Senior] [Subordinated] [Covered] Notes to be issued [have been] [are expected to be] rated: <i>[insert Rating]</i>].</p> <p>[The [Senior] [Subordinated] [Covered] Notes to be issued are not expected to be rated.]</p>
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5) On page 36 of the Supplemented Base Prospectus, in the section "**Key risks that are specific to the issuer**" in the "**SUMMARY**", "**Section D - Risks**", **Element "D.2."** under the heading "**Regulatory Risks**"

i) the bullet point "*RZB Group and/or later on RBI Group and certain of its subsidiaries could be qualified as a "systemically important" financial institution and thus be subject to a surcharge on regulatory capital.*" shall be deleted and replaced by the following bullet point:

- *"RZB Group and/or RBI Group and/or certain of its subsidiaries qualify / could be qualified as a "systemically important" financial institution(group) and thus be subject to a surcharge on regulatory capital"*

ii) and the bullet point "*Austrian Bank Intervention and Restrucuring Act (BIRG)*" shall be replaced by the following bullet point:

- *"Bankeninterventions- und Restrukturierungsgesetz (BIRG) - Austrian Bank Intervention and Restrucuring Act – Bundesgesetz über die Sanierung und Abwicklung von Banken (BaSAG)"*

6) On pages 47 to 48 of the Supplemented Base Prospectus, the second paragraph in the section "**Alle bereits bekannten Trends, die sich auf die Emittentin und die Branchen, in denen sie tätig ist, auswirken**" in the German translation of the Summary "**ZUSAMMENFASSUNG**", "**Abschnitt B**", **Element "B.4b"**", shall be deleted and replaced by the following paragraph:

"Bekannte Trends, welche die Emittentin und die Branche, in der sie aktiv ist, beeinflussen, sind das schwierige makroökonomische Umfeld mit abnehmenden Wachstumsraten und negativen Prognosen in einigen Ländern, die schwierige politische und wirtschaftliche Situation in und mit der Ukraine und Russland, hohe Volatilitäten der Wechselkurse und die weiterhin angespannte Lage an den Finanz und Kapitalmärkten. Der kurz und mittelfristige Ausblick für die Weltwirtschaft bleibt herausfordernd und viele Prognosen gehen von stagnierenden oder nur moderaten Wachstumsraten für das Bruttosozialprodukt von vielen der Märkte aus, in welchen die RBI operiert. Einige der Märkte, in welchen der RBI Konzern tätig ist, waren und werden zukünftig – mancherorts materiell und - negativ von diesen sich ändernden Bedingungen betroffen sein."

7) On page 48 of the Supplemented Base Prospectus, in the section "**Gewinnprognosen oder -schätzungen**" in the German translation of the Summary "**ZUSAMMENFASSUNG**", "**Abschnitt B**", **Element "B.9"**", the existing wording shall be deleted and replaced by the following paragraph:

"Es wird auf das Unterkapitel "*Vorläufige ungeprüfte Ergebnisse für das Jahr 2014 des RBI Konzerns*" in Abschnitt B, Element B.12 unten verwiesen."

- 8) On pages 50 et seq. of the Supplemented Base Prospectus, the section "**Wesentliche Veränderungen der Finanzlage oder Handelsposition der Emittentin**" in the German translation of the Summary "**ZUSAMMENFASSUNG**", "**Abschnitt B**", **Element "B.12"**, shall be fully deleted and replaced by the following section:

"Negative Auswirkungen auf die Emittentin, insbesondere seit dem Datum des letzten veröffentlichten Zwischenberichts (Bericht 3. Quartal 2014 / ungeprüft) haben unter anderem:

Vorläufige ungeprüfte Ergebnisse für das Jahr 2014 des RBI Konzerns

Erfolgsrechnung in EUR Millionen	1-12/2014	1-12/2013
Zinsüberschuss	3.789	3.729
Nettodotierungen zu Kreditrisikovorsorgen	(1.716)	(1.149)
Provisionsüberschuss	1.586	1.626
Handelsergebnis	(30)	321
Verwaltungsaufwendungen	(3.024)	(3.340)
Jahresüberschuss vor Steuern	23	835
Jahresüberschuss/-verlust nach Steuern	(463)	603
Konzern-Jahresüberschuss/-verlust (nach Minderheiten)	(493)	557

Das Ergebnis wird durch Einmaleffekte wie Wertberichtigungen auf Firmenwerte in Höhe von EUR 306 Millionen, vor allem für die Tochterbanken in Russland (EUR 148 Millionen), Polen (EUR 99 Millionen) und Albanien (EUR 51 Millionen), sowie Abschreibungen auf latente Steuern (DTA) in Höhe von EUR 196 Millionen, vor allem in der Konzernzentrale (EUR 161 Millionen) und in Asien (EUR 35 Millionen), belastet.

Für das Geschäftsjahr 2014 wird keine Aktien-Dividende ausbezahlt werden.

"Diese vorläufigen ungeprüften Ergebnisse des RBI Konzerns für das Geschäftsjahr 2014 ("**Ergebnisse**")", wie oben angeführt, wurden auf Basis des bestehenden IFRS-Finanzberichterstattungsprozesses der Emittentin erstellt. Die für die Ergebnisse verwendeten Grundlagen des Rechnungswesens sind konsistent mit den Bilanzierungs- und Bewertungsmethoden (Internationale Rechnungslegungsstandards (IFRS) wie von der Europäischen Union übernommen), die von RBI angewendet werden. Diese Aussage wurde vom unabhängigen Wirtschaftsprüfer der Emittentin bestätigt, der Untersuchungshandlungen vorgenommen hat, ob die Ergebnisse in der beschriebenen Weise korrekt ermittelt wurden und ob die für die Ergebnisse herangezogenen Grundlagen des Rechnungswesens mit den Bilanzierungs- und Bewertungsmethoden der RBI konsistent sind.

Die Emittentin bestätigt, dass die Ergebnisse im Wesentlichen mit den im geprüften konsolidierten Jahresabschluss des RBI Konzerns für das Jahr 2014 zu veröffentlichenden endgültigen Zahlen konsistent sind.

Die Ergebnisse wurden nicht geprüft.

Die Emittentin übernimmt die volle Verantwortung für die oben angeführten Ergebnisse."

Maßnahmen im Zuge der Überprüfung der Strategie

Am 9. Februar 2015 beschloss RBI eine Reihe von Maßnahmen, um den Kapital-Puffer zu erhöhen. Diese Maßnahmen sollen zu einer Verbesserung der CET1 Ratio (fully loaded) auf 12 Prozent bis Ende 2017 führen. Ende 2014 lag dieser Wert bei 10 Prozent. Die geplanten Schritte werden insbesondere jene Geschäftsfelder innerhalb des RBI Konzerns betreffen, die geringe Ergebnisse erwirtschaften, einen hohen Kapitalbedarf haben oder von untergeordneter strategischer Bedeutung sind.

Die umzusetzenden Maßnahmen umfassen den beabsichtigten Verkauf der Einheiten in Polen und Slowenien sowie der Direktbank Zuno. Im Zusammenhang mit dem angekündigten Verkauf von Raiffeisen Bank Polska S.A. hat die polnische Finanzmarktaufsichtsbehörde ("PFSA") RBI von der Einleitung eines Verwaltungsverfahrens informiert. Dieses ist gestützt auf die Behauptung der möglichen Nicht-Einhaltung von Verpflichtungen, die seitens RBI während des Genehmigungsprozesses des Kaufs von Polbank EFG durch RBI im Jahr 2012 gegenüber PFSA eingegangen worden waren. Die Emittentin ist der Meinung, dass die Verpflichtungen nicht verletzt wurden; obwohl ein mögliches Ergebnis des Verfahrens zu einem Stimmverbot in Bezug auf die Aktien von Raiffeisen Bank Polska S.A., der Tochtergesellschaft von RBI, bis zum Verkauf der Aktien führen könnte, ist die Emittentin der Ansicht, dass die Vorwürfe unbegründet sind und das Verfahren letztendlich eingestellt werden sollte. Die Emittentin ist der Meinung, dass das Verfahren keine Auswirkungen auf das Tagesgeschäft oder den Verkaufsprozess haben wird.

Es ist geplant, das Obligo gegenüber dem russischen Markt durch einem Abbau der Risikoaktiva (RWA) um rund 20 Prozent bis Ende 2017 zu reduzieren (RWA im russischen Markt per 31.12.2014: EUR 8,4 Milliarden). Ein Abbau des Obligos ist auch in der Ukraine, wo die Risikoaktiva um rund 30 Prozent bis Ende 2017 reduziert werden sollen, vorgesehen (RWA per 31.12.2014: EUR 3,0 Milliarden). In Ungarn ist eine weitere Optimierung beabsichtigt. Im Sinne der beabsichtigten Fokussierung des Konzerns auf CEE sollen die Geschäftsaktivitäten in Asien bis Ende 2017 und in den USA bis Ende 2016 signifikant zurückgefahren oder aufgegeben werden.

Diese Entscheidungen wurden vorbehaltlich der Zustimmung durch den Aufsichtsrat getroffen. Die Umsetzung dieser Maßnahmen soll bis Ende 2017 in den ausgewählten Märkten zu einer Reduzierung der Risikoaktiva von brutto rund EUR 16 Milliarden führen (RWA per 31.12.2014: EUR 68,7 Milliarden). Der Gesamtabbau soll sich zwischen Ende des dritten Quartals 2014 bis Ende 2017 auf brutto rund EUR 26 Milliarden belaufen.

Es wird erwartet, dass der Abbau zum Teil durch den Anstieg der Risikoaktiva in anderen Geschäftsfeldern ausgeglichen wird – sowohl regulatorisch- als auch geschäftsbedingt.

Das CHF-Exposure des RBI Konzerns

Das CHF-Exposure des RBI Konzerns ist per 31. Dezember 2014 (letzte verfügbare Zahlen) vorwiegend in Polen (rund EUR 2,8 Mrd.) sowie in Rumänien (rund EUR 350 Mio.), in Kroatien (rund EUR 270 Mio.) und Serbien (rund EUR 80 Mio.) angesiedelt. In Ungarn sind

die CHF-Kredite weitgehend durch das neue Abkommen zwischen Regierung, Banken und Notenbank abgedeckt. Darüber hinaus gibt es in Ungarn per Jahresende 2014 noch ein verbleibendes Exposure von rund CHF 130 Mio. (vorwiegend Kredite an Unternehmen).

Als Folge der Entscheidung der Schweizerischen Nationalbank den EUR-Mindestkurs für den Franken im Januar 2015 aufzuheben, hat die kroatische Regierung Ende Januar 2015 angekündigt, den CHF/HRK Wechselkurs für die nächsten zwölf Monate bei 6,39 HRK zu fixieren. Dies entspricht dem Wechselkurs vor der Entscheidung der Schweizerischen Nationalbank. Zu diesem Zeitpunkt und auf Basis derzeitiger Gegebenheiten, erwartet der RBI Konzern für das Geschäftsjahr 2015 eine negative Auswirkung im mittleren einstelligen Millionenbereich, da die Kunden in der Lage sein sollten, ihre regelmäßig fällig werdenden Annuitäten (und nur diese sind von der Entscheidung umfasst) auf Basis des gesetzlich festgelegten fixen Wechselkurses zu zahlen.

Wechselkurse – starke Abwertung des ukrainischen Griwna und des russischen Rubels / CET 1 ratio

Die politischen und wirtschaftlichen Entwicklungen in der Ukraine und Russland seit Beginn des Jahres (siehe dazu unten "*Jüngste Entwicklungen / politische und wirtschaftliche Unruhen in der Ukraine und 'Jüngste Entwicklungen in Russland'*") haben zu einer starken Abwertung des ukrainischen Griwna ("UAH") und des russischen Rubels ("RUB") geführt. Der UAH hat seit Beginn des Jahres 2014 gegenüber dem US-Dollar um 68,4 % und gegenüber dem Euro um 61,8 % abgewertet. Die Abwertung des russischen Rubels im Vergleich zum Jahresbeginn 2014 betrug gegenüber dem US Dollar 48 % und gegenüber dem Euro 37,1 % (alle Daten per 13. Februar 2015).

Die Fremdwährungsabwertungen hatten einen negativen Effekt auf das Kapital des RBI Konzerns. Von der gesamten aus Fremdwährungsabwertungen resultierenden Auswirkung von Minus 0,94 % auf die harte Kernkapitalquote (CET 1 ratio fully loaded "CET 1 ratio") (für das Jahr 2014 entfällt ein Minus von 0,47 % auf die Abwertungen des RUB und ein Minus von 0,19 % auf die Abwertungen des UAH. Der Rest entfällt in Höhe von Minus 0,13 % auf den US Dollar und teilt sich ansonsten ohne größeren Einzeleffekt auf andere Währungen auf. Angesichts der Währungsabwertungen, insbesondere des RUB und UAH, kann eine weitere negative Auswirkung auf die Kapitalquoten der Emittentin nicht ausgeschlossen.

Jüngste Entwicklungen / politische und wirtschaftliche Unruhen in der Ukraine

Die politischen Unruhen in der Ukraine mündeten in die Annexion der Krim durch Russland sowie einen bewaffneten Konflikt zwischen der ukrainischen Regierung und pro-russischen Separatisten in den östlichen Regionen der Ukraine. Die politische Situation in der Ukraine ist somit extrem instabil und ernste geopolitische Spannungen sind zwischen Russland und dem Westen entstanden.

Die politische Krise in der Ukraine hat die anhaltenden wirtschaftlichen Probleme des Landes verschärft und der fallende Wert der Währung, wie oben beschrieben (siehe *Wechselkurse – starke Abwertung des ukrainischen Griwna und des russischen Rubels / CET 1 ratio*), ist eine der Konsequenzen. Der Ausblick für die Währung bleibt höchst unsicher. Dies könnte zu einem höheren Rückstellungsbedarf aufgrund gestiegener Risikokosten und erhöhter Kreditausfallsraten führen und weiterhin einen negativen Einfluss auf die Kapitalposition des RBI Konzerns haben.

Aufgrund der Annexion der Krim wurden die lokalen Filialen der Raiffeisen Bank Aval sowie die Infrastruktur verkauft und das Firmenkundengeschäft auf die ZAO Raiffeisenbank, Moskau, übertragen. In der Ostukraine wurde die Anzahl der Filialen auf 80 reduziert, von welchen die Mehrheit geschlossen wurde.

Die Entwicklung könnte durch die Auswirkung der gegenwärtigen Krise auf die politische Situation, die Wirtschaft und die Wechselkurse anderer Länder, in denen die Emittentin tätig ist, verschärft werden.

Ukrainische Friedensgespräche

Am 12. Februar 2015 wurde zwischen den politischen Vertretern der Ukraine, Russlands, Frankreichs und Deutschlands ein Friedensplan abgestimmt und auch von pro-russischen Separatisten in Minsk unterzeichnet.

Allerdings müssen die vereinbarten Maßnahmen erst umgesetzt werden und die damit verbundenen Risiken bleiben. Es ist noch unklar, ob die Sanktionen gegen Russland, die andernfalls automatisch jeweils im März, April und Juli 2015 enden würden, verlängert werden oder ob zusätzliche Sanktionen erforderlich sein werden. Insgesamt ist zu erwarten, dass eine Rückkehr zu politischer und wirtschaftlicher Normalität schwierig und herausfordernd werden wird.

Jüngste Entwicklungen in Russland

Die Entwicklungen in der Ukraine und die politischen Unruhen in der Region hatten negative Auswirkungen auf Russland, wo diese Unsicherheiten zu einer starken Abwertung des russischen Rubels ("RUB"), wie oben unter "*Wechselkurse – starke Abwertung des ukrainischen Griwna und des russischen Rubel / CET 1 Ratio*" beschrieben, geführt haben. Der Ausblick für die Währung bleibt höchst unsicher. Darüber hinaus haben die im Zuge der Krise gegen Russland verhängten – unten näher beschriebenen - Sanktionen, die starke Abwertung des russischen Rubels, der Verfall des Ölpreises und die zunehmend kritischen Risikowahrnehmung Russlands in den internationalen Kapitalmärkten die Wirtschaft in Russland nachteilig beeinträchtigt und werden sie weiter beeinträchtigen.

Die massive Abwertung des russischen Rubels im 4. Quartal 2014 hat substantielle Effekte auf die Bilanz, die risikogewichteten Aktiva und die Ergebnisse der russischen Einheit der RBI gezeigt. Die weit stärkere negative Auswirkung auf den Gewinn resultiert hauptsächlich aus höheren Risikokosten, aber auch so gut wie alle Ergebnis- als auch Aufwandspositionen zeigen Auswirkungen. Niedrigere Aktiva führen zu niedrigeren Ergebnissen und ungeachtet eines strengen Kostenreduktions-Programmes könnte dies möglicherweise nicht kompensiert werden. Die Abwertung des russischen Rubels hatte, bedingt durch die Reduktion der in russischen Rubel denominierten Eigenkapitalposition, einen negativen Effekt auf die Kapitalquoten des RBI Konzerns, was nicht vollständig durch die währungsgetriebene Reduktion von in RUB-denominierten risikogewichteten Aktiva ausgeglichen werden konnte.

Als Folge der Entwicklungen in Russland wurde eine Überprüfung der mittelfristigen Planung für die russische Einheit der RBI erforderlich. Der Vorstand der RBI hat eine Reduktion des Russlandgeschäfts um ca. 20 % bis 2017 beschlossen und entsprechend werden die Geschäftspläne angepasst werden.

Sanktionen

Infolge der politischen Entwicklungen in der Ukraine und in Russland haben die EU, die Vereinigten Staaten und andere Länder verschiedene Sanktionen verhängt, die die Geschäftstätigkeit des Konzerns der Emittentin einschränken und deren Umsetzung mit hohen Kosten verbunden ist. Zusätzliche Sanktionen könnten verhängt werden, wenn sich die Situation in der Ostukraine weiter verschlechtert. Als Reaktion auf die Sanktionen wurden von Russland Gegensanktionen verhängt; weitere Maßnahmen sind zu erwarten.

Entwicklungen in Ungarn

Das Marktumfeld in Ungarn bleibt schwierig und ist derzeit unter besonderer Beobachtung. Eine Restrukturierung der ungarischen Raiffeisen Bank Zrt., einhergehend mit selektiver Portfolioreduktion, einem strengen Fokus auf Inkasso und Problemkredite. Darüber hinaus wird eine weitere Optimierung der ungarischen Einheit umgesetzt.

Ein neues Gesetz wurde durch das ungarische Parlament am 4. Juli 2014 erlassen zu (a) den auf die Auszahlung von und Ratenzahlungen auf Fremdwährungsdarlehen anwendbaren Fremdwährungs- ("FX") Margen sowie zu (b) einseitigen Änderungen der Zinssätze bei Verbraucherdarlehen. Das neue Gesetz betrifft alle in Ungarn tätigen Banken und erfordert eine rückwirkende Änderung der Margen und gegebenenfalls auch der Zinssätze.

Als Ergebnis dieser Gesetzgebung erwartet RBI Gesamtkosten im Ausmaß von EUR 272 Millionen im Zusammenhang mit Fremdwährungsdarlehen und einseitigen Änderungen von Zinssätzen bei Verbraucherdarlehen, welche im zweiten und dritten Quartal 2014 verbucht wurden. Festzuhalten ist, dass dieser Betrag nicht die Kosten potentieller zukünftiger Umrechnungen von Fremdwährungsdarlehen in die Landeswährung beinhaltet.

Aufgrund geänderter lokaler Rechnungslegungsstandards hat die ungarische Nationalbank eine Überprüfung auf lokaler Ebene von - unter anderem - der ungarischen Netzwerkbank der Emittentin, einschließlich des Portfolios an Geschäftsimmobilien der Netzwerkbank mit einem Netto-Obligo von EUR 275 Millionen, begonnen. Der Prozess und dessen Ergebnis ist mit den ungarischen Behörden noch nicht final verhandelt, könnte jedoch zu einem zusätzlichen Abschreibungsbedarf in der Höhe von bis zu EUR 51 Millionen führen, der entsprechend den ungarischen Rechnungslegungsstandards möglicherweise noch in den Jahresabschluss 2014 der Netzwerkbank in Ungarn zu buchen sein wird.

Im Lichte der aktuellen politischen und wirtschaftlichen Entwicklung in Ungarn erachtet der RBI Konzern das Risiko als signifikant, dass die ungarische Regierung zusätzliche Gesetzgebungsmaßnahmen in Ungarn durchführen könnte, welche einen nachteiligen Effekt auf den Bankensektor generell und auf ausländische Banken im Speziellen haben können."

Entwicklungen in Slowenien

Der slowenische Markt steht derzeit unter besonderer Beobachtung und ein beabsichtigter Rückzug aus diesem Markt wurde von RBI im Februar 2015 beschlossen.

Entwicklungen in Kroatien

Änderungen des Gesetzes über Konsumentenkredite (das "Änderungs-Gesetz") wurden im November 2013 vom kroatischen Parlament beschlossen und traten mit 1. Januar 2014 in Kraft.

Das Änderungs-Gesetz hat Auswirkungen auf das zukünftige Kreditgeschäft sowie auf bestehende Darlehen, da es das Finanzministerium ermächtigt, Gebühren festzulegen, die die Banken im Zusammenhang mit Konsumentenkrediten erheben können, Kriterien für die Festlegung von Zinssätzen definiert und Höchstzinssätze auferlegt sowie zusätzliche Informationsanforderungen an Banken stellt.

Das Änderungs-Gesetz wird sich voraussichtlich auf die Nettozinsmarge aus Darlehen der Emittentin auswirken. Der geschätzte negative Effekt für 2014 beträgt EUR 3,2 Mio. und über die gesamte Laufzeit des CHF-Darlehensportfolios (bis 2048) bis zu EUR 36 Mio.

Entwicklungen in Asien

Die Geschäftstätigkeit in Asien ist durch niedrigere Rohstoffpreise negativ beeinflusst worden, die die Fähigkeit der Kreditnehmer im asiatisch-pazifischen Raum zur Bedienung der Schulden beeinträchtigt haben. Als Folge davon ist der Anstieg der notleidenden Kredite ("NPLs"), die im Segment Group Corporates gebucht wurden, hauptsächlich auf Asien (EUR 734 Millionen per Jahresende 2014) zurückzuführen und davon wieder vor allem auf mehrere Kunden aus Indonesien, die im Rohstoff- und Bergbaugeschäft tätig sind.

Angesichts der Gesamtaktiva in Asien in Höhe von ungefähr EUR 6 Mrd. zum 31. Dezember 2014, beabsichtigt RBI, das Asiengeschäft bis Ende 2017 signifikant zurückzuführen oder aufzugeben.

Bankenabgaben und spezifische Steuern

Verschiedene Länder, in denen der RBI Konzern aktiv ist, haben bereits Bankenabgaben oder bankspezifische Steuern (z.B. eine Finanztransaktionssteuer) eingeführt. Die erwartete Ergebnisbelastung aus diesen Steuern oder Abgaben beläuft sich für den RBI Konzern für 2014 auf circa EUR 161 Millionen und aus der ungarischen Finanztransaktionssteuer auf zusätzlich circa EUR 45 Millionen. Darüber hinaus diskutieren bzw. planen andere Länder, in denen der RBI Konzern tätig ist, die Einführung ähnlicher Bankenabgaben.

Regime zur Sanierung und Abwicklung von Kreditinstituten

Ein österreichisches Gesetz über die Sanierung und Abwicklung von Banken trat per 1. Januar 2015 in Kraft (Bundesgesetz über die Sanierung und Abwicklung von Banken; "BaSAG"). Zahlungen unter diesem Gesetz beziehen sich auf europäische Regelungen, die die EU-Richtlinie zur Sanierung und Abwicklung von Kreditinstituten und Wertpapierfirmen ("BRRD") ausführen, aber noch nicht verabschiedet sind (dies wird für 2015 erwartet) und die einen Mechanismus für Beitragszahlungen beginnend im Jahr 2015 vorsehen. Beginnend mit 2016 wird der österreichische Abwicklungsfinanzierungsmechanismus, wie alle anderen Abwicklungsfinanzierungsmechanismen in der Euro-Zone, in einen einheitlichen Abwicklungsfonds (Single Resolution Fund) übertragen, der derzeit gerade für alle EU-Eurozonen Mitglieder (für andere EU-Mitglieder auf freiwilliger Basis) eingerichtet wird.

Der konkrete Gesamtbetrag der Zahlungen (RBI Konzernmitglieder betreffend, Zahlungen basierend auf den jeweiligen nationalen Gesetzen) kann erst festgestellt werden, wenn die jeweiligen EU Regelungen / nationalen Gesetze verabschiedet wurden und EU-weite Daten verfügbar sind. Unter Heranziehung externer Vergleichsmaßstäbe würden die Beitragszahlungen ab 2015 für eine Bank in der Größe der RBI in einem Bereich von ca. EUR 40 Millionen liegen.

Regulatorisches Kapitalerfordernis der RZB, dem Hauptgesellschafter der RBI

Im Frühjahr 2014 wurde von der österreichischen Finanzmarktaufsicht („FMA“) ein Bescheid erlassen, der RZB als übergeordnetem Kreditinstitut der RZB Kreditinstitutsgruppe ein Eigenmittelquotenerfordernis in Höhe von 13,77 % auferlegt. Die Quote gilt ab Juli 2014 und umfasst auch Raiffeisen-Landesbanken-Holding GmbH als Mutterfinanzholdinggesellschaft.

Die Europäische Zentralbank („EZB“) übernahm die Funktion der konsolidierenden Aufsichtsbehörde ab 4. November 2014. Es wird erwartet, dass die EZB als derzeit zuständige Aufsichtsbehörde im ersten Quartal 2015 eine Entscheidung erlassen wird, die das o.a. Kapitalerfordernis ersetzt.

Regulatorisches Kapitalerfordernis der RBI

Im Anschluss an die Entscheidung der österreichischen Aufsichtsbehörde zur Einrichtung einer zweiten Aufsichtsebene auf Ebene des RBI Konzerns, erhielt RBI am 24. Oktober 2014 einen Bescheid der FMA, der sie – zusätzlich zum RZB Konzern - verpflichtet, regulatorische Kapitalerfordernisse als eigene Gruppe (dh RBI Konzern auf konsolidierter Basis) zu erfüllen. RBI wird subkonsolidiert und von der Europäischen Zentralbank auch gesondert reguliert. Daher hat RBI ab dem 30. November 2014 eine Eigenmittelquote (transitional) in Höhe von 13,76 % zu erfüllen. Ferner muss das Volumen der Garantien zwischen RZB und RBI reduziert werden, wodurch eine negative Auswirkung auf direkte Geschäftstransaktionen zwischen RBI und den Raiffeisen-Landeszentralen, insbesondere auf Liquiditätsflüsse, zu erwarten ist. Als Teil der organisatorischen und funktionellen Trennungsmaßnahmen, insbesondere die Entflechtung der bankbetrieblichen Funktionen zwischen RZB und RBI, ist die Beendigung von Personalidentität bei Vorstandsfunktionen, wie die gleichzeitige Funktion als Chief Risk Officer der RBI und als Mitglied des Vorstandes der RZB, erforderlich. Daher wird die Bestellung von Dr. Strobl als Chief Risk Officer der RZB vor oder spätestens am 30. Juni 2015 enden.

Die Europäische Zentralbank („EZB“) übernahm die Funktion der zuständigen Behörde ab 4. November 2014. Es wird erwartet, dass die EZB als derzeit zuständige Behörde im ersten Quartal 2015 eine Entscheidung erlassen wird, die das o.a. Kapitalerfordernis ersetzt. Um die Kapitalerfordernisse in der Zukunft zu erfüllen, könnte die RZB Gruppe und/oder die RBI Gruppe gezwungen sein, zusätzliches Additional Tier 1- oder Tier 2-Kapital zu begeben oder risikogewichtete Aktiva abzubauen.

Verbriefungen

Als Teil der strategischen Schwerpunktsetzung der RBI zur Stärkung des Kapitals nimmt die Bank aktiv die Verbriefung von Vermögenswerten vor. Zum Ende des Jahres 2014 hat die Emittentin eine Verbriefung abgeschlossen, die zu einer Reduktion der risikogewichteten Aktiva (RWAs) um rund 500 Millionen Euro und einer Entlastung der CET1 Ratio von ca. 50 Millionen oder 0,07 % führte. Die Emittentin beabsichtigt, künftig Vermögenswerte auf regelmäßiger Basis zu verbrieften und so eine Entlastung der CET1 Ratio von 0,20 % pro Jahr zu generieren."

- 9) On page 55 of the Supplemented Base Prospectus, in the section "Ratings für die Emittentin oder ihre Schuldtitel" in the German translation of the Summary "ZUSAMMENFASSUNG", "Abschnitt B", Element "C.8", the table shall be replaced by the following:

B.17	Ratings für die Emittentin oder ihre Schuldtitel	Ratings der Emittentin:		
		Die Emittentin hat von den Rating-Agenturen		
		<ul style="list-style-type: none"> • Moody's Investors Service ("Moody's")* • Standard & Poor's Credit Market Services Europe Limited ("S&P")*, und • Fitch Ratings Limited ("Fitch")* 		
		Emittenten-Ratings erhalten.		
		Zum Datum dieses Basisprospekts sind dies die folgenden Ratings:		
		Moody's⁴	S&P⁵	Fitch⁶
Langfristiges Rating (nicht nachrangig)		Baa2 / Review for downgrade	A- / CreditWatch negative	A / (negative Ausblick)
Kurzfristiges Rating (nicht nachrangig)		P-2	A-2	F1

⁴ Moodys vergibt langfristige Ratings anhand der folgenden Skala: Aaa, Aa, A, Baa, Ba, B, Caa, Ca und C. Jeder allgemeinen Ratingkategorie von Aa bis Caa weist Moodys die numerischen Modifikatoren "1", "2" und "3" zu. Der Modifikator "1" zeigt an, dass die Bank am oberen Ende ihrer Buchstaben-Ratingklasse steht, der Modifikator "2" steht für ein mittleres Ranking und der Modifikator "3" zeigt an, dass die Bank sich am unteren Ende ihrer Buchstaben-Ratingklasse befindet. Die kurzfristigen Ratings von Moody's stellen eine Einschätzung der Fähigkeit des Emittenten dar, kurzfristigen finanziellen Verpflichtungen nachzukommen, und reichen von P-1, P-2, P-3 bis hinunter zu NP.

⁵ S&P vergibt langfristige Bonitätsratings anhand der folgenden Skala: AAA bis D. Die Ratings von AA bis CCC können durch ein "+" oder "-" modifiziert werden, um die relative Position innerhalb der Hauptratingklasse anzugeben. S&P kann darüber hinaus eine Einschätzung (genannt *Credit Watch*) abgeben, ob ein Rating in naher Zukunft voraussichtlich ein Upgrade (positiv) erhält, ein Downgrade (negativ) erhält oder ob die Tendenz ungewiss ist (neutral). S&P weist spezifischen Emissionen kurzfristige Ratings auf einer Skala von A-1, A-2, A-3, B, C bis hinab zu D zu. Innerhalb der Klasse A-1 kann das Rating mit einem "+" versehen werden.

⁶ Die langfristigen Bonitätsratings von Fitch folgen der Skala AAA, AA, A, BBB, BB, B, CCC, CC, C bis hinunter zu D. Fitch verwendet die Modifikatoren "+" und "-" für alle Ratingklassen zwischen AA und CCC, um die relative Position innerhalb der jeweiligen Ratingklasse anzuzeigen. Die kurzfristigen Ratings von Fitch zeigen die potentielle Ausfallstufe innerhalb eines 12-Monats-Zeitraums durch die Stufen F1+, F1, F2, F3, F4, B, C und D an.

		<p>^{*)} Moody's Deutschland GmbH, An der Welle 5, 2nd Fl., 60322 Frankfurt, Deutschland</p> <p>Standard & Poor's Credit Market Services Europe Limited, London (Niederlassung Deutschland), 60311 Frankfurt am Main, und</p> <p>Fitch Ratings Limited, 30 North Colonnade, Canary Wharf, London E14 5GN, UK</p> <p>haben ihren Sitz in der Europäischen Union, sie sind gemäß der Verordnung (EG) Nr. 1060/2009 des Europäischen Parlaments und des Rats vom 16. September 2009 über Ratingagenturen, in der jeweils geänderten Fassung (die "Rating-Verordnung") registriert und auf der Liste der Ratingagenturen aufgeführt, die in Übereinstimmung mit der Rating-Verordnung registriert sind und die von der Europäischen Wertpapier- und Marktaufsichtsbehörde auf ihrer Internetseite www.esma.europa.eu/page/List-registered-and-certified-CRAs veröffentlicht wurde.</p> <p>Ratings der [Nicht Nachrangigen] [Nachrangigen] [Schuldverschreibungen] [Fundierten Bankschuldverschreibungen]:</p> <p>[Die [Nicht Nachrangigen] [Nachrangigen] [Schuldverschreibungen] [Fundierten Bankschuldverschreibungen] [wurden][werden voraussichtlich] geratet: [Rating einfügen].]</p> <p>[Die [Nicht Nachrangigen] [Nachrangigen] [Schuldverschreibungen] [Fundierten Bankschuldverschreibungen] werden voraussichtlich nicht geratet.]</p>
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10) On pages 75 and 76 of the Supplemented Base Prospectus, in the section "**Zentrale Risiken, die der Emittentin eigen sind**" in the German translation of the Summary "**ZUSAMMENFASSUNG**", "**Abschnitt D - Risiken**", **Element "D.2."** under the heading "**Aufsichtsrechtliche Risiken**"

i) the bullet point "**Der RZB Konzern und/oder später der RBI Konzern und einige seiner Tochtergesellschaften könnten als "systemrelevantes Finanzinstitut" eingestuft werden und daher zu einem Eigenkapitalaufschlag verpflichtet sein.**" shall be deleted and replaced by the following bullet point:

- "**Der RZB Konzern und/oder der RBI Konzern und/oder einige seiner Tochtergesellschaften wurde(n) als "systemrelevante(s) Finanzinstitut(sgruppe)" eingestuft / könnten als "systemrelevante(s) Finanzinstitut(sgruppe)" eingestuft werden und daher zu einem Eigenkapitalaufschlag verpflichtet sein.**"

ii) and the bullet point "**Österreichisches Bankeninterventions- und restrukturierungsgesetz (BIRG)**" shall be deleted and replaced by the following bullet point:

- "**Bankeninterventions- und Restrukturierungsgesetz (BIRG) - Bundesgesetz über die Sanierung und Abwicklung von Banken (BaSAG)**"

11) On page 87 of the Supplemented Base Prospectus, in the "**RISK FACTORS**" all paragraphs of the chapter "**I.3.2 Specific countries with high potential risk**" shall be deleted and replaced by the following paragraphs:

"In Ukraine, ongoing military conflict in the eastern part of the country could lead to violence spreading over further parts of the country. Already now the country is suffering a deep recession, depleted foreign currency reserves, high inflation and a drastically weakened currency. Any further military/political escalation would exacerbate these economic problems. Financial markets are pricing a high risk of restructuring on Ukraine's external debt. This has resulted in significantly increased risk premiums also on the debt of other Ukrainian borrowers. Any worsening or continuation of this situation may have an adverse effect on RBI Group's operations in Ukraine.

In Russia, following the annexation of Crimea by Russia and the ongoing destabilization in Eastern Ukraine, geo-political risks stay elevated. Economically, the country is suffering not only from sanctions coordinated by the USA and the European Union, but also from the steep decline of the oil price, as the Russian budget and economy still rely to a high degree on oil exports. This accelerated the capital outflow and led to downgrades of the country rating as well as a steep depreciation of the Russian rouble, coupled with high currency volatility and sharply higher interest rates. The Russian economy is widely expected to register a recession in 2015, which would deepen if further escalation in eastern Ukraine leads to harsher economic sanctions by the USA and the European Union on Russia. These developments may have a significant adverse impact on RBI Group's operations in Russia and the creditworthiness of its customers.

In several CEE countries, such as Hungary, Poland, Romania and Croatia, bank lending to households and companies had historically been made partially in CHF. With the recent volatility and appreciation of the CHF, which could intensify, this makes the debt more burdensome for local borrowers, which not only deteriorates loan quality but also raises the risk of new legislation detrimental to the banking sector (as already experienced in Hungary).

Future political, economic and social changes in the economies in which RBI Group operates may have a material adverse effect on RBI Group's business, financial position and results of operations and could adversely impact the Issuer's ability to meet its obligations under the Notes and may even result in the suspension of business in certain countries.

With respect to the current difficult situation and developments in certain CEE countries like Ukraine, Russia and Slovenia, adverse effects of sanctions and counter-sanctions please see "Description of the Issuer", 4.1."

- 12) On page 90 of the Supplemental Base Prospectus, in the "**RISK FACTORS**" the paragraph of the chapter "**1.3.6. Risks relating to a decline in or negative growth rates in the countries in which RBI Group operates and a stagnation or continued down-scaling of certain parts of RBI Group's business**" starting with "*RBI is constantly evaluating the strategic contribution of each of its markets.....*" shall be deleted and replaced by the following:

"RBI is constantly evaluating the strategic contribution of each of its markets and will continue to evaluate underperforming and sub-scale operations on an ongoing basis. In February 2015 the board of RBI has resolved a number of measures to reduce risk-weighted assets in selected markets in order to increase capital buffers. The planned steps will affect a number of operations across RBI Group, in particular those areas which generate low returns, have high capital consumption or are of limited strategic fit. The measures to be implemented include the intended sale of operations in Poland and Slovenia, as well as the direct banking unit Zuno. In the context of the announced sale of Raiffeisen Bank Polska S.A. the Polish Financial Supervision Authority ("PFSA") informed the RBI about the initiation of an administrative proceeding claiming the potential breach of commitments towards PFSA undertaken by RBI during the approval process of the acquisition of Polbank EFG by RBI in 2012. The Issuer is of the opinion that the commitments have not been breached; although a potential outcome of proceedings could result in a prohibition of exercising voting rights on shares of RBI's subsidiary Raiffeisen Bank Polska S.A. until the sale of shares, the Issuer believes that the allegations are unsubstantiated, and such proceedings ultimately shall be dismissed. The Issuer believes that proceedings have no impact on day-to-day business, or the sales process.

Exposure to the Russian market is intended to be reduced, with a risk-weighted asset (RWA) reduction of approximately 20 per cent planned by end-2017 (RWA in the Russian market as at 31.12.2014: EUR 8.4 billion). A reduction in exposure is also foreseen in Ukraine, where risk-weighted assets shall be decreased by approximately 30 per cent by end-2017 (RWA as at 31.12.2014: EUR 3.0 billion). In Hungary further optimization of the operation is intended to be undertaken. As part of the drive to increase Group focus on the CEE region, operations are to be significantly scaled back or exited in Asia by end-2017 and in the US by end-2016.

The decisions are subject to approval by the Supervisory Board. The implementation of these measures is intended to result in an aggregate gross risk-weighted asset reduction in the selected markets of approximately EUR 16 billion by end-2017 (RWA as at 31.12.2014: EUR 68.7 billion). The total gross reduction from end-Q3 2014 to end-2017 is intended to amount to approximately EUR 26 billion.

The reduction is expected to be partially offset by an increase in RWA in other business areas – regulatory-driven as well as business driven.

RBI expects to continue to evaluate and, where appropriate, pursue other opportunities for the disposal of asset portfolios or business on terms it considers favorable. There are risks in connection with any dispositions RBI may pursue in the future, including the following:"

- 13) On page 95 of the Supplemental Base Prospectus, in the "**RISK FACTORS**" the last paragraph of the chapter "**1.9. Risk of additional payment obligations of the Issuer and its Network Banks due to the membership in deposit guarantee and investor compensation schemes**" shall be deleted and replaced by the following paragraph:

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

- 14) On page 106 of the Supplemental Base Prospectus, in the "**RISK FACTORS**" the third paragraph of the chapter "**1.28. Dependence on the major shareholder RZB as well as RBG**" shall be deleted and replaced by the following paragraph:

"Following negotiations with the Austrian regulator regarding the set-up of a second level of supervision at the level of RBI Group, on 24 October 2014, RBI received notification from the FMA that it would be required to fulfil regulatory capital requirements as a separate group (i.e. RBI Group on a consolidated basis) in addition to RZB Group. As a consequence, RBI is and will be sub-consolidated and is regulated separately by the European Central Bank."

- 15) On page 111 of the Supplemental Base Prospectus, in the "**RISK FACTORS**" the paragraphs of the chapter "**2.5. RBI Group and RZB Group are subject to stress testing and external asset quality reviews and any inability or perceived inability to meet these requirements could materially adversely affect their business / Single Supervisory Mechanism ("SSM")**" shall be deleted and replaced by the following paragraphs:

"The so-called EU Banking Union aims at building an integrated financial framework to safeguard financial stability and minimise the taxpayers' costs of bank failures so that the negative feedback loop between banks and sovereigns will be mitigated. The Single Resolution Mechanism (the "**SRM**"), the Single Supervisory Mechanism (the "**SSM**") and the single rulebook form a new regulatory framework with common rules for banks in all 28 Member States, building the main pillars of the EU Banking Union. The single rulebook for financial institutions in the single market provides for the EU laws which collectively govern the financial sector across the entire European Union. One part of these legislative acts is the Bank Recovery and Resolution Directive (the "**BRRD**") which establishes a framework for the recovery and resolution of credit institutions and investment firms found to be in danger of failing.

The Regulation (EU) No 1022/2013 of 22 October 2013 and the Regulation (EU) No 1024/2013 of 15 October 2013 create a single supervisory mechanism for the oversight of banks and other credit institutions ("**SSM**") for a number of EU member states including Austria.

Under the SSM, which became fully operational on 4 November 2014, the ECB is given specific tasks related to financial stability and banking supervision, among others empowering the ECB to directly supervise significant banks in the euro area, including RBI and the Issuer's majority shareholder RZB, and in other EU member states which decide to join this "Banking Union".

It cannot be excluded that supervision by the ECB will de facto result in amendments of the supervisory practice and in the interpretation of applicable regulatory rules which could have adverse effects on the RBI Group.

In anticipation of the supervision by the ECB, a comprehensive assessment of the Issuer's majority shareholder RZB was conducted (see Description of the Issuer / chapter 1.1.4.)

In the future, further stress testing and asset quality review measures are expected on a more or less regular basis. Should the result of any of the asset quality assessment or stress testing measures not be deemed satisfactory by the ECB, this could result in the imposition of corrective measures (for example, recapitalisation through profit retention, equity issuance, re-orientation of funding sources, asset separation and sales) by regulators and may also have a negative effect on RZB's and the RBI Group's cost of funding.

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

The Holders or other creditors may be exposed to specific risks arising under the Single Resolution Mechanism.

A further significant component of the so-called EU Banking Union is the Single Resolution Mechanism which entered into force in August 2014. With a view to the Banking Union's aim of building an integrated financial framework to safeguard financial stability and minimise the costs of bank failures, the SRM is the EU Banking Union's second pillar. Such mechanism will allow bank resolutions in the Eurozone to be managed effectively through a Single Resolution Board and a Single Resolution Fund that is ultimately financed by the banking sector.

The SRM Regulation is to be supplemented by an intergovernmental agreement among the EU member states participating in the SRM to regulate certain aspects of the SRM, such as e.g. the transfer and gradual joint use within the SRM of Fund contributions to cover potential costs of resolving banking crises. The SRM is meant to establish a uniform procedure for the resolution of credit institutions and certain investment firms and to create the Fund. Pursuant to the SRM Regulation, a troubled bank subject to the EU single supervisory mechanism SSM is to be resolved in accordance with such single European resolution mechanism. In this context, it is also envisaged to establish a resolution committee (the "**Committee**") which would, in particular, be in charge of all banks directly subject to ECB supervision under the SSM and develop resolution plans as well as manage the actual resolution of credit institutions concerned. The ECB has announced that RZB and - later on the Issuer - are among a number of 130 credit institutions that are subject to its direct supervision under the SSM and therefore also potentially subject of the SRM.

The resolution procedure will be initiated by the determination – which may be made at very short notice – that a credit institution has failed or is likely to fail. Such determination may, *inter alios*, be made by the ECB following a hearing of the Committee. In this context, the SRM Regulation provides for detailed decision making rules and the course of the resolution procedure. Unlike in the case of liquidation or insolvency, shareholders and creditors of a credit institution (in particular the holders of Subordinated Notes) may lose all or part of their invested capital already as a result of any crisis of the credit institution concerned even though no insolvency proceedings have been initiated.

In addition, the Fund will be established with a view to, in certain circumstances, assisting in funding bank resolutions. Generally, this will, however, only be the case if the shareholders and certain creditors of the banks concerned have made a contribution towards the losses to be borne equal to at least 8 per cent. of total liabilities by virtue of the so-called bail-in instrument being applied. This may mean that the shareholders and many holders or other creditors are exposed to the risk of losing all or part of their invested capital and related rights due to the application of such resolution tool.

The Fund's target volume of EUR 55 billion is now scheduled to be achieved within 8 years. These contributions are planned to be imposed initially at the national level and invested in national sub-funds to be gradually communized (which is also referred to as the gradual joint use within the SRM) so as to finally create a Single Resolution Fund for participating in the resolution cost of all banks covered by the SRM. At present, the details yet to be clarified include the amounts that the banks concerned will be required to contribute to the Fund, the basis on which such contributions are to be calculated or whether or not there may be an obligation to make additional ex-post contributions, if the financial means of the Fund are not sufficient to cover support measures. Such contributions might constitute a substantial financial burden for the Issuer as well as the other banks subject to the SRM."

The SRM Regulation will be closely connected with the BRRD as it will implement the new rules set for all 28 Member States by the BRRD in the Eurozone. In this respect, please see in "*B. RISKS RELATING TO THE NOTES 3. The EU Bank Recovery and Resolution Directive and the Single Resolution Mechanism – Notes may be used for bail-in.*"

- 16) On page 112 of the Supplemented Base Prospectus, in the "**RISK FACTORS**" the first paragraph of the chapter "**2.7. The impact of the EU Bank Recovery and Resolution Directive ("BRRD") and Single Resolution Mechanism ("SRM") may cause restrictions in RBI Group's business operations and will lead to higher (refinancing) costs**" shall be deleted and replaced by the following:

"On 12 June 2014, the Directive 2014/59/EU (the so-called EU Bank Recovery and Resolution Directive) ("BRRD") was published in the Official Journal of the European Union. The BRRD requires EU member states, in particular, to introduce, as of 1 January 2015, special resolution powers for resolution authorities applicable to banks and certain investment firms and financial holding companies, as well as EU branches of non-EU firms. These resolution powers include the power to write down/write off or convert into equity certain instruments ("**bail in powers**"). In Austria the BRRD was implemented in particular by the Federal Act on the Recovery and Resolution of Banks (Bundesgesetz über die Sanierung und Abwicklung von Banken; "**BaSAG**"). Furthermore, the implementation measures introduced amendments to the Federal Banking Act (Bankwesengesetz; BWG), the Financial Market Authority Act (Finanzmarktaufsichtsbehördengesetz; FMABG), the Insolvency Act (Insolvenzordnung; IO), the Takeover Act (Übernahmegesetz; ÜBG), and the Securities Supervision Act (Wertpapieraufsichtsgesetz; WAG), and repealed the Bank Intervention and Restructuring Act (Bankeninterventions- und -restrukturierungsgesetz; BIRG). The BaSAG entered into force as of 1 January 2015 and provides for the

application of the bail-in tool from 1 January 2015 on. The bail-in powers are described in more detail in Sec. B.3. Also, under the BRRD credit institutions such as RBI will need to maintain minimum requirements for own funds and eligible liabilities which can be written down/converted into used for bail-in ("bail-inable debt"). As it is expected that refinancing costs of bail-inable debt will be above current refinancing costs for senior debt, the establishment of minimum requirements on bail-inable debt is likely to increase refinancing costs of the Issuer."

- 17) On page 113 of the Supplemented Base Prospectus, in the "RISK FACTORS" the chapter with the heading "2.8. *Bankeninterventions- und Restrukturierungsgesetz (BIRG) – Austrian Bank Intervention and Restructuring Act*" shall be deleted and replaced by the following chapter:

"2.8. *Bankeninterventions- und Restrukturierungsgesetz (BIRG) – Austrian Bank Intervention and Restructuring Act - Bundesgesetz über die Sanierung und Abwicklung von Banken (BaSAG)*

Aiming at the stabilisation of the Austrian financial market and at preventing the use of public funds for rescuing credit institutions, the Austrian Parliament adopted the Austrian Bank Intervention and Restructuring Act (Bankeninterventions- und –restrukturierungsgesetz) ("BIRG") which entered into force on 1 January 2014. The BIRG anticipated parts of the then draft BRRD, in particular by obliging Austrian credit institutions to take precautions for crisis scenarios by preparing recovery and resolution plans and providing for a legal basis for an intervention of the regulator prior to manifest infringements of law or endangerments of creditors' interests (early intervention measures) to be applied in case of a significant deterioration of the assets, earnings, liquidity or funding position of a bank. In the resolution plan acc. BIRG submitted for the whole RZB Group (including RBI Group) RZB AG opted for a multiple point of entry (MPE) strategy, whereby RZB AG is single point of entry in Austria and NWB are single points of entry in their country of residence.

As of 1 January 2015, the BIRG was replaced by the BaSAG (Banken Sanierungs- und Abwicklungsgesetz), implementing the BRRD in Austria (see 2.7.).

Implementing the BRRD, the new act defines the Austrian Financial Marketing Authority (FMA) as the Austrian resolution authority, in close cooperation with the Austrian National Bank ("OeNB"), empowered with the respective recovery and resolution rights.

Among others Austrian institutions are required to set up adequate recovery plans according to the rules of BaSAG, and to keep them updated, at least once a year, whereas the FMA is in charge to check, assess and comment the presented plans. Where an institution does not present an adequate recovery plan, the FMA will be empowered to require that institution to take measures necessary to redress the material deficiencies of the plan, a requirement which may affect the freedom to conduct a specific business."

- 18) On page 122 of the Supplemented Base Prospectus, in the "RISKS RELATING TO THE NOTES " the chapter with the heading "3. *The EU Bank Recovery and Resolution Directive and the Single Resolution Mechanism – Notes may be used for bail-in*" shall be fully deleted and replaced by the following chapter:

"3. *The EU Bank Recovery and Resolution Directive and the Single Resolution Mechanism – Notes may be used for bail-in*

The BRRD was published in the Official Journal of the European Union on 12 June 2014, changing fundamentally the existing concepts of ranking of capital and debt in the event of a non-viability of a bank. Pursuant to its regulations, troubled or crisis ridden credit institutions and investment firms are to be reorganized, applying the tools provided for in the BRRD, in order to prevent insolvency or, upon the occurrence of insolvency, to minimize its adverse impact by maintaining the relevant bank's systemically important functions.

EU member states are required to implement these changes in their national legislation and bring them into force from 1 January 2015. However, the bail-in tool will have to be implemented into binding law no later than from 1 January 2016. (see chapter 27. : *Resolution tools and powers of the resolution authority under the Federal Act on the Recovery and Resolution of Banks ("BaSAG")*, including the write-down or conversion of equity and debt, may severely affect the rights of Noteholders and may result in a total loss of investment and expected return).

The BRRD requires EU member states to introduce special resolution powers for supervisory authorities applicable to banks and certain investment firms and financial holding companies, as well as EU branches of non-EU firms. Amongst others this includes the bail-in tool which is one of the main resolution tools available under the BRRD. It grants, subject to certain exceptions (e.g. for secured liabilities including covered bonds (*gedeckte Schuldverschreibungen*) or to so called covered deposits), the resolution authority certain powers to write down and re-schedule a credit institution's liabilities in a pre-defined hierarchy of shareholders and bank creditors. Accordingly, the competent resolution authority may e.g. write down, including to zero, or convert into equity any liabilities or reduce the nominal amount of, or cancel, shares. Generally, troubled or crisis ridden credit institutions and investment firms may only be financed with the aid of public stabilization instruments when shareholders and holders of other equity instruments or holders of other relevant capital instruments and other eligible liabilities have absorbed losses, by way of write-downs, conversions or otherwise, and have contributed to recapitalization in an amount of at least 8 per cent. of total liabilities. This could mean that shareholders, Noteholders - among other creditors of the Issuer - are at risk of losing all or part of their invested capital and related rights.

Pursuant to the BRRD, any write-down (or conversion) in accordance with the bail-in tool will not constitute an event of default under the terms of the relevant instruments. Any amounts so written down will irrevocably be lost in total and the holders of such instruments will cease to have any claims thereunder, regardless whether or not the bank's financial position is restored. Any amounts converted to equity will be treated as equity from thereon. Conversion shall be based on a valuation for the purposes of resolution.

Payments made by the Issuer / the Issuer's Group (and its affiliates) in breach of the order of the competent authority will have to be reimbursed. Resolution authorities will ensure that, when applying the resolution tools, creditors do not incur greater losses than those that they would incur if the credit institutions had been wound down in normal insolvency proceedings.

Pursuant SRM, published in the Official Journal of the European Union on 15 June 2014, credit institutions such as Raiffeisen Bank International AG / RBI Group are required to maintain a certain amount of own funds and eligible liabilities which can be used for bail-in. Following a reduction of Common Equity Tier 1 instruments, resolution authorities would be required to apply the bail-in tool or the write-down tool to Additional Tier 1 instruments before making any Tier 2 capital instruments or other eligible liabilities subject to bail-in.

In addition to the abovementioned bail-in tool, further resolution tools exist under the BRRD including the relevant entity's sale or the sale of shares in the bank being resolved, the formation of a bridge institution and the separation of valuable assets from the impaired or distressed assets of the failing institution. Such resolution tools may produce comparable results from an economic point of view for bank creditors concerned as, e.g. the bank as the creditors' original debtor is replaced by another debtor (which may differ substantially from the original status of the bank in terms of overall risk profile or creditworthiness). Alternatively, the claims of bank creditors against the institution concerned may continue to exist while the institution's assets, its business activity or creditworthiness are no longer the same and may deteriorate significantly compared to the situation prevailing prior to the application of the relevant tool.

Potential investors in Notes of the Issuer should therefore take into consideration that, in the event of a crisis of the Issuer and thus already prior to any liquidation or insolvency or such procedures being instigated, they will to a particular extent be exposed to a risk of default and that, in such a scenario, it is likely that they will suffer a partial or full loss of their invested capital, or that the Notes or other debt will be subject to a conversion into one or more equity instruments (e.g. share capital) of the Issuer.

Holders of Notes, like any other creditor of the Issuer, but in particular Holders of Subordinated Notes, should take into consideration that they may be significantly affected by such aforementioned procedures and measures. As a consequence, the ECB and any other competent supervisory or other authority might in any such situation be entitled, inter alia, to demand – for instance as a prerequisite for the granting of state or similar support – that any interest thereon not be paid and that the nominal amount in particular of subordinated debt securities such as the Subordinated Notes be reduced down to zero, or impose other regulatory measures, including, but not limited to, conversion of the Notes or any other debt into one or more equity instruments (e.g. share capital). Any such regulatory measure may release the Issuer from its obligations under the terms and conditions of the Notes or any other debt. In such circumstances, creditors would not be entitled to terminate, or otherwise demand early redemption of, the Notes or any other debt, or to exercise any other rights in this respect. In this context, in particular the liability cascade provided for by the BRRD and the bail-in system must be taken into account.

Also, pursuant to such aforementioned measures, the initial debtor (i.e. Raiffeisen Bank International AG/ RBI Group) may be replaced by another debtor (who may have a fundamentally different risk profile or creditworthiness than Raiffeisen Bank International AG/ RBI). Alternatively, the claims may remain with the original debtor, but the situation regarding the debtor's assets, business activity and/or creditworthiness may not be identical to the situation prior to the application of the measure.

Such regulations may / will even lead to the fact that, even if certain provisions and consequences, for example regarding loss absorbency, are not contained in the Terms and Conditions and/or Final Terms of the Notes, regulatory authorities might retroactively apply such provisions to the Notes under certain circumstances.

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

Further, even though such regulatory measures may not directly interfere with the creditors' rights, the mere fact that the ECB and/or another competent authority applies such measures towards a credit institution may have a negative effect, e.g. on the pricing of Notes or on Raiffeisen Bank International/ RBI Group's ability to refinance itself."

19) On page 133 of the Supplemented Base Prospectus, in the "**RISKS RELATING TO THE NOTES**" the chapter with the heading "**27. Risks in connection with the implementation of a resolution regime and bail-in rules for banks**" shall be fully deleted and replaced by the following chapter:

"27. Resolution tools and powers of the resolution authority under the Federal Act on the Recovery and Resolution of Banks ("BaSAG"), including the write-down or conversion of equity and debt, may severely affect the rights of Noteholders and may result in a total loss of investment and expected returns.

As of 1 January 2015, the BIRG (see 2.8.) was replaced by the BaSAG (Banken Sanierungs- und Abwicklungsgesetz), implementing the BRRD in Austria and changing fundamentally the existing concepts of ranking of capital and debt in the event of a non-viability of a bank.

Among others this act has implemented Article 108 BRRD into national insolvency law (§ 131 BaSAG), introducing a new level of protection for certain deposits in case of insolvency and bail in: While covered deposits are protected from losses in resolution, other eligible deposits are potentially available for loss absorbency purposes. In order to provide a certain level of protection for natural persons and micro, small and medium-sized enterprises holding eligible deposits above the level of covered deposits, such deposits shall have a higher priority ranking over the claims of ordinary unsecured, non-preferred creditors under the national law governing normal insolvency proceedings. The claim of the deposit guarantee scheme shall have an even higher ranking under national law than the aforementioned categories of eligible deposits.

§ 133 BaSAG in connection with Article 108 BRRD stipulates with respect to the "Ranking of deposits in insolvency hierarchy", that

(a) the following have the same priority ranking which is higher than the ranking provided for the claims of ordinary unsecured, non-preferred creditors:

(i) that part of eligible deposits from natural persons and micro, small and medium-sized enterprises which exceeds the coverage level provided for in Article 6 of Directive 2014/49/EU;

(ii) deposits that would be eligible deposits from natural persons, micro, small and medium-sized enterprises were they not made through branches located outside the Union of institutions established within the Union.

(b) the following have the same priority ranking which is higher than the ranking provided for under point (a):

- (i) covered deposits;
- (ii) deposit guarantee schemes subrogating to the rights and obligations of covered depositors in insolvency.

These newly implemented rules and regulations may result in claims for payment of principal, interest or other amounts under the Notes being subject to a permanent reduction, including to zero, or a conversion into one or more instruments that constitute common equity tier 1 capital for the Issuer, such as ordinary shares, by intervention of the Austrian Financial Market Authority (the "FMA") as the competent authority under the BaSAG.

As stipulated in the BRRD, the FMA is empowered to apply any other resolution measure, including, but not limited to, any transfer of the Notes to another entity, the amendment of the terms and conditions of the Notes or the cancellation of the Notes (each of these measures is hereinafter referred to as a "Resolution Measure"). Noteholders will be bound by Resolution Measure, if any, and would have no claim or any other right against the Issuer arising out of any Resolution Measure and there would be no obligation of the Issuer to make payments under the Notes. This would occur if the Issuer becomes, or is deemed by the FMA to have become, "non-viable" (as defined under the BaSAG) and unable to continue its regulated activities without such write-off or conversion or without a public sector injection of capital.

The FMA will have to exercise its power in a way that results in (i) common equity tier 1 capital instruments (such as ordinary shares of the Issuer) being written down first in proportion to the relevant losses, (ii) thereafter, the principal amount of other capital instruments (additional tier 1 capital instruments and tier 2 capital instruments) being written down on a permanent basis or converted into common equity tier 1 capital instruments in accordance with their order of priority and (iii) thereafter, eligible liabilities – as those under the Notes – being written down on a permanent basis or converted into common equity tier 1 capital instruments in accordance with a set order of priority. The extent to which the principal amount of the Notes may be subject to Resolution Measures will depend on a number of factors that are outside the Issuer's control, and it will be difficult to predict when, if at all, Resolution Measures will occur. The exercise of any Resolution Measure would in particular not constitute any right to terminate the Notes. Potential investors should consider the risk that they may lose all of their investment, including the principal amount plus any accrued interest, as well as the risk that the Notes may be subject to any change in the Terms and Conditions of the Notes, or that the Notes would be transferred to another entity or are subject to any other measure if Resolution Measures occur.

Thus, resolution tools and powers of the resolution authority under the Federal Act on the Recovery and Resolution of Banks ("BaSAG"), including the write-down or conversion of equity and debt, may severely affect the rights of Noteholders and may result in a total loss of investment and expected returns."

20) On pages 145 and 146 of the Supplemented Base Prospectus, all paragraphs of the chapter "2.2. Strategy" shall be deleted and replaced by the following paragraphs:

"RBI Group has a strong regional focus in its home markets in CEE and Austria and the target of a customer oriented business model fulfilling all banking product requirements of these customers. A significant branch network in CEE strengthens the embedding in local economies via a retail banking presence and secures local funding. As the banking environment continues to be challenging, RBI will continue its efforts throughout the RBI Group to rescale or exit business activities which are not sufficiently profitable or tie up too much capital.

The strategic priorities are:

- *Strengthen capital position / Reduction of risk-weighted assets*

In February 2014, RBI completed its EUR 2.78 billion capital increase to strengthen and improve RBI's capital base in light of the changed regulatory requirements. After having received the approval of the FMA, RBI redeemed EUR 1.75 billion of the outstanding EUR 2.5 billion Participation Capital 2008/2009 in June 2014. The remaining EUR 750,000,000 nominal value were repaid in September 2014. In addition RBI is continuously evaluating the implementation of incremental capital strengthening measures.

On 9 February 2015, RBI has resolved to take a number of steps to increase its capital buffers. The measures are intended to facilitate an improvement in the CET1 ratio (fully loaded) to 12 per cent by end-2017, compared to 10 per cent at end-2014. The planned steps will affect a number of operations across the RBI Group, in particular those areas which generate low returns, have high capital consumption or are of limited strategic fit. The measures to be implemented include the intended sale of the operations in Poland and Slovenia, as well as the direct banking unit Zuno. In the context of the announced sale of Raiffeisen Bank Polska S.A. the Polish Financial Supervision Authority ("PFSA") informed RBI about the initiation of an administrative proceeding claiming the potential breach of commitments towards PFSA undertaken by RBI during the approval process of the acquisition of Polbank EFG by RBI in 2012. The Issuer is of the opinion that the commitments have not been breached; although a potential outcome of proceedings could result in a prohibition of exercising voting rights on shares of RBI's subsidiary Raiffeisen Bank Polska S.A. until the sale of shares, the Issuer believes that the allegations are unsubstantiated, and such proceedings ultimately shall be dismissed. The Issuer believes that proceedings have no impact on day-to-day business, or the sales process.

Exposure to the Russian market is intended to be reduced, with a risk-weighted asset (RWA) reduction of approximately 20 per cent planned by end-2017 (RWA in the Russian market as at 31.12.2014: EUR 8.4 billion). A reduction in exposure is also foreseen in Ukraine, where risk-weighted assets shall be decreased by approximately 30 per cent by end-2017 (RWA as at 31.12.2014: EUR 3.0 billion). In Hungary further optimization of the operation is intended to be undertaken. As part of the drive to increase Group focus on the CEE region, operations are to be significantly scaled back or exited in Asia by end-2017 and in the US by end-2016.

The decisions are subject to approval by the Supervisory Board. The implementation of these measures is intended to result in an aggregate gross risk-weighted asset reduction in the selected markets of approximately EUR 16 billion by end-2017 (RWA as at 31.12.2014: EUR 68.7 billion). The total gross reduction from end-Q3 2014 to end-2017 is intended to amount to approximately EUR 26 billion.

The reduction is expected to be partially offset by an increase in RWA in other business areas – regulatory-driven as well as business driven.

- **Reduce costs and increase profitability**

Profitability is considered the important first line of defense against unexpected risks. Besides income generation cost development is of specific concern for the management.

The existing program to cut costs has been upscaled based on currency developments. It will further be increased based on the measures to improve the capital situation.

- **Customers**

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

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

- **Products**

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

- 21) On page 146 of the Supplemented Base Prospectus, the first paragraph of the chapter "**2.4. Principle markets and business segments**" shall be deleted and replaced by the following paragraph:

"RBI focuses its business on its focus areas in Austria and the following regions, which are collectively referred to as CEE, which focus is subject to alterations by measures as announced on 9 February 2015 (see chapter 2.2. *Strategy under the heading •Strengthen capital position / Reduction of risk-weighted assets*):"

- 22) On page 153 of the Supplemented Base Prospectus, in the chapter "3.2.6.3. **EU-legislation on mandatory deposit guarantee and investor compensation schemes**" the second and third paragraph under the heading "*New Directive on deposit guarantee schemes*" shall be deleted and replaced by the following paragraph:

"The Council agreed its general approach on the proposed Directive in June 2011 and started negotiations with the Parliament, which were put on hold when the latter voted its opinion at first reading in February 2012. Talks resumed in July 2013, following agreement in the Council on a general approach on the Bank Recovery and Resolution Directive ("BRRD"), which is linked to the DGSD. Political agreement between the parties was reached in December 2013 which was then approved by the Council on 18 February 2014. The European Parliament has adopted the Directive and after the Council's formal approval the DGSD was published in the Official Journal of the European Union on 12 June 2014 (Directive 2014/49/EU).

The DGSD recasts legislation currently in place in order to improve the protection provided for individuals and legal entities with regard to covered deposits of up to EUR 100,000. The main changes involve:"

- 23) On page 154 et seq. of the Supplemented Base Prospectus, in the chapter "**4.1. Material adverse changes in the prospects of the Issuer since the date of its last published audited financial statements**" under the heading "Negative impacts with regard to the Issuer include the following:" all paragraphs shall be fully deleted and replaced by the following paragraphs:

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

A negative statement to the effect that there has been no material adverse change in the prospects of the Issuer since 31 December 2013 cannot be given in view of the fact that the difficult overall macroeconomic environment with decreasing growth rates and negative forecasts, exchange rate volatility as well as the continuing tense situation on the financial and capital markets and the developments in some CEE countries (e.g. Ukraine and Russia) had and may continue to have a negative impact on the Issuer's business activity and results of operations, in particular also on the Issuer's capital costs.

Negative impacts with regard to the Issuer include the following:

Preliminary Unaudited Results for the full year 2014 of RBI Group

Income Statement in EUR mn	1-12/2014	1-12/2013
Net interest income	3,789	3,729
Net provisioning for impairment losses	(1,716)	(1,149)
Net fee and commission income	1,586	1,626
Net trading income	(30)	321
General administrative expenses	(3,024)	(3,340)
Profit before tax	23	835
Profit/loss after tax	(463)	603
Consolidated profit/loss (after minorities)	(493)	557

The loss of EUR 493 million includes one-off effects such as goodwill impairments totaling EUR 306 million, primarily for subsidiary banks in Russia (EUR 148 million), Poland (EUR 99 million) and Albania (EUR 51 million), as well as deferred tax asset (DTA) write-downs amounting to EUR 196 million, primarily at Group head office (EUR 161 million) and in Asia (EUR 35 million).

For the 2014 financial year no equity dividend will be paid.

These Preliminary Unaudited Results for the full year 2014 of RBI Group ("**Results**") as stated above have been compiled on the basis of the established IFRS financial reporting process of the Issuer and the basis of accounting used for the Results is consistent with the accounting policies (International Financial Reporting Standards (IFRS) as adopted by the European Union) applied by RBI. This statement has been agreed with the independent auditor of the Issuer which has performed an examination whether the Results have been properly compiled on the basis stated and whether the basis of accounting used for the Results is consistent with the accounting policies of RBI.

The Issuer confirms that the Results are substantially consistent with the final figures to be published in the annual audited consolidated financial statements for the year 2014 of RBI Group.

The Results have not been audited.

The Issuer assumes full responsibility for the Results stated above.

Measures in the course of a strategic review

On 9 February 2015, RBI has resolved to take a number of steps to increase its capital buffers. The measures are intended to facilitate an improvement in the CET1 ratio (fully loaded) to 12 per cent by end-2017, compared to 10 per cent at end-2014. The planned steps will affect a number of operations across the RBI Group, in particular those areas which generate low returns, have high capital consumption or are of limited strategic fit.

The measures to be implemented include the intended sale of the operations in Poland and Slovenia, as well as the direct banking unit Zuno. In the context of the announced sale of Raiffeisen Bank Polska S.A., the Polish Financial Supervision Authority ("PFSA") informed RBI about the initiation of an administrative proceeding claiming the potential breach of commitments towards PFSA undertaken by RBI during the approval process of the acquisition of Polbank EFG by RBI in 2012. The Issuer is of the opinion that the commitments have not been breached; although a potential outcome of proceedings could result in a prohibition of exercising voting rights on shares of RBI's subsidiary Raiffeisen Bank Polska S.A. until the sale of shares, the Issuer believes that the allegations are unsubstantiated, and such proceedings ultimately shall be dismissed. The Issuer believes that proceedings have no impact on day-to-day business, or the sales process.

Exposure to the Russian market is intended to be reduced, with a risk-weighted asset (RWA) reduction of approximately 20 per cent planned by end-2017 (RWA in the Russian market as at 31.12.2014: EUR 8.4 billion). A reduction in exposure is also foreseen in Ukraine, where risk-weighted assets shall be decreased by approximately 30 per cent by end-2017 (RWA as at 31.12.2014: EUR 3.0 billion). In Hungary, further optimization of the operation is intended to be undertaken. As part of the drive to increase Group focus on the CEE region, operations are to be significantly scaled back or exited in Asia by end-2017 and in the US by end-2016.

The decisions are subject to approval by the Supervisory Board. The implementation of these measures is intended to result in an aggregate gross risk-weighted asset reduction in the selected markets of approximately EUR 16 billion by end-2017 (RWA as at 31.12.2014: EUR 68.7 billion). The total gross reduction from end-Q3 2014 to end-2017 is intended to amount to approximately EUR 26 billion.

The reduction is expected to be partially offset by an increase in RWA in other business areas – regulatory-driven as well as business driven.

RBI Group's CHF exposure

RBI Group's CHF exposure is mainly in Poland (approximately EUR 2.8 billion) as well as in Romania (approximately EUR 350 million), Croatia (approximately EUR 270 million) and Serbia (approximately EUR 80 million) as at 31 December 2014 (latest data available). In Hungary, CHF loans have been mostly addressed by the recent agreement between the government, the banks and the central bank, however there is a remaining position of approximately EUR 130 million (mainly corporate loans) at the end of 2014.

In the wake of the Swiss National Bank decision to abandon the CHF's peg to the EUR in January 2015, the Croatian government decided at the end of January 2015 to fix the CHF / HRK exchange rate at 6.39 HRK for the next twelve months which corresponds to the exchange rate before the decision of the Swiss National Bank. At this point of time and based on current conditions, RBI Group expects a negative influence in the mid single digit million range for the business year 2015 as clients should be able to pay back their regular maturing annuities (only those are in scope of the decision) based on the fixed exchange rate in the law.

Exchange rates - sharp depreciation of Ukrainian hryvnia and Russian rouble / CET 1 ratio

The political and economic developments in the Ukraine and in Russia since the beginning of the year 2014 (see below "Recent developments / political and economic turbulence in Ukraine" and "Recent developments in Russia") have led to a sharp depreciation of the Ukrainian hryvnia ("UAH") and the Russian rouble ("RUB"). Since the beginning of the year 2014, the UAH has devaluated 68.4 per cent. against the US dollar and 61.8 per cent. against the Euro. The devaluation of the RUB amounted to 48 per cent. against the US dollar and 37.1 per cent. against the Euro versus the beginning of the year 2014 (all as at 13 February 2015).

The foreign currency ("FX") devaluations have had a negative impact on RBI Group's capital. From the total FX impact of minus 0.94 per cent on the fully-loaded common equity tier one ratio ("CET 1 ratio") for the year 2014, a minus of 0.47 per cent results from the devaluation of the RUB and a minus of 0.19 per cent. results from the devaluation of the UAH. The rest results in a minus of 0.13 per cent. from US dollars as well as from a split across other currencies having no larger single effects. Given the currency devaluations, in particular of RUB and UAH, a further negative impact on the capital ratios of the Issuer cannot be excluded.

Recent developments / political and economic turbulence in Ukraine

The political turmoil in the Ukraine, in particular the ensuing political crisis in Crimea, resulted in the annexation of Crimea by the Russian Federation as well as an armed conflict between the Ukrainian government and pro-Russian separatists in the Eastern regions of the Ukraine. Thus, the political situation in the Ukraine has become extremely unstable and serious geopolitical tensions have arisen between Russia and the west.

The political crisis in the Ukraine has aggravated the country's long standing economic problems, and the falling value of the currency as described above (see *Exchange rates - sharp depreciation of Ukrainian hryvnia and Russian rouble / CET1 ratio*) is one of the consequences. The outlook of the currency remains highly uncertain. Additionally, foreign exchange controls were introduced by Ukraine's central bank.

Possible adverse impact from very recent legal draft acts on FX mortgage settlements is under investigation.

The depreciation of the UAH already led and could further lead to higher provisioning needs due to increased risk costs and credit default rates. In particular, provisioning needs have increased and might further increase for loans in foreign currencies, which are predominantly denominated in USD. EUR 861 million or 58.4 per cent. of loans and advances to corporate customers and EUR 683 million or 56.3 per cent. of loans and advances to retail customers of RBI's Ukrainian subsidiaries were denominated in foreign currency as of 31 December 2014. Apart from the higher provisioning needs, the UAH depreciation also has an adverse impact on RBI Group's capitalization ratios due to the fact that RBI's equity capital investments in its Ukrainian subsidiaries are held in UAH.

RBI Group operates a number of network units in the Ukraine which comprise, among others, the Raiffeisen Bank Aval as well as a leasing company. As of the end of 2014, there were 671 branches. In Eastern Ukraine, the number of branches had been reduced to 80 and the majority of them has been closed.

Due to the annexation of Crimea, Aval Bank's 32 local branches, including their infrastructure, were sold. The corporate business was transferred to ZAO Raiffeisenbank, Moscow. The economic and political outlook of the Ukraine has led to downgrades of its sovereign credit ratings by Standard and Poor's, Moody's and Fitch and another rating agency.

The high sovereign foreign exchange refinancing needs and the low foreign exchange reserves of the Ukraine have intensified concerns about a sovereign default/moratorium. As of the end of 2014, RBI Group's government bond holdings, which are predominantly denominated in UAH and held at local level, amounted to approximately EUR 242 million.

Furthermore, the funding extended by RBI head office in Vienna to its Ukrainian subsidiaries amounted to approximately EUR 520 million as of 31 December 2014. The equity of RBI's Ukrainian subsidiaries amounted to approximately EUR 218 million as of 31 December 2014.

The development might be exacerbated by repercussions of the current crisis on the political situation, the economies and foreign exchange rates of other countries in which the Issuer operates. Although it is difficult to evaluate the extent of the negative impact at this point of time or the one resulting from ongoing escalation of the political as well as economic situation in the Ukraine or neighbouring countries or from military actions in the region, the Issuer could be materially affected.

Ukraine peace summit

On 12 February 2015, a peace plan was agreed by the political leaders of Ukraine, Russia, France and Germany and also signed by pro-Russian separatists in Minsk. The agreement contains the following commitments: general ceasefire as from 15 February 2015; withdrawal of heavy weapons to be monitored by OSCE; reinstatement of a law granting special status, including more autonomy, to the eastern regions, ie regions controlled by separatists in Donetsk and Luhansk; local elections; amnesty granted to separatists; exchange of prisoners and hostages; humanitarian aid; restoration of social and economic connections in the affected eastern regions, in particular regarding pension and other payments as well as restoration of the banking system; full control over the state border to Russia by the Ukrainian government in the whole conflict zone starting on the first day after local elections until a full political regulation by the end of 2015; pullout of all foreign armed formations; constitutional reform in Ukraine to come into effect by the end of 2015. The key element of this reform is decentralisation and approval of permanent legislation on the special status of particular districts of Donetsk and Luhansk, including the right to raise their own police, chose an official regional language and conclude cross border deals with neighbouring regions in Russia.

However, the measures agreed upon are yet to be implemented and the risks in connection therewith remain. It is still uncertain whether the sanctions against Russia, which would otherwise end automatically in March, April and July 2015 respectively, will be prolonged or whether additional sanctions will be required. All in all, a return to political and economic normality is expected to be difficult and challenging.

Recent developments in Russia

The developments in the Ukraine and the political turmoil in the region have had an impact on Russia, where uncertainties resulted in a sharp devaluation of the Russian rouble ("RUB") as described above (see *Exchange rates - sharp depreciation of Ukrainian hryvnia and Russian rouble / CET1 ratio*). The outlook on the currency remains highly uncertain. Moreover, the sanctions imposed in the course of the crisis as outlined below, the sharp devaluation of the Russian rouble, the decline in the oil prices as well as an increasingly critical risk perception in the international capital markets towards Russia adversely affected and will continue to affect the economy in Russia.

The massive devaluation of the Russian rouble in the fourth quarter 2014 showed substantial impact on RBI's Russian operations' balance sheets, risk weighted assets and results. The much stronger negative impact on the profit is mainly due to higher risk costs, but also almost all income as well as expense positions show impacts. Lower assets lead to lower income and despite a tough cost reduction program this may not be compensated. The devaluation of the Russian currency had an adverse impact on RBI Groups capital ratios due to a reduction of the RUB-denominated equity position which was not fully compensated by the currency-driven reduction of RUB-denominated risk weighted assets.

As a consequence of the developments in Russia, a review of the mid-term planning for the Russian unit of RBI has become necessary. The RBI Board of Management decided to rescale the Russian operations by approximately 20 per cent. until 2017 and the business plans will be adjusted accordingly.

Possible adverse impact may also arise from a current draft law allowing Russian banks to open their branches in Eastern Ukraine without approval by the Ukrainian regulator similar to Crimea.

Also, the latest offshore law in Russia is expected to have a long-term negative impact on the local investor climate: Russian-controlled offshore companies shall be taxed under the Russian tax code from now on, a measure caused by increasing capital outflow and closed external markets. Concealing offshore assets from Russian authorities will be persecuted from 2017; the respective threshold for corporates is 25 % ownership in an offshore vehicle and for individuals 50%, from 2017 also 25 %.

Sanctions

As a consequence of the political developments in Ukraine and Russia, the European Union as well as the United States and other countries and international organisations implemented measures of sanctions (travelling restrictions / visa bans, asset freezing, etc.) on certain named companies and individuals, deemed to be responsible for threats to the territorial integrity of Ukraine. As a practical matter, the foregoing measures restrict most business activities with the designated individuals and may also restrict dealing with entities that are owned or controlled by those individuals.

As the unrest expanded into other parts of Southern and Eastern Ukraine, and escalated into ongoing war in the Eastern Ukraine, the scope of measures of sanctions increased causing restrictions in the business of the Issuer's Group associated with high costs of implementation: The European Union and United States took coordinated steps to expand sanctions targeting the Russian financial services, energy, and defense sectors, including restrictions on certain oil exploration equipment exports to Russia. The EU also prohibited imports of goods originated in Crimea and took steps to limit certain types of trade and investment in Crimea, while both the EU and United States identified additional parties subject to asset-freezing measures. The increased measures have broad implications for trade and investment activities in the region, and Russia is threatening to retaliate against U.S. and EU firms.

Specifically, the EU Council agreed to impose a range of import and export restrictions relating to arms, dual-use goods and technologies, as well as certain equipment and technologies for the Russian oil industry that are not classified as dual-use items. Those restrictions apply only to new contracts and are implemented by a Council Regulation.

Separately, in July 2014, the EU Council prohibited the buying and selling of new transferable securities like shares as well as bonds and money market instruments exceeding a certain maturity issued by Russian state-owned banks. The EU also imposed restrictions on certain new investments in and exports to Crimea and designated 11 additional parties as subject to asset freezing measures. Also in July 2014 the US has limited the access of certain Russian state-owned banks and companies to equity and new medium and long term debt by implementing the Sectoral Sanctions Identifications List.

In September 2014, the EU enhanced these sanctions by reducing the allowed maturity of transferable securities issued by sanctioned banks and sanctioned military and oil companies from 90 to 30 days as well as by introducing a prohibition of financings with a maturity of more than 30 days, except for specified and documented trade finance with the European Union.

In the course of the second half of 2014 the European Union, the United States as well as other countries (i.e. Japan, Australia, Canada, Norway, Switzerland) decided to expand sanctions or adopt tougher sanctions against Russia and may impose additional sanctions if the situation in Eastern Ukraine deteriorates further, in particular if it expands into other parts of Russian-speaking Ukraine or if the European Union or the United States come to the conclusion that Russia tries to unduly influence the political developments in Ukraine.

In reaction to the sanction measures, Russia imposed reciprocal sanctions, in particular restricting the import into Russia of particular kinds of agricultural products, raw materials and foodstuffs from such countries of provenance as the United States, European Union, Norway, Canada, or Australia. Further measures are expected to follow.

Developments in Hungary

The market environment in Hungary continues to be difficult and is currently under special review. Restructuring of Raiffeisen Bank in Hungary (*Raiffeisen Bank Zrt.*) is in progress, involving selective portfolio reductions and a strong focus on collection and work out. Moreover, a further optimization of the Hungarian unit will be undertaken.

In December 2011, the National Debt Management Agency (Államadósság Kezelo Központ – “AKK”) took over the financing and cash management of the county municipalities. Starting in 2012, the municipalities of towns and villages were gradually included in the debt takeover by the central government as well. The take-over of the last tranche of Raiffeisen Bank Zrt.'s total exposure of EUR 635 million municipal debt, about 70 per cent. of which were denominated in CHF and EUR, by the Hungarian state under the aforementioned initiative was completed by the end of February 2014. The claims under municipal debt will be exchanged for long-term loans to the Hungarian state, thus increasing RBI's sovereign exposure to Hungary accordingly.

Following the “Home Protection Law”-scheme in 2011, which had resulted in significant losses for the RBI Group, a new programme in favour of foreign exchange mortgage debtors was prepared and will be continued in an amended form. The exchange rate protection scheme so far was open to performing foreign exchange debtors only whereas according to an amendment to the respective legislation, which entered into force in November 2013, also non-performing foreign exchange debtors overdue more than 90 days may participate in the programme. The only prerequisite still in place for joining the programme foresees that there should not be any enforcement procedure against the residential property, whereas all other prerequisites have been cancelled. For all debtors who opted or opt for this scheme, the amount of the monthly instalment (principal and interest) will be fixed at 250 EUR/HUF and 180 CHF/HUF. The portion of the monthly instalments above the fixed exchange rate will go to a buffer account. The principal part on the buffer account still needs to be paid by the customer. The interest on the buffer account will be split equally between the government and the banks. If exchange rates go above 340 EUR/HUF and 270 CHF/HUF, the government will pay 100 per cent. of the capital and interest for the portion of the monthly instalments that exceeds the mentioned exchange rates. The expected negative impact on the Issuer amounts to a total of approximately EUR 6.2 million for the years 2014 and 2015 but cannot yet be evaluated for the whole period until expiration of this programme in 2018.

New legislation has been passed by the Hungarian parliament on 4 July 2014 relating to (a) the foreign exchange (“FX”) margins which can be applied to foreign currency loan disbursement and instalments as well as to (b) unilateral rate changes on consumer loans. The new law has become effective by end of July 2014, it applies to all banks operating in Hungary and requires retroactive modifications to margins and potentially to rates. The legal scope of the new law applies to all foreign currency (“FCY”) and HUF consumer loans (mortgage loans, home equity, credit cards, overdrafts and leasing deals) as of 1 May 2004 until the effective date of law. Early prepaid deals and deals which have been purchased by the National Asset Management Company (NET Zrt.) have been excluded.

The FX margins applied by banks are considered void. For disbursement and monthly instalments banks have to apply the Central Bank of Hungary (“MNB”) official rate. If banks have applied their own mid-rate or the MNB rate from December 2010 onwards, then the FX margin invalidity is not applicable for this period. RBI Group has been applying own mid-rates on FCY loans since December 2010 and therefore FX margins for this period should not be affected by the new law. Until the end of September 2014 banks have to calculate the FX

margin difference and submit results to MNB. Banks have to provide MNB within 60 days with the methodology of calculations. MNB has the authority to check the legality of the calculation method.

The possible one-sided changes (by banks) of conditions included in the banks' General Terms of Conditions (interest rate increase, fee increase) are presumed to be "unfair" due to violation of the Hungarian Curia's requirement of transparency, equivocality etc. However if banks are of the opinion that their terms and conditions meet these criteria and are "fair" then they have the right to turn to court asking for judicial determination. Otherwise all these terms are considered void. Such litigations concerning FCY loans have to be initiated against the State and within 30 days after the effective date of the new law. With respect to HUF loans, litigations have to be initiated between 90-120 days after the effective date of the new law. Once the new law is in force, financial institutions have no right to increase unilaterally interest rates or fees. Within 30 days the banks have to examine all their General Terms and Conditions which are applicable to consumer loan deals including all possibilities for one sided change of conditions and have to provide them to MNB.

As a result of such legislation RBI expects to incur total costs of EUR 272 million related to foreign currency loans and unilateral rate changes on retail loans which were booked in the second and third quarter 2014. It should be noted, that this amount does not include any effects relating to potential future conversion of foreign currency loans into local currency.

Due to amended local accounting standards the Hungarian National Bank started a local review, among others with respect to the Issuer's Network Bank in Hungary and including the Network Bank's commercial real estate portfolio, having a net exposure of about EUR 275 million. The process and its outcome is not yet finally negotiated with the Hungarian authorities and may result in additional impairment requirements of up to EUR 51 million to be potentially booked in the financial statements of the Network Bank in Hungary according to Hungarian Accounting Standards still in 2014.

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

Developments in Slovenia

The Slovenian market is currently under special review and an intended withdrawal from this market was resolved by RBI in February 2015 (see above: *Measures for a strategic review*).

Developments in Croatia

Amendments to the Consumer Loans Act (the "**Amendments Act**") were approved by the Croatian parliament in November 2013, published on 2 December 2013 and came into force on 1 January 2014.

The Amendments Act will have an impact on future lending business as well as on existing loans. It authorizes the Ministry of Finance to determine the fees which may be charged by the banks in connection with consumer loans, defines the criteria for the setting of interest rates and imposes maximum interest rates as well as additional information requirements on banks.

As regards existing floating interest rate consumer loans except FX-linked housing loans, interest rates will have to be restated in a way that the currently charged gross interest rates will be split into two components – a variable component chosen from a number of authorised parameters (e.g. a reference interest rate like EURIBOR) and a fixed margin. The chosen "parameter" will be deducted from the currently charged gross interest rate. The remainder will represent the fixed margin. From then onwards, the total interest rate may increase or decrease reflecting increases or decreases of the applicable parameter but the fixed margin may not change without prior consent of the borrower. The aforementioned reformulating of floating interest rates as well as caps on consumer loans apply both to new and existing consumer loans.

In case of FX-linked consumer housing loans, the Amendments Act specifies the method of calculation of a maximum fixed interest rate which may be charged in case the foreign currency appreciates by more than 20 per cent. from the day of the loan disbursement. This currently applies to Swiss franc-linked mortgage loans ("**CHF loans**") and the relevant maximum interest rate so fixed would amount to 3.23 per cent on CHF loans. Should the difference between the current foreign currency/Croatian Kuna exchange rate and the exchange rate from the day the foreign exchange loan agreement was entered into fall below 20 per cent., a conversion of the foreign exchange-loan into Croatian Kuna or into a EUR-linked loan shall be offered to the consumers at then prevailing market conditions. Currently, 75,000 loans in Swiss francs totaling 28 billion Croatian Kuna are estimated to be outstanding in Croatia. The Amendments Act is expected to affect the Issuer's net interest margin on loans. For 2014 the estimated negative impact amounts to EUR 3.2 million and up to EUR 36 million over the whole duration of the CHF-loan portfolio (until 2048).

Developments in Asia

The Asian business has been negatively impacted by lower commodity prices, which have affected the debt servicing capability of borrowers in the Asia-Pacific region. As a consequence the increase in the non-performing loans ("NPLs") reported in the Group Corporates segment mainly relates to Asia (EUR 734 million as of year-end 2014) and hereof mainly to Indonesia from several clients operating in the raw material and mining business.

Given the Group's total assets in Asia of approximately EUR 6 billion as of 31 December 2014, RBI intends to significantly scale back or exit its business in Asia by end-2017.

Bank levies and specific taxes

Various countries have already implemented bank specific taxes or levies.

In Hungary, a bank levy was introduced in 2010 and is calculated on the basis of total assets. The bank levy for 2014 is expected to amount to EUR 44 million. Additionally, a financial transaction tax was introduced in Hungary in 2013 on financial transactions, with certain exemptions, which is expected to have a negative impact on RBI Group of EUR 45 million in 2014. It is expected that a certain part of such financial transaction tax can be passed on to customers. In February 2015 the Hungarian government announced a reduction of bank levies which could lead to a lower future tax burden for banks operating in Hungary.

In Austria, a bank levy was introduced in December 2010 and has been effective as of 1 January 2011. The Austrian bank levy is deductible from corporate income tax and is levied on total assets less certain exceptions. Beginning with 1 April 2014, the average derivative volumes

in the trading book are no longer included in the tax base of the bank levy. The total amount of the Austrian bank levy is expected to negatively impact the RBI Group's 2014 results by EUR 90 million.

Moreover, Slovakia introduced a bank levy effective as of 2012. The negative impact resulting from the bank levy in Slovakia is expected at approximately EUR 26 million in 2014.

Slovenia has also introduced a bank levy at a rate of 0.1 per cent. of total assets (with certain exceptions) expected to have a negative impact on RBI Group of less than EUR 1 million in 2014.

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

Bank Recovery and Resolution Regime

An Austrian Recovery and Resolution Law came into force as of 1 January 2015 (the Federal Act on the Recovery and Resolution of Banks; Bundesgesetz über die Sanierung und Abwicklung von Banken; "BaSAG"). Payments under this law refer to European rules implementing the Bank Recovery and Resolution Directive ("BRRD"), which are not yet adopted (expected to happen sometime in 2015) and which foresee a contribution payment mechanism starting in 2015. Starting from 2016 the Austrian Resolution Fund, like all other EURO-zone-resolution funds will be transferred to the Single Resolution Fund, being in process of establishment for all EU-Eurozone members (on an optional basis also for other EU members).

The concrete amount of overall payments (with respect to RBI Group members, payments based on their respective national laws) can only be determined once the respective EU regulation / national laws have been passed and EU wide data are available. Using external benchmark estimates, however the contributions for a bank of the size of RBI Group might be in the range of approx. EUR 40 million from 2015.

Regulatory capital requirement of RBI's main shareholder RZB

In spring 2014, the Austrian Financial Markets Authority (Finanzmarktaufsicht – "FMA") issued a decree imposing on RZB as superordinated credit institution of the RZB credit institution group (Kreditinstitutsgruppe) a total capital ratio requirement of 13.77 per cent. applicable from July 2014. The calculation of this ratio also includes Raiffeisen-Landesbanken-Holding GmbH as parent financial holding company.

The European Central Bank ("ECB") assumed its role as consolidating supervisor for RZB as from 4 November 2014. It is expected that the ECB as the currently responsible supervisor will issue a decision in the course of the first quarter of 2015 replacing the above capital requirement.

Regulatory capital requirement of RBI

Following the Austrian regulator's decision to set up a second level of supervision at the level of RBI Group, on 24 October 2014, RBI received notification from the FMA that it would be required to fulfil regulatory capital requirements as a separate group (i.e. RBI Group on a consolidated basis) in addition to RZB Group. Thus, RBI is sub-consolidated and also regulated separately by the European Central Bank. As a consequence, as from 30 November 2014 RBI is required to adhere to a SREP Ratio (Supervisory Review Evaluation Process Ratio) (i.e. a total capital ratio (transitional)) of 13.76 per cent. Furthermore, the volume of guarantees between RZB and RBI will have to be reduced which is expected to have a negative impact on direct business transactions between RBI and the Regional Raiffeisen Banks, i.e. the Raiffeisen-Landeszentralen, in particular as regards liquidity flows. As part of the measures relating to organisational and functional separation, respectively the unbundling of bank-specific operations between RZB and RBI, it is also required to discontinue identical board functions such as RBI's chief risk officer acting also as a member of the management board of RZB. Thus, Mr. Strobl's position as chief risk officer of RZB will terminate prior to or on 30 June 2015 at the latest.

The European Central Bank ("ECB") assumed its role as competent authority for RBI as from 4 November 2014. It is expected that the ECB as the currently competent authority will issue a decision in the course of the first quarter of 2015 replacing the above capital requirement.

In order to comply with capital requirements in the future, RZB Group and/or RBI Group may have to raise additional tier 1 or tier 2 capital or reduce its risk-weighted assets.

Securitization

As part of RBI's strategic priority of strengthening capital, the bank is actively managing the securitization of assets. By the end of 2014 the Issuer closed a securitization that resulted in a reduction of Risk Weighted Assets (RWAs) by around EUR 500 million and CET1 relief of around EUR 50 million or 0.07 per cent. Going forward, the Issuer aims to securitize assets on a regular basis generating around 0.20 per cent of CET1 capital relief p.a."

24) On page 160 et seq. of the Supplemental Base Prospectus, in the chapter "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

- i) the paragraph with the heading "*ECB – Asset Quality Review and stress tests*" shall be fully deleted.
- ii) the paragraphs under the heading "*Banking Union*" shall be fully deleted and replaced by the following paragraphs:

"At European level, the EU institutions are in the final stages of the legislation process of the so-called EU-Banking Union that aims at building an integrated financial framework to safeguard financial stability and minimise the taxpayers' costs of bank failures so that the negative feedback loop between banks and sovereigns will be mitigated. The term "Banking Union" in particular comprises the following pillars: a single rulebook for financial institutions in the single market, introduction of a single supervisory mechanism ("SSM") built around the European Central Bank ("ECB"), the strengthening of deposit guarantee schemes and the establishment of a Single Resolution Mechanism (the "SRM") which will apply to all banks covered by the SSM.

Within the SSM, which became fully operational on 4 November 2014, the ECB directly supervises significant credit institutions in the euro area, including the Issuer and the Issuer's majority shareholder RZB, and in other EU member states which decide to join this "Banking Union" and thus will have direct and/or indirect supervisory authority of the Issuer in cooperation with national competent authorities, as the

case may be. As the veracious pillars of the EU Banking Union and the related legislative framework are partly not yet fully specified and it is not yet fully clear how such rules will be applied in practice, considerable uncertainty remains factual impact of its implementation and the specific impact such implementation might have on the Issuer, in particular as the Issuer operates as a cross-border bank in Euro zone member states as well as in states which will not be part of the Banking Union. The legal foundation of the European Banking Union is based on the single rulebook consisting of, *inter alia*, the Bank Recovery and Resolution Directive which has been published in the Official Journal of the European Union on 12 June 2014.

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

- iii) the paragraphs under the heading "**EU Bank Recovery and Resolution Directive**" shall fully be deleted and replaced by the following paragraphs:

"On 12 June 2014, the Directive 2014/59/EU (the so-called EU Bank Recovery and Resolution Directive) ("**BRRD**") was published in the Official Journal of the European Union.

The purpose of the BRRD, implemented into Austrian national law in particular by the BaSAG as of 1 January of 2015, is to ensure throughout the EU that credit institutions, investment firms, financial holding companies and branches of institutions having their registered offices outside the EU, in particular at a point of non-viability, may recover or, if necessary, be resolved without imposing risks on the stability of the financial markets. Thus the new Directive includes provisions in this respect, granting additional competencies and powers to supervisory authorities, additional organisational and reporting duties for banks, possible loss participations - among others of bondholders-, as well as considerations for the financing of the Fund under the SRM (*see chapter Risk factors / Risks relating to the Notes, "3. The EU Bank Recovery and Resolution Directive and the Single Resolution Mechanism – Notes may be used for bail-in*).

Furthermore, the BRRD provides for a European system of financing arrangements which also provides for using the funds of deposit guarantee schemes in the event of a resolution. At present it is unclear to what extent a European system of financing arrangements would affect RBI Group's contribution obligations for the deposit guarantee scheme or for the Fund i.e. the bank restructuring fund under the SRM (for further information please see Risk factors / Risks relating to the Issuer).

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

- 25) On page 171 et seq. of the Supplemented Base Prospectus, the chapter "**8. LEGAL AND ARBITRATION PROCEEDINGS**" shall be fully deleted and replaced by the following chapter:

"8. LEGAL AND ARBITRATION PROCEEDINGS

From time to time, the Issuer and its subsidiaries are party to certain legal, governmental or arbitration proceedings before various courts and governmental agencies arising in the ordinary course of business involving contractual, 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 banks with whom an agreement could be reached in the past as well as to credit institutions with whom RBI Group maintains business relationships in connection with syndicated loan facilities where it acts *inter alia* as co-manager or agent.

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

- (a) Legal action was filed against RZB (prior to the Merger) and Raiffeisen Investment AG ("**RIAG**") (prior to the Merger) in New York. The claimant alleged that RBI, in its capacity as universal successor to RZB, had unlawfully paid USD 150,000 on a bid bond and that RIAG had been involved in a fraud committed by the Serbian privatization agency resulting in a damage in the range of USD 31 million to USD 52 million. According to the defendants' and Issuer's assessment the claim is unfounded and very unlikely to succeed. In February 2014, the action was dismissed and the plaintiff filed a Motion for Reconsideration with the court which is currently pending.
- (b) Following the insolvency of Alpine Holding GmbH ("**Alpine**") in 2013, eleven lawsuits in the total amount of approximately EUR 800,000 were filed by retail investors in Austria against RBI and another bank in connection with a bond which had been issued by Alpine in 2012 in the amount of EUR 100 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 bond in due course. The claim alleges that the capital market prospectus in relation to the bond issue was misleading and incomplete and that the banks, which were also involved in the preparation of the prospectus, were aware of that fact. It is to be expected that similar lawsuits are being prepared against the banks, among them RBI, involved in the bond issue and it might be possible that bondholders are also represented by a "class action association".
- (c) 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 alleged that a borrower made a voluntary repayment under a syndicated loan agreement to RZB and/or RBI in the amount of EUR 75 million prior to its maturity date. The borrower became insolvent and it is now claimed that RZB and/or RBI has to repay a part of this amount, namely EUR 25 million.
- (d) By the end of September 2014, the administration of an insolvent counterparty has instigated pre-litigation proceedings against RBI in England. The counterparty's administration asserts a claim of approximately EUR 24 million plus interest resulting from incorrect calculation of the termination value of repurchase and securities lending transactions. RBI has rejected the asserted claim.
- (e) In March 2014 the Issuer's participation in F.J. Elsner Trading Gesellschaft m.b.H. ("**FJ Elsner**"), a commodities trader, was sold and transferred to MFC Commodities GmbH. Liability was assumed for certain lawsuits of FJ Elsner including a law suit of a U.S.

company from August 2011 with the Commercial Court in Vienna. According to the claimant, FJ Elsner delivered steel coils that did not satisfy the agreed upon quality criteria, so that the claimant was not able to use such steel coils for further processing. The claimant claims damages of USD 41.9 million and further requests a declaratory judgment that FJ Elsner has to hold it harmless from any third-party claims resulting from the delivery of the steel coils. The Commercial Court and the Court of Appeals denied the claims. A further appeal to the Austrian Supreme Court would be possible.

(f) In June 2012, a client (the "Client") 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 some credit facilities agreements entered into between Tatra banka and the Client. The Client claims that Tatra banka breached its contractual obligations by refusing to execute payment orders from the Client's accounts without cause and by not extending the maturity of facilities despite a previous promise to do so, which led to non-payment of the Client's obligations towards its business partners and the termination of the client's business activities.

Furthermore, a Cypriot company filed a separate action for damages in the amount of approximately EUR 43.1 million. This lawsuit is connected with the proceeding above because the company having filed the action had acquired the claim from a shareholder of the holding company of the Client. Subject matter of the claim is the same as in the proceeding above. According to the claimant, this had caused damage to the Client 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 claimant.

The 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. A first judgment is expected within 2 years.

(g) Following an assignment of Tatra banka's receivable (approx. 3.5 million EUR) against a client (the "Company") to an assignee, two lawsuits in the total amount of approximately EUR 18.5 million were filed by the original shareholders of the Company against Tatra banka, a.s. ("**Tatra banka**"). Their shares in the Company had been pledged as a security for a financing provided by Tatra banka to the Company. The claims are claims for compensation of a damage which incurred 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 Company as well as the fact that the assignee had realized a mortgage over real estates of the Company (which had also been created as a security for the financing provided by Tatra banka to the Company). The original shareholders claimed that the value of the Company was 18.5 million EUR and that this amount would represent the damage incurred by them due to the assignment of Tatra banka's claim against the Company.

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 with good faith principles and that it had breached an obligation arising from the Slovak Civil Code. A first judgment is expected within 2 years.

(h) The Antimonopoly Office of Slovakia carried out an inspection at the premises of Tatra banka, a.s. ("**Tatra banka**") and certain other banks in Slovakia in relation to the suspicion of exchange of sensitive information and coordination of behaviour in the setting of charges for private individuals which would constitute a breach of national as well as European competition law. The maximum possible fine could have reached 10 per cent. of the turnover of Tatra banka, which - based on the figures for 2013 - would amount to approximately EUR 42.5 million. On 26 January 2015, Tatra banka received the notice of termination of the investigation of the Antimonopoly Office of Slovakia. After the assessment of all documents and information the Antimonopoly Office concluded that it currently did not have sufficient documents and information which would justify the commencement of the administrative proceedings against infringement of competition in the respective matter and therefore terminated the investigation.

(i) Various claims for the repayment of deducted loan account maintenance fees have been filed against ZAO Raiffeisenbank, Russia, ("**ZAO Raiffeisenbank**") by a number of its clients based upon a decision of an arbitration court in Russia in 2009. Currently, claims amounting to a repayment of estimated EUR 1.5 million are pending. Due to the fact that all retail commissions have been cancelled and are no longer charged by ZAO Raiffeisenbank and that the limitation of action period for any claim set by the Civil Code of Russia is three years and has already expired for the majority of possible claims, new claims are unlikely to be initiated against ZAO Raiffeisenbank in the future. Moreover, ZAO Raiffeisenbank has initiated a voluntary repayment policy for the purpose of settling any such new claim in order to avoid unnecessary court proceedings. According to retail lending terms, the client must first file a pre-trial complaint with the relative claim of repayment before applying directly to court. Russia procedural law stipulates that without observing prejudicial procedure, the client will not be able to apply to court. Considering that such commission fees will no longer be claimed through court proceedings and will be repaid by ZAO Raiffeisenbank voluntarily in response to the relative prejudicial claims from clients, it is estimated at this point of time that the maximum possible loss will not exceed the EUR 1.5 million amount of cases already pending.

(j) In 2011, the Hungarian Competition Office ("HCO") launched a competition supervision proceeding against various financial institutions, including the Raiffeisen Bank in Hungary ("**Raiffeisen Bank Zrt.**"). The HCO assumed that the banks were offering HUF loan products with higher interest rates and were limiting access to lower interest rate products in connection with the early repayment of foreign currency loans. In November 2013 the HCO issued its final decision and levied a fine on Raiffeisen Bank Zrt. in the amount of HUF 583 million (which equals approximately EUR 2 million). Raiffeisen Bank Zrt. has contested the decision at the Metropolitan Court of Hungary. The final judgment is expected in 2 years. At first instance the court rejected the claim of Raiffeisen Bank Zrt.

(k) Furthermore, the Hungarian Competition Office ("HCO") launched a competition supervision proceeding against the Banking Association and Institute for Training and Consulting in Banking (Bankárképző). The HCO alleges that the establishment and the maintenance of the interbank database (BankAdat) being regularly updated by banks and containing partly non-public data may qualify as an information cartel. The database was available free of charge and contained quarterly updated data about the member banks and their performance uploaded by the banks themselves. Since 2000 and until recently the data uploaded were accessible on principle reciprocity basis (banks uploading data could see equivalent types of data uploaded by other banks). Subsequently, the HCO extended the ongoing proceeding to all participant commercial banks and financial institutions including Raiffeisen Bank Zrt. The amount of the fine cannot be estimated yet, but based on the relevant regulation, on the guideline issued by HCO relating to its imposing policy and on the practice of the HCO in similar matters the fines may reach 2-3 per cent. and will not exceed 10 per cent. of the net turnover in the calendar year preceding the adoption of the HCO decision. At this point of time it is not possible to evaluate the potential financial impact of this proceeding. The HCO procedure is still ongoing.

(l) Raiffeisen Bank in Hungary (Raiffeisen Bank Zrt), as many other banks in Hungary, is involved in a number of lawsuits (up to and including February 1, 2015: 500 individual lawsuits) with respect to foreign currency loan agreements in which claimants seek declaratory judgments that such contracts are void. Based on guidelines recently issued by the Supreme Court a new legislation has been passed by the Hungarian parliament on 4 July 2014. The new legislation relates to (a) the foreign exchange ("FX") margins which can be applied to foreign currency loan disbursement and instalments as well as to (b) unilateral rate changes on consumer loans and requires retroactive modifications to margins and potentially to rates. The new law came into effect on 26 July 2014 and applies to all banks operating in Hungary. The legal scope of the new law applies to all foreign currency and HUF consumer loans as of 1 May 2004 until the effective date of the law (concerning the new law see Trend information - Recent developments in Hungary). A separate law – the Settlement Act – was accepted on 24 September 2014 followed by decrees of the National Bank of Hungary which determine and clarify the settlement methodology, basically by requiring the banks to take into account mandatory refunds to borrowers relating to such FX margins and unilateral interest rate changes in the calculation of the outstanding claim of the affected loans. In case of loans that already expired or were repaid, the settlement would be in cash. Thus, all individual lawsuits with respect to FX margins and unilateral rate changing clauses in foreign currency loan agreements have been suspended until the date of the final settlement of the respective loan.

(m) The National Bank of Hungary (MNB) investigated the price-increase practice of various financial institutions, including the Raiffeisen Bank in Hungary in 2013. As a closing of these procedures in March 2014 MNB fined 35 banks and financial institutions a total of 1.2 billion forints (USD 5.32 million) for unlawful hikes in fees and costs and ordered them to reimburse their clients. In the case of Raiffeisen Bank Zrt. MNB found that the bank introduced new fees for earlier "free" transactions and with this action violated the relevant section of the Banking Act. Thus Raiffeisen Bank Zrt received a HUF 98 million fine and additional refund obligation. Raiffeisen Bank Zrt. has contested the decision and also initiated the suspension of the resolution's execution relating to the refund obligation at the Metropolitan Court of Hungary. The court suspended the execution of the resolution accordingly. Raiffeisen Bank Zrt. is not obliged to fulfill its refund obligation towards the customers until the court decides the issue on the merits. The lawsuit is still ongoing at first instance.

(n) At the end of 2013, Raiffeisen Bank Zrt. has reclaimed approximately HUF 4.5 billion from the bank tax liability of approximately HUF 11.8 billion paid for the 2012 tax year. The tax reclaim was based on an amendment to the legislation on the bank surtax (effective from 20th June 2012), that stipulates that 30 % of the losses incurred by banks resulting from the cancellation of 25% of the borrowers' debt arising from foreign exchange mortgage loans where the borrower's payments had been overdue for at least 90 days can reduce the bank tax, if the release is agreed with the clients, and executed by 15 September 2012. The Bank informed the concerned clients about the debt release offer via registered mail, claiming that should the clients disagree with the offer, they need to refuse it in writing, otherwise the offer would be considered to be accepted and executed accordingly. All customers except for one accepted the offer and the Bank executed the debt release in case of the non-protesting customers within the deadline set by the law. During a tax audit commenced at the beginning of 2014, the Tax Authority challenged the reclaim of the above mentioned bank tax at Raiffeisen Bank Zrt., claiming that the Bank's practice was not eligible for the tax reclaim governed by the law. The Tax Authority argued that the one-side offer cannot be regarded as 'agreement', (as it is required by the law). The Tax Authority established a tax shortage of approximately HUF 4.5 billion, plus 50 % penalty. Raiffeisen Bank Zrt. filed its appeal against the decree of the Tax Authority together with documentary evidence supporting the Bank's arguments. Final decision of the Tax Authority is expected by the end of March 2015.

(o) There is a tendency in CEE countries towards a more aggressive behavior on the part of customers and consumer protection associations in the context of legal disputes in relation to consumer protection. For instance, in July 2013 based on a claim brought by a consumer rights protection association, the Zagreb Commercial Court issued a judgment against several Croatian banking subsidiaries of European banks, including RBI's Network Bank in Croatia, **Raiffeisenbank Austria d.d.**, finding that the banks violated Croatian consumer protection laws and the Croatian civil code in connection with Swiss franc-linked loans to retail customers between 2004 and 2008. According to the judgment, the banks used dishonest and unfair business practices and illegal contractual clauses in linking the loans' principal amounts to Swiss francs and by providing for variable interest rates that may be unilaterally reset by the respective banks without sufficiently informing customers of all parameters. The judgment requires the banks to offer affected customers to amend their loan agreements to adjust the principal amount of the respective loan linked to Swiss franc to the Croatian kuna at the exchange rate applicable of the respective disbursement date and to reset the respective interest rate on the loans to the rate in effect at the time the loan was extended, which interest rate shall prevail until new transparent interest rate reset mechanisms are in place. Raiffeisenbank Austria d.d. and all other defendants have appealed the court decision on procedural and substantive grounds. In July 2014, the final decision of the High Commercial Court of Croatia was issued. The judgment was upheld in part, namely regarding contractual clauses in consumer loans providing for variable interest rates that may be unilaterally reset by the respective banks without sufficiently informing customers of all parameters. In relation to the clauses in linking consumer loan's principal amounts to Swiss francs the claim was rejected by the court. The court ruling is of declaratory nature and does not address the practices of individual banks. Based on this declaratory ruling, customers of Raiffeisenbank Austria d.d. who have consumer loans providing for variable interest rates and who had previously made payments on loans covered by the judgment could sue for repayment of overpaid interest, subject to a five year statute of limitations. In such individual law suits Raiffeisenbank Austria d.d. intends to prove that any change in such variable interest rates was based on fair and profound grounds. The court ruling affects the current outstanding loans as well as loans redeemed in the period of five years preceding the date of the ruling. If all borrowers under the loans covered by the judgment were to reclaim successfully in application of the terms of the judgment, the potential negative impact on Raiffeisenbank Austria d.d., and therefore on the Issuer, could be significant. In any case, the potential negative impact would finally depend on the actual number of claims to be launched by customers based on the final ruling. Moreover, both, the consumer rights protection association as well as the banks, including Raiffeisenbank Austria d.d. will file a motion to revise with the Supreme Court of Croatia. However such motion has no suspensive effect on the High Commercial Court's ruling.

(p) In 2011 a client of Raiffeisenbank Austria, d.d., Croatia launched a claim for damages in the amount of approximately EUR 19.2 million and alleged that damages have been caused by an unjustified termination of the loan. 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.

(q) In 2014 a group of plaintiffs launched a lawsuit against Raiffeisenbank Austria, d.d., Croatia claiming damages in the amount of approximately EUR 17 million based on the allegation that negotiations in connection with the financing of a real estate project had been conducted in bad faith by Raiffeisenbank Austria, d.d., Croatia and finally terminated. According to the defendant's assessment the claim is unfounded.

(r) Proceedings against the Issuer's subsidiary in Ukraine, Raiffeisen Bank Aval JSC ("**RBA**"), were initiated by a Gibraltar-based company in the courts of the Republic of Moldova. The amount of the claim against RBA, including damages as well as default interest, currently constitutes USD 15.1 million. The claim is based on the fact that the claimant allegedly incurred damages due to the non-performance by RBA of a ruling issued by a district court in the Republic of Moldova in 2004. According to said ruling, the district court seized USD 5 million on the correspondent and other accounts of RBA which should have been used to pay off the indebtedness of one of RBA's Ukrainian clients towards the claimant. Over the years, RBA unsuccessfully tried to repeal this ruling in various courts of the Republic of Moldova and, in view of the lack of any further perspectives to settle this dispute in the courts of the Republic of Moldova, RBA lodged an application to the European Court of Human Rights against the Republic of Moldova in early 2013 which was registered in April 2013.

In 2014, after a long-term trial, the Moldovan district court refused the claim for USD 15.1 million. The claimant appealed and the case is currently considered by the appellate court. At this point of time, the outcome of the proceeding cannot be estimated.

(s) Procedures launched against board members of RBI by the Austrian Financial Market Authority (FMA):

In the course of the administrative penal procedure, the FMA imposed a fine of EUR 120,000 against all members of the former board of management of RBI's predecessor RI, three of which are currently members of the management board of RBI, which was confirmed by the appeal decision of the independent administrative panel (UVS, Unabhängiger Verwaltungssenat) in October 2012. The FMA accused the board members that preparations pertaining to the Merger of RZB and RI had not been made public in time via an ad-hoc release and the FMA as well as the Vienna Stock Exchange had not been informed in time prior to this ad-hoc release. The affected board members lodged a complaint at the Austrian Higher Administrative Court (Verwaltungsgerichtshof) as a court of last instance in December 2012. End of May 2014, the Austrian Higher Administrative Court revoked the decision of the lower administrative instances in one of the cases and similar decisions in favour of the other three affected board members were issued in July 2014, which now constitutes the final outcome of these proceedings, once the closing decision of the administrative penal procedure is delivered. In one of the cases, the final closing decision was issued on August 4, 2014. The other final closing decisions were issued on 11 August 2014.

(t) The Austrian public prosecutor carries out investigations suspecting former members of the management board of Raiffeisen Centrobank AG, an integrated investment bank directly owned by RBI, of breach of trust and participating in bribery. Allegedly, Raiffeisen Centrobank AG retained a lobbyist company in connection with the privatization of the Österreichische Post Aktiengesellschaft (Austrian Post) in 2006 and former members of the management board of Raiffeisen Centrobank AG are suspected to have bribed person(s) holding public functions via such lobbyist firm. A decision on whether a charge will be brought against the managers has not yet been taken by the prosecutor's office. In case of a conviction, Raiffeisen Centrobank AG might suffer a reputational damage.

(u) In the context of the announced sale of Raiffeisen Bank Polska S.A. the Polish Financial Supervision Authority ("PFSA") informed RBI about the initiation of an administrative proceeding claiming the potential breach of commitments towards PFSA undertaken by RBI during the approval process of the acquisition of Polbank EFG by RBI in 2012. The Issuer is of the opinion that the commitments have not been breached; although a potential outcome of proceedings could result in a prohibition of exercising voting rights on shares of RBI's subsidiary Raiffeisen Bank Polska S.A. until the sale of shares, the Issuer believes that the allegations are unsubstantiated, and such proceedings ultimately shall be dismissed. The Issuer believes that proceedings have no impact on day-to-day business, or the sales process.

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 were no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the previous 12 months, which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer or RBI Group."

26) On page 473 of the Supplemented Base Prospectus, in the chapter "**GENERAL INFORMATION**", all paragraphs under the heading "**Credit Ratings**" shall be deleted and replaced by the following:

"The Issuer has obtained ratings for the Issuer from Moody's Investors Service ("**Moody's**")*, Standard & Poor's Credit Market Services Europe Limited ("**S&P**")* and Fitch Ratings Limited ("**Fitch**")*

As of the date of this Base Prospectus such ratings are as follows:

	Moody's⁷	S&P⁸	Fitch⁹
Rating for long term obligations (senior)	Baa2 / Review for downgrade	A- / CreditWatch negative	A / Outlook negative
Rating for short term obligations (senior)	P-2	A-2	F1

*) Moody's Deutschland GmbH, An der Welle 5, 2nd Fl., 60322 Frankfurt, Germany, Standard & Poor's Credit Market Services Europe Limited, UK (Niederlassung Deutschland), Frankfurt am Main and Fitch Ratings Limited, London are established in the European Union, are 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**") and are included in the list of credit rating agencies registered in accordance with the CRA-Regulation published by the European Securities and Markets Authority on its website (www.esma.europa.eu/page/List-registered-and-certified-CRAs).

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency."

27) On page 473 of the Supplemented Base Prospectus, in the chapter "**GENERAL INFORMATION**" the paragraph under the heading "**Authorization**" shall be replaced by the following:

"The establishment of the Programme was authorised by the Board of Management of the Issuer on 4 October 2010 and thereafter approved by the Supervisory Board of the Issuer on 11 October 2010. The issuance of Notes thereunder is covered by the Issuer's Board of Management's and Supervisory Boards's approval of annual funding plans determining the total annual issuance volume. The latest approvals are dated 20 November 2013 (decision of Board of Management) and 10 December 2013 (approval of Supervisory Board) for the business year 2014 and 24 November 2014 (decision of Board of Management) and 10 December 2014 (approval of Supervisory Board) for the business year 2015."

⁷ 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.

⁸ S&P assign long-term credit ratings on a scale from AAA (best quality, lowest risk of default) 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 (neutral). 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 down to D (highest risk of default).

⁹ Fitch's long-term credit ratings are set up along a scale from AAA (best quality, lowest risk of default), AA, A, BBB, BB, B, CCC, CC, C down to D (highest risk of default). Fitch uses the intermediate modifiers "+" and "-" for each category between AA and CCC to show the relative standing within the relevant rating categories. Fitch's short-term ratings indicate the potential level of default within a 12-month period at the levels F1+ (highest credit quality), F1, F2, F3, F4, B, C and D (highest risk of default).