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RAIFFEISEN BANK INTERNATIONAL AG

Report of the Management Board pursuant to sec. 174 para. 4 of the Stock Corporation Act (*Aktiengesetz, AktG*) in conjunction with sec. 153 para. 4 of the Stock Corporation Act for resolving on item 9 of the agenda of the ordinary General Meeting of shareholders to be held on 26 June 2013 (exclusion of the subscription right)

Due to the expiry, on 10 June 2013, of the authorisation of the Management Board of Raiffeisen Bank International AG to issue, with the consent of the Supervisory Board, convertible bonds pursuant to sec. 174 para. 4 of the Stock Corporation Act, the Management Board and the Supervisory Board of the Company intend to propose to the General Meeting of shareholders to be held on 26 June 2013 a new authorisation of the Management Board to issue convertible bonds.

The Management Board and the Supervisory Board of Raiffeisen Bank International AG intend to propose to the ordinary General Meeting of shareholders of the Company to be held on 26 June 2013, to newly authorise the Management Board to issue – with the approval of the Supervisory Board – convertible bonds, also in several tranches, within five years from the date of the resolution for a maximum total nominal amount of up to EUR 2,000,000,000.00, to which attaches a conversion or subscription right to obtain a maximum of 39,101,024 ordinary bearer shares of the Company with a corresponding pro-rata amount of the share capital of a maximum of EUR 119,258,123.20.

It is also to be permitted that the convertible bonds be issued by a company which Raiffeisen Bank International AG owns at one hundred per cent directly or indirectly; in this event, the Management Board is to be authorised to assume, with the consent of the Supervisory Board, a guarantee for the convertible bonds on behalf of the Company and to grant the holders of the convertible bonds conversion rights into ordinary bearer shares of Raiffeisen Bank International AG.

In this connection, the Management Board is to be authorised to determine all further conditions of the issue and its terms, as well as the terms and conditions applying to the convertible bonds, in particular their interest rate, issue price, term of validity and denomination, provisions protecting against dilution, conversion period, conversion rights and obligations, conversion ratio, as well as conversion price, all this subject to the consent of the Supervisory Board.

This authorisation is intended to also take account of any future regulatory changes to be introduced in particular by "Basel III", a set of measures developed by the Basel Committee on Banking Supervision (BCBS).

The European Commission's legislative proposals for the implementation of an EU Regulation (Capital Requirements Regulation – CRR I) as well as of a revised banking directive (Capital Requirements Directive – CRD IV), in particular providing regulations concerning own-fund items, own-funds requirements, reporting on liquidity, and leverage, could also influence the capital planning and capital adequacy of Raiffeisen Bank International AG.

The own funds of a credit institution in future are to predominantly consist of Common Equity Tier 1 capital. To a more limited extent, Additional Tier 1 capital and Tier 2 capital are to be recognised. Depending on the specific design, convertible bonds, as proposed in the authorisation, could thus also be recognised as additional Tier 1 capital and thus as higher-value regulatory own funds in future. Preparatory thereto, the Management Board shall therefore be authorised to issue such capital instruments.

The subscription right of the shareholders to the convertible bonds issued in the scope of this authorisation is to be excluded.

In the opinion of the Management Board, the exclusion of the subscription right in connection with this resolution authorising the issue of convertible bonds is in the prevailing interest of the Company, but is also, at any event indirectly, in the interest of the existing shareholders of the Company. Pursuant to the applicable legal provisions, the Management Board submits the following report with respect to the legal and commercial reasons and justification for the exclusion of the subscription right.

An exclusion of the subscription right in case of convertible bonds is to be seen in light of four material aspects: comparatively low and thus attractive financing costs to the Company, the optimisation of a high conversion price, the development of new investor circles, and the raising of capital in the corporate group directly where the realised funds will actually be used.

In order to realise and/or optimally use the said aspects in the interest of the Company, an exclusion of the subscription right to the issued convertible bonds is required.

1. Improved financing possibilities

Investors will obtain interest from convertible bonds at a comparably low risk with respect to repayment of the capital employed. At the same time, they are granted the right to acquire shares of the Company in future at a price already fixed upon issue of the convertible bonds ("conversion price"), whereby the creditors – after conversion – are enabled to have access to the substance and the earning power of the enterprise.

Convertible bonds constitute a reasonable method for the Company to keep its capital costs as low as possible. By the components referred to, namely the high security for bond creditors and the possibility of participating in price increases through the right to convert into shares, the Company receives flexible and quick access to attractive financing conditions, which as a rule are situated below the level of (mere) debt capital instruments.

By the terms of convertible bonds customary on the capital market, the issue price of the shares to be issued will lie above the share price at the time of the issue of the convertible bonds ("conversion premium"), so that the Company is able to achieve a higher issue price in comparison to an immediate capital increase; expressed differently, it is thereby possible to provide additional capital to the Company.

The value of convertible bonds is made up of two components: the bond component and the component of an option providing an entitlement to convert the bonds into shares. By reason of the option component associated with the convertible bonds, investors in principle accept a lower rate of interest in comparison to classic corporate bonds. The value of the option component is influenced by the term and the level of interest, but it is also influenced strongly by the development and volatility of the share price; a high volatility (with corresponding price opportunities) has the effect technically of increasing the value of the option component in the scope of the calculation methods usually resorted to in the market, and in the end results in a comparably lower interest rate of the convertible bonds. Thus, convertible bonds in particular also offer a possibility of using price volatility – as same occurs in particular also in case of the share of Raiffeisen Bank International AG – in favour of the Company and thereby to reduce the capital costs of the Company.

Practice has shown that in case of issues with an exclusion of the subscription right, it is often possible to obtain better terms, because with the immediate placement thereby made possible, price-effective risks to the Company arising from a changed market situation are avoided. This is based on the structure of rights issues, in the case of which the statutory provisions require compliance with a subscription period of at least two weeks. Therefore, with an exclusion of the subscription right, it is possible, upon a correct estimation of the market situation, to generate comparatively more financial resources for the Company with a lower number of shares to be issued upon use of the conversion right.

For this reason, by now the exclusion of the subscription right in connection with the issue of convertible bonds is also usual practice on the capital market.

It is expected that besides the presented considerations, other reasons will appear during the period of authorisation of five years, which could militate, in the sense of a careful and flexible capital planning of the Company, in favour of the possible issue of convertible bonds (and an exclusion of the subscription right necessarily associated therewith):

By reason of the current developments on the discussion of the Basel III package, it is probable that in future, also depending on the specific structure of the instruments and the fulfilment of certain minimum requirements, such as in particular a tie to the occurrence of defined triggering events to the obligatory conversion into share capital, such convertible bonds associated with a conversion obligation could be recognised as additional Tier 1 capital and thus as higher-value regulatory own funds. Convertible bonds structured in this specific manner, having regard to the future market developments, thus could open alternative or additional access to regulatory Tier 1 capital and thereby constitute an important instrument for the strengthening of own funds and compliance with statutory capital requirements.

2. Optimisation of a high conversion price

The issue amount of the shares to be issued to the convertible bonds creditors upon exercise of the conversion and/or subscription right (conversion price) is determined, in accordance with the international capital market practice, on the basis of the current volume-weighted average price of the shares of the Company upon allotment of the convertible bonds plus a premium reflecting the estimate of the future price development of the Company in conjunction with a benchmarking using comparable capital market transactions in the relevant market.

Since the price of the share at issue of the convertible bonds is an important factor for the determination of the terms of the convertible bonds, it is in the interest of the Company to have the best possible "control" over the reference price of the share of the Company at the point in time of the allotment of an issue, relevant for the determination of the terms.

Having regard exactly, for example, to the overall price fluctuations of stock markets noted in the course of the financial crisis, as well as having consideration for the high volatility of the share of the Company in particular, it becomes apparent that both the price development as well as the market estimation within a two week subscription period, which would have to be observed without an exclusion of the subscription right, definitely could be subject to very significant changes.

In case of an issue with an exclusion of the subscription right, on the other hand, the Company could select an in its view favourable point in time for allotment comparatively quickly and flexibly.

In this manner, the Company is put in the position within the period of authorisation to flexibly determine attractive issue terms at an in its opinion optimal point in time and thereby to optimise its conversion and financing terms in the interest of all shareholders. At the same time, the expected development of the share price can be considered, as well as the usual terms and usages of the international financial markets at the time of issue.

3. Development of new investor circles

Convertible bonds are usually subscribed only by institutional investors who specialise in this investment form, and which also are to be approached with convertible bonds to be issued on the basis of this authorisation. With the issue of convertible bonds, the Company thus is able to develop a new investor basis. The issue of convertible bonds with subscription rights in contrast would mean that these investors could not be approached, or only with a lower issue volume, by reason of content and an allotment mechanism not in line with the market and/or the market risks to which these investors will be exposed within the minimum two week subscription period.

In addition, it is to be noted that in case of a valuation of the issue of convertible bonds with subscription right in line with market conditions (i.e. at the best terms attainable in the market, which the Company also will aim for), the subscription rights themselves are without an independent commercial significance.

With a waiver of the protracted and thus also costly handling of a subscription right, the capital requirements of the Company may be covered very quickly from market chances available on a short-term basis, and in addition new investors can be gained in Austria and abroad.

The possibility of an exclusion of the subscription right in total therefore achieves a strengthening of own funds and a lowering of financing costs in the interest of the Company and finally of all shareholders.

Finally, issues of convertible bonds directed exclusively at institutional investors (and for which therefore the subscription right is excluded) can be effected, with appropriate denomination and construction, without a prospectus. The issue costs in comparison to a prospectus issue would be reduced significantly.

4. Raising of capital in the corporate group directly where the realised funds will actually be used

The authorisation requested by the Management Board and the Supervisory Board also contains the possibility of the issue of convertible bonds by a company which Raiffeisen Bank International AG owns at one hundred per cent directly or indirectly; the issue would be guaranteed by the Company and the bond holders would be granted conversion rights to ordinary shares of Raiffeisen Bank International AG. On the one side, the Company thereby is to be put into the position to use, by the choice of the location of the issuer, a favourable tax situation and double taxation conditions and to thereby additionally optimise financing conditions. Primarily, however, it is to be considered that a significant portion of the financing raised by the corporate group is not raised directly by the Company but by its subsidiaries in Central and Eastern Europe, or that funds raised by the Company are passed on within the group to these subsidiaries.

The described construction would enable the Company to place the capital raised by the corporate group directly in the place where the funds made available to the Company would actually be used and/or where financing can be raised – in the end increasing the financing expense of the Company and the corporate group – only with a significantly higher interest spread. With the combination of the raising of capital through a subsidiary and a conversion right to shares of the Company, the Company hopes (in addition to the reasons already set out in item 1.) to be able to address lenders and/or investor circles, which by reason of their risk profiles or business orientation could not be gained for a classic loan or corporate bond.

5. Summary / balancing of interests

The proposed exclusion of the subscription right is objectively justified by the aims to be attained, namely an optimisation of the capital structure and a lowering of financing costs, the optimisation of a high conversion price, the development of new investor circles, and the raising of capital in the corporate group directly where the realised funds will actually be used, and thereby to ensure a further strengthening and improvement of the competitive position of the Company in the interest of the Company and the shareholders.

The exclusion of the subscription right moreover is reasonable and necessary, since the expected supply of equity replaces more expensive capital measures through the target-group specific orientation of the convertible bonds, offers favourable financing conditions and secures flexible long term business planning and realisation of the planned business objectives for the benefit of the Company and, connected therewith, also of all shareholders. Without the exclusion of the subscription right the Company is not able to react to favourable market conditions with comparable speed and flexibility.

The Management Board of the Company expects that the advantage to the Company from the issue of convertible bonds with an exclusion of the subscription right benefits all shareholders and clearly outweighs the (potential) proportionate dilution of the shareholders excluded from the subscription right, so that therefore also in total the interest of the Company outweighs the disadvantage of the shareholders from the exclusion of the subscription right. In summary, and weighing all circumstances reviewed, it can be found that the exclusion of the subscription right within the limits described is necessary, suitable, reasonable and objectively justified and required in the prevailing interest of the Company.

Vienna, May 2013

The Management Board
of
Raiffeisen Bank International AG