Raiffeisen Bank International

- The spoken word prevails -

Speech for EGM

Karl Sevelda, CEO of RBI

Ladies and Gentlemen,
Valued Shareholders,

I am pleased to welcome you to the Extraordinary General Meeting of Raiffeisen Bank International AG - thank you for your interest. In my presentation today, I would like to lay out the rationale for the merger and explain the transaction structure.

It has been several months now since the Management Boards of RZB and RBI announced they would be evaluating a potential merger of RZB and RBI. As a listed company, we were legally obliged to publish information about this project at a very early stage - specifically, at the start of the evaluation phase, and long before any decisions had been taken.

I'll begin with a short overview of the steps involved in the planned merger.

On 10 May 2016, the Management Boards of RZB and RBI resolved to examine a potential consolidation of RZB and RBI. Around five months later, on 5 October 2016, the Management Boards and Supervisory Boards of both institutions passed in principle a resolution to merge RZB and RBI, and published a preliminary valuation range. On 16 December 2016, the merger exchange ratio on which a resolution was passed by the Management Boards of RZB and RBI was published. The shareholding of the current RBI free float shareholders will be 34.9% in the Combined Bank following the transaction.

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The fairness of the exchange ratio was examined and established by an independent court appointed merger auditor and by the Supervisory Boards of RZB and RBI. Additionally, fairness opinions were provided by three international investment banks. After a decision on the merger is taken by today's Extraordinary General Meeting, entry of the merger into the commercial register is planned to take place before the end of the first quarter of 2017.

The Combined Bank will be headed by Johann Strobl. You already know him from the Annual General Meetings in the past years. He has been Chief Risk Officer of RBI since 2010 and Deputy CEO of RBI since 2013. From 2007 to 2015, he was also Chief Risk Officer of RZB. Dr. Strobl has excellent knowledge of both banks, which is a major advantage in the execution of the merger. He has an outstanding reputation, both domestically and internationally. I am very pleased that he will be my successor.

Hannes Mösenbacher will succeed Johann Strobl as Chief Risk Officer of RBI. Dr. Mösenbacher is 44 years old, or perhaps I should say young. He has been head of Risk Controlling in RBI since 2009. It gives me great pleasure that we have such an outstanding professional in-house, and that we were able to fill the position internally. The rest of the Management Board is unchanged, with the positions held by Martin Grüll (CFO), Andreas Gschwenter (COO/CIO), Peter Lennkh (Corporate Banking), and Klemens Breuer (Retail Banking & Markets). Klemens Breuer will additionally assist Johann Strobl, as Deputy CEO.

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Ladies and Gentlemen,

I would now like to elaborate on the objectives we are pursuing with the transaction. The primary reasons for the merger are optimization of the capital position, increasing transparency through the reduction of complexity, and straightforward and clear governance.

The merger of Raiffeisen Zentralbank Österreich AG and Raiffeisen Bank International AG eliminates the minority deduction from capital and leads to an immediate improvement in the common equity tier 1 ratio of the ultimate group. The elimination of the minority deduction also makes it easier to increase regulatory capital in the future, whether through earnings retention or issuance. Although this minority deduction was until now on the level of the credit institution group, the superordinate institution of which is Raiffeisen Zentralbank Österreich AG, it also had an impact on the level of Raiffeisen Bank International AG, as limited capital on the credit institution group level also constrains Raiffeisen Bank International AG in terms of its growth potential.

The merger will lead to streamlining of the organizational structure, which will also result in increased efficiency. For example, capital planning and allocation processes will be centralized on one level and mutual coordination will no longer be required.

After the merger takes place, Raiffeisen Bank International AG will have a simple and clear governance structure, which will increase transparency and response speeds. Currently, decisions taken on the level of Raiffeisen Bank International AG often additionally require approval from the Management Board and Supervisory Board of RZB AG. Following execution of the merger, decisions can be taken directly on Raiffeisen Bank International AG level by its management bodies. Furthermore, the new structure simplifies the regulatory supervision process, as the regulatory authorities have up to now focused much attention particularly on the superordinate credit institution, Raiffeisen Zentralbank Österreich AG.

Exploitation of synergies is not the primary purpose of this merger, as there is already a close level of cooperation between the two houses. However, this will happen to a certain extent.

It is intended that Raiffeisen Bank International AG will remain a leading universal bank in Austria and Central and Eastern Europe, well-positioned to take advantage of structural growth potential in Eastern and Central Europe and to benefit from stable income and a strong market position in Austria. This will be reinforced by a strong capital and liquidity position as a basis for future growth. This strategy will be supported by a streamlined organizational structure.

I would now like to elaborate on the details of the transaction structure.

Based on a reorganization plan pursuant to section 39 of the Reorganization Tax Act (Umgründungssteuergesetz, UmgrStG), in a first step Raiffeisen International Beteiligungs GmbH, which currently directly holds 177,847,115 shares in Raiffeisen Bank International AG, will as the Transferring Company through transfer of its entire assets as of 30.06.2016, 24:00 hours by way of universal succession be merged with its 100% parent company Raiffeisen Zentralbank Österreich Aktiengesellschaft as the Acquiring Company, taking advantage of the tax benefits of Article I of the Reorganization Tax Act. I will, hereafter, use the term "Preceding Merger" to describe this.

Following the absorption of the assets transferred to Raiffeisen Zentralbank Österreich Aktiengesellschaft in connection with the Preceding Merger, in a second step this company will as Transferring company through transfer of its entire assets as of 30.06.2016, 24:00 hours by way of universal succession be merged with Raiffeisen Bank International AG as Acquiring Company, with a capital increase for the Acquiring Company, taking advantage of the tax benefits of Article I of the Reorganization Tax Act. The Preceding Merger is therefore a preparatory step for the subsequent merger of Raiffeisen Zentralbank Österreich Aktiengesellschaft and Raiffeisen Bank International AG.

The Management Board of Raiffeisen Zentralbank Österreich AG and the Management Board of Raiffeisen Bank International AG drew up a draft merger agreement on 14.12.2016, on the basis of which it is intended to merge Raiffeisen Zentralbank Österreich Aktiengesellschaft by way of merger by absorption with Raiffeisen Bank International AG. This merger agreement and the merger agreement for the Preceding Merger were approved yesterday in the Extraordinary General Meeting of Raiffeisen Zentralbank Österreich Aktiengesellschaft.

Due to the close link between the Preceding Merger and the merger of Raiffeisen Zentralbank Österreich Aktiengesellschaft with Raiffeisen Bank International AG, the merger agreement is subject to among other factors the condition precedent that the Preceding Merger is registered in the commercial register. The merger of Raiffeisen Zentralbank Österreich Aktiengesellschaft and Raiffeisen Bank International AG will therefore only be registered in the commercial register when the Preceding Merger foreseen as the first step is executed through entry into the commercial register.

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Valued Shareholders,

The merger will result in a bank with an attractive geographic presence and well-established customer coverage. The countries of Central and Eastern Europe continue to have higher interest rates and better growth prospects in comparison to Western Europe. The CEE business will be complemented by the stable Austrian business, which, with the Austrian Raiffeisen Banks, has excellent distribution channels.

RBI will continue to be a relationship bank in the classic sense, with a focus on long-term customer relationships. We offer our corporate and institutional customers an extensive network and local market access. A comprehensive multi-channel offering is provided for our retail customers in CEE.

The merged institution will also focus on increasing efficiency. We are on track with the implementation of our transformation program. We have significantly strengthened our capitalization and improved our risk profile. Cost reduction remains a top priority. We aim to achieve a cost/income ratio of between 50 and 55 per cent in the medium term. We plan to generate sustainable value for our shareholders and aim for a consolidated return on equity of approximately 11 per cent in the medium term. We target a CET1 ratio (fully loaded) of at least 12 per cent by the end of 2017 for the Combined Bank. We aim to further increase this ratio in the medium term.

Ladies and Gentlemen,

I would now like to present the shareholder structure of the Combined Bank.

Based on the exchange ratio for which a resolution was passed, the shareholding of the current RBI free float shareholders in the Combined Bank will be 34.9 per cent. This exchange ratio was calculated on the basis of valuations conducted by BDO and EY, which were engaged by RZB and RBI, respectively. In addition, three international investment banks have provided a fairness opinion on the comparative valuations of the two entities, and the fairness of the exchange ratio was confirmed by an independent court appointed merger auditor. The number of shares issued will increase from 292,979,038 RBI shares to 328,939,621 shares in the Combined Bank.

The charts on the following slide show the change in the shareholder structure.

As already indicated, the shareholding of the current RBI free float will decrease from previously 39.2 per cent to 34.9 per cent, each relating to total shares outstanding, following execution of the transaction. Through the inclusion of former individual RZB shareholders, however, the RBI free float will be 41.2 per cent, based on the number of shares issued.

The Raiffeisen regional banks (Raiffeisen Landesbanken), which will be parties to a new syndicate agreement for RBI, will hold 58.8 per cent of the Combined Bank.

This slide shows the current structure of the Raiffeisen Banking Group. The merger of RZB and RBI assists in streamlining of the structure. Following the merger, RBI will move into the position of RZB. Accordingly, in the diagram RZB will be replaced by RBI and the box on the bottom left will no longer apply.

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Valued Shareholders,

With the next slide, I would like to give you an overview of the businesses that RZB will contribute to the Combined Bank. The main business areas of RZB comprise the management of its equity participations, provision of services to the Raiffeisen Banking Group and liquidity management.

The main equity participations held by RZB include Raiffeisen Bausparkasse, Raiffeisen Capital Management, Raiffeisen Factor Bank, Raiffeisen Leasing, Raiffeisen Wohnbaubank and Valida Vorsorge Management. Except for Valida, in which UNIQA also has a holding, they are wholly-owned equity participations.

Other equity participations include UNIQA, with which we have a very successful partnership in CEE, and Leipnik-Lundenburger Invest, which generated record earnings in the last financial year.

I would like to emphasize that through the merger we also gain product providers which have very good growth prospects not only in Austria, but also in CEE. The market for financial products there is not yet saturated, in contrast to Western Europe. RBI is already working successfully together with these companies. With Bausparkasse, for example, in the Czech Republic and Slovakia. The potential that we have due to our strong distribution channels in CEE is certainly not yet exhausted. I am thinking in this context particularly of Raiffeisen Capital Management and UNIQA.

I would also like to assure you that, as was the case up to now, the business with the Raiffeisen Landesbanks will continue to be conducted at arm's length and with full transparency.

RZB and the Raiffeisen Landesbanks are members of the so-called federal IPS. This is a support arrangement which provides an additional safeguard to the participating institutions and in particular ensures their liquidity and solvency if necessary. It is planned that the merged RBI will also become a member of the federal IPS.

In case of need, the IPS must support its members in order to ensure their solvency and liquidity, and is in addition to statutory deposit insurance protection. It is above all intended to prevent insolvency or a default.

All IPS members are obliged to contribute to an ex ante fund and to make additional ex post contributions in the event that the fund resources are exhausted.

The current target volume for the ex ante fund on federal level is 827 million euros, which is to be reached by the end of 2022. The current size as of 31 December 2016 was 186.6 million euros.

In 2016, RZB contributed 75 million euros to the IPS. The contribution is booked as an asset, but deducted from regulatory capital.

Support is provided in the first instance from the IPS fund assets. In the event that further resources in addition to the fund assets are necessary, ad hoc support measures may be decided upon. The support provided is not permitted to put the adequate capitalization of IPS members at risk.

Ladies and Gentlemen,

On the basis of the half-year 2016 numbers, RZB would contribute 17 per cent of the total assets of the Combined Bank. Its contribution to the consolidated profit would be 11 per cent. Our capital target of a CET1 ratio of at least 12 per cent is not jeopardized by the merger.

At the end of the third quarter of 2016, RBI's CET1 ratio (fully loaded) stood at 12.3 per cent. We have, therefore, reached our capital target of 12 per cent, which we communicated in spring 2015 and aimed to reach by the end of 2017, ahead of schedule.
As you can see from this slide, the merger has an initial negative impact on RBI's capital, as the capital ratios of the Combined Bank are above those of RZB, but below those of RBI. The long-term capital optimization resulting from the elimination of the minority deduction, which also places constraints on RBI, increases the scope for future growth of the Combined Bank. And we must take the long-term view, in the interests of RBI, our customers, our employees and not least our shareholders. We are convinced that we will also reach our capital target of 12 per cent for the Combined Bank. For example, the figures shown on the slide do not yet include the third quarter result or the sale of the Polish leasing unit. These two effects together improve the capital ratio of the Combined Bank by 0.5 percentage points.

Ladies and Gentlemen,

Finally, I would like to once again reiterate the financial targets for the Combined Bank.

We target a CET1 ratio (fully loaded) of at least 12 per cent and a total capital ratio (fully loaded) of at least 16 per cent by the end of this year; both ratios are to be further increased in the medium term.

We aim for a return on equity before tax of approximately 14 per cent and a consolidated return on equity of approximately 11 per cent, and in the medium term aim to achieve a cost/income ratio of between 50 and 55 per cent.

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Ladies and Gentlemen, Valued Shareholders,

Please allow me a few personal words to close:

If today's Extraordinary General Meeting approves the merger of Raiffeisen Zentralbank and Raiffeisen Bank International, it is expected that it will be entered into the commercial register by the end of the first quarter of 2017 and thereby take effect. This will be the point at which a new management team - made up of the well-established members of the Management Board with the addition of Hannes Mösenbacher as new Chief Risk Officer - will take over the running of the bank. It gives me great pleasure that my deputy up until now, Johann Strobl, who is one of the most distinguished and best bankers in this country, has been appointed as my successor as Chief Executive Officer of Raiffeisen Bank International. This will also ensure a smooth transition.

When in 2013 - which was not only somewhat surprising for me at the time - the management of the bank was assigned to me, I took over a bank from my predecessor which had a functioning business model and a highly motivated workforce. I saw my task to be making this bank fit for "the new normal in banking". This new normal was in the form of higher capital requirements, phenomenal growth in the level of regulation, and political pitfalls such as bank levies and mandatory conversions of foreign currency loans. At the same time, there were ongoing low interest rate policies which were having a severe effect on banks' interest income, persistently negative risk developments, particularly in Asia and Eastern Europe, and emerging competition from Fintechs, which were focusing on the low-risk and lucrative areas of banking with an increasing degree of success.

At the time, serious doubts arose over whether our Eastern Europe strategy was the right one! Then the pendulum swung in the other direction: Initially, Central and Eastern Europe were only described as the Golden East, and then later virtually only in shades of gray. Neither view does the Eastern European

economic region justice. Eastern Europe is multi-colored and diverse, it is not a uniform area. But I am certain of one thing:
Growth in Eastern Europe will be above that of Western Europe for many years to come, which opens up tremendous opportunities for the economy and for banks in particular.

We have, in this transformation process, asked a lot of our employees, and above all of you, our valued shareholders. Today, I would however venture to say that the adjustment process will be successfully completed. We can hopefully show you at the press conference for our 2016 financial report in a few weeks' time that our bank, after the - partially politically-driven - setbacks, particularly in 2014, may be smaller going forward, but it will be strongly capitalized, have a better risk profile and, as a result of the merger to be decided upon today, an improved structure.

One thing is very clear: The path to success for banks will always lie in the quality of the service we offer to our customers as well as an optimal cost structure. And this success is necessary to win the trust of employees in the management of the company, that of customers in the bank, and above all your trust - the trust of our shareholders.

The share price performance in recent weeks and months, which put us in first place in the Euro STOXX Banks Index in 2016, appears to confirm the re-emergence of confidence in our shares.

Ladies and Gentlemen,

I would also like to extend my thanks to you, for allowing me to lead this superb bank for almost four years.