

TRANSLATION FROM GERMAN ORIGINAL

Report by the Management Board
Concerning the Redemption of Participation Capital
of Raiffeisen Bank International AG
("Participation Capital 2008/2009")
pursuant to sec. 26b of the Austrian Banking Act
(*Bankwesengesetz, BWG*)

Pursuant to sec. 103q No. 14 of the BWG in conjunction with sec. 26b of the BWG and (by analogy) sec. 2 para. 3 of the Austrian Reorganization Act (*Umwandlungsgesetz, UmwG*) in conjunction with sec. 220a of the Austrian Stock Corporation Act (*Aktiengesetz, AktG*), the management board of Raiffeisen Bank International AG ("**RBI**" or the "**Company**"), of Am Stadtpark 9, 1030 Vienna, entered into the commercial register of the Commercial Court of Vienna under FN 122119 m, issues the following Report:

1. Contemplated redemption; regulatory framework

- 1.1. On the basis of the "Terms and Conditions of the Raiffeisen Participation Capital 2008/2009 of Raiffeisen Zentralbank Österreich Aktiengesellschaft ("Participation Capital 2008/2009")" ("**PC Terms**"), Raiffeisen Zentralbank Österreich Aktiengesellschaft ("**RZB**" or the "**Issuer**"), of Am Stadtpark 9, 1030 Vienna, entered into the commercial register of the Commercial Court of Vienna under FN 58882 t, issued participation capital totaling EUR 2,500,000,000 (hereinafter the "**Participation Capital 2008/2009**"). Of this issue, some shareholders of RZB and/or its subsidiaries and investees (collectively the "**Offerors**") as of the value date of December 30, 2008 subscribed to EUR 750,000,000 ("**Tranche 1**"), comprised of 3 series of EUR 250,000,000 each, and the Republic of Austria as of the value date April 6, 2009 subscribed to EUR 1,750,000,000 ("**Tranche 2**"), comprised of 7 series of EUR 250,000,000 each. The issue of the Participation Capital 2008/2009 is thus subdivided into a total of ten series in the nominal value of EUR 250,000,000 each. The Offerors placed series 1 and 2 of the Participation Capital 2008/2009, thus participation capital in the nominal value of EUR 500,000,000, with private and institutional investors by public offering.
- 1.2. The Participation Capital 2008/2009 was transferred to RBI by way of universal succession on October 10, 2010, through the de-merger of the "Corporate Customers" business unit of RZB for the purpose of absorption by Cembra Beteiligungs AG ("**Cembra**"), of Am Stadtpark 9, 1030 Vienna, (formerly) entered into the commercial register of the Commercial Court of Vienna under FN 125395 f, and the subsequent merger of Cembra with and into RBI, and is composed as follows:
 - "Participation Capital 2008/2009", 250,000 units in the nominal value of EUR 1,000 each,
ISIN AT0000A0DF21; subscribed to by the Offerors and placed by them with private and institutional investors by public offering.

- "Participation Capital 2008/2009", 250,000 units in the nominal value of EUR 1,000 each,
ISIN AT0000A0DF39; subscribed to by the Offerors and placed by them with private and institutional investors by public offering.
- "Participation Capital 2008/2009", 250,000 units in the nominal value of EUR 1,000 each,
ISIN AT0000A0DF47; subscribed to by the Offerors.
- "Participation Capital 2008/2009", 250,000 units in the nominal value of EUR 1,000 each,
ISIN AT0000A0D8V0; subscribed to by the Republic of Austria on the basis of the Austrian Financial Market Stabilization Act (*Finanzmarktstabilitätsgesetz; FinStaG*) (Federal Law Gazette I 136/2008, as amended) and the agreement in principle (*Grundsatzvereinbarung*), concluded between the Republic of Austria, represented by the Federal Minister of Finance, and the Issuer on March 27, 2009 ("Agreement in Principle").
- "Participation Capital 2008/2009", 250,000 units in the nominal value of EUR 1,000 each,
ISIN AT0000A0D8W8; subscribed to by the Republic of Austria on the basis of the FinStaG (Federal Law Gazette I 136/2008, as amended) and the Agreement in Principle.
- "Participation Capital 2008/2009", 250,000 units in the nominal value of EUR 1,000 each,
ISIN AT0000A0D8X6; subscribed to by the Republic of Austria on the basis of the FinStaG (Federal Law Gazette I 136/2008, as amended) and the Agreement in Principle.
- "Participation Capital 2008/2009", 250,000 units in the nominal value of EUR 1,000 each,
ISIN AT0000A0D8Y4; subscribed to by the Republic of Austria on the basis of the FinStaG (Federal Law Gazette I 136/2008, as amended) and the Agreement in Principle.
- "Participation Capital 2008/2009", 250,000 units in the nominal value of EUR 1,000 each,

ISIN AT0000A0D8Z1; subscribed to by the Republic of Austria on the basis of the FinStaG (Federal Law Gazette I 136/2008, as amended) and the Agreement in Principle.

- "Participation Capital 2008/2009", 250,000 units in the nominal value of EUR 1,000 each,
ISIN AT0000A0D907; subscribed to by the Republic of Austria on the basis of the FinStaG (Federal Law Gazette I 136/2008, as amended) and the Agreement in Principle.
- "Participation Capital 2008/2009", 250,000 units in the nominal value of EUR 1,000 each,
ISIN AT0000A0D915; subscribed to by the Republic of Austria on the basis of the FinStaG (Federal Law Gazette I 136/2008, as amended) and the Agreement in Principle.

- 1.3. Pursuant to sec. 26b para. 2 second sentence in conjunction with para. 1 of the BWG in conjunction with § 4 para. 7 of the articles of association as applicable, the management board of RBI is authorized to redeem the entire participation capital or the participation capital of individual tranches already distinguished upon issuance, with the consent of the supervisory board and taking into account the issuing terms, within five years after the entry of the relevant amendment to the articles of association into the commercial register (September 7, 2011); partial redemption of the participation capital of individual issues or tranches shall be permitted if equal treatment of the beneficiaries of participation capital is warranted.
- 1.4. Due to a change in the regulatory framework, it will no longer be possible in the future to fully recognize participation capital as Common Equity Tier 1.
- 1.5. On February 13, 2014, the management board of the Company therefore adopted the basic resolution to exercise the authorization pursuant to § 4 para. 7 of the articles of association as applicable and to resolve the redemption of the entire outstanding Participation Capital 2008/2009 by way of application of sec. 26b of the BWG in conjunction with sec. 2 para. 3 of the UmwG (by analogy), probably on March 14, 2014.
- 1.6. Pursuant to sec. 26b para. 1, fourth sentence, of the BWG, approval by the Republic of Austria need not be obtained, because it is intended to redeem the entire participation capital.

- 1.7. Pursuant to sec. 26b para. 4 of the BWG, by way of application by analogy of sec. 2 para. 3 of the UmwG, the management board must review the redemption of the Participation Capital 2008/2009 and issue a written report on that. Thus, this Report is drawn up, in addition to the draft of the Redemption Plan (Appendix ./1), as one of the documents serving as basis of the audit to be performed by the appointed redemption auditor and for the review by the supervisory board.

2. Explanations concerning the Redemption Plan and the compensation; consequences of the redemption

The terms and conditions of the Redemption Plan as well as the statements included therein in respect of the amount of compensation are explained as follows:

- 2.1. RBI is a stock corporation under Austrian law with its registered office in Vienna, Austria, and a credit institution pursuant to sec. 1 para. 1 of the BWG. The RBI shares are listed for trading on the Official Market of the Vienna Stock Exchange. The Participation Capital 2008/2009 is not listed for trading on any stock exchange or on any multilateral trading facility (MTF). The requirements under sec. 26b para. 3, first sentence, of the BWG are therefore not met.
- 2.2. The Participation Capital 2008/2009 was issued in ten series.
- 2.3. The entire Participation Capital 2008/2009 shall be the subject of redemption.
- 2.4. Pursuant to sec. 26b para. 4 of the BWG, the beneficiaries of the participation capital to be redeemed shall receive adequate cash compensation, such compensation being payable on the basis of the Redemption Plan to be issued by the Company's management board. In addition, the redemption must be reported on and reviewed by way of application by analogy of sec. 2 para. 3 of the UmwG and the provisions of stock corporation law.
- 2.5. The adequate cash compensation is determined according to the PC Terms for the Participation Capital 2008/2009 (Appendix ./2), which provide the following regulation concerning compensation under **"Issuer's right to repayment"**:

(...)

**Issuers right to
repayment**

The Participation Capital 2008/2009 can be repaid only by application by analogy of the provisions of the Stock Corporation Act on capital decrease or by redemption in accordance with sec. 102a of the BWG or pursuant to other legal provisions then applicable.

The option of redeeming the participation certificates pursuant to sec. 102a of the BWG shall be applied subject to the proviso that the adequate cash compensation shall be calculated in such a way that the claim to repayment from the participation certificates:

- (i) is equal to the nominal value of the participation certificates, and*
- (ii) will, after the tenth full business year for which a profit entitlement to the participation dividend is due (i.e. after the business year ending on or after December 31, 2018), rise to 150% of the nominal value of the participation certificates if and to the extent that such increased repayment amount is covered by a corresponding increase in the company value.*

*If distributable profits have been retained in the respective business years without any statutory obligation or any instructions from a regulatory authority to such effect, the repayment amount shall, in addition to the values set forth above and stated as relevant in sub-clauses (i) and (ii), be increased at any rate by the number of percentage points by which the participation dividend committed to under "**Profit-sharing rights**" has been fallen short of.*

*The Issuer's right to repayment shall be excluded if, after taking into account any losses as defined in the clause "**Loss sharing**", the claim to repayment would fall short of the nominal value of the participation certificates and such*

shortfall is not made up by additional contributions paid by third parties.

The Issuer also reserves the right to redeem and/or otherwise repay individual tranches or series only, provided this should become permitted by law in the future.

(...)

- 2.6. Until December 31, 2013, the redemption of participation capital was regulated by sec. 102a of the BWG. As from January 1, 2014, redemption is regulated, in revised form, in sec. 26b of the BWG. Pursuant to sec. 103q No. 14 of the BWG, sec. 26b of the BWG is applicable to participation capital (sec. 23 para. 4 of the BWG as amended prior to Federal Law Gazette I No. 184/2013) issued before December 31, 2011, in the period from January 1, 2014 through December 31, 2021.
- 2.7. Pursuant to the provisions of the PC Terms set forth under "Issuer's right to repayment", redemption may therefore be effected in accordance with sec. 26b of the BWG, and sec. 26b of the BWG is applicable subject to the proviso that the claim to repayment shall be equal to the nominal value of the participation certificates (until the tenth business year after the issuance of the Participation Capital 2008/2009 has ended).
- 2.8. As neither RZB nor RBI has recorded a loss since the participation capital was issued and the participation dividend committed to under "Profit-sharing right" in the issuing terms has never been fallen short of either, the right to repayment is not excluded and the repayment amount need not be increased either.
- 2.9. The amount of the cash compensation for holders of the Participation Capital 2008/2009 is therefore EUR 1,000 per nominal amount of EUR 1,000.
- 2.10. The cash compensation is adequate and consistent both with the PC Terms and with legal requirements.
- 2.11. The participation dividend for the business year 2013 is due for payment at the same time as the dividends for the business year 2013 due on the shares of the Company; according to the PC Terms it amounts to 8% per year of the nominal value of the participation certificate. From January 1, 2014 until the date of effectiveness of the redemption (probably on March 15, 2014), a *pro rata temporis* participation dividend will be paid if and to the extent that such distribution is sufficiently covered by the

annual profits (after changes in reserves) for the business year 2014 and is not opposed by statutory provisions or an enforcement measure taken by the Austrian Financial Market Authority (or any other regulatory authority of relevance for the Company). According to the PC Terms, the *pro rata temporis* participation dividend for the business year 2014 amounts to 8.50% per year of the nominal value of the participation certificate. The *pro rata temporis* participation dividend is due for payment at the same time as the dividends for the business year 2014 due on the shares of the Company.

3. Explanations pursuant to sec. 26b para. 8 of the BWG

- 3.1. Pursuant to sec. 26b para. 8 of the BWG, participation capital must generally be redeemed against the net profits arising from the annual balance sheet or against an unappropriated reserve, but it may also be redeemed if capital of the same or of a better quality is supplied as substitute. By the increase of the Company's capital concluded as of February 12, 2014, capital of a better quality within the meaning of sec. 26b para. 8 of the BWG in the amount of EUR 2,778,006,549 was supplied as substitute.

4. Redemption audit

- 4.1. Pursuant to sec. 2 para. 3 of the UmwG in conjunction with sec. 220b of the AktG, the adequacy of the cash compensation is to be audited in the course of the redemption, by the auditor appointed by the management board together with the supervisory board of the Company.
- 4.2. Based on a joint application filed by the management board and supervisory board of RBI, the Commercial Court of Vienna by a court order dated January 24, 2014 appointed PwC Wirtschaftsprüfung GmbH as the auditor for the redemption of the Participation Capital 2008/2009.

5. Further explanations

- 5.1. No special rights or other rights within the meaning of sec. 220 para. 2 No. 6 of the AktG shall be granted either to shareholders or to holders of debentures and profit participation rights. No measures within the meaning of sec. 220 para. 2 No. 6 in conjunction with sec. 226 para. 3 of the AktG shall be taken.

- 5.2. Neither the members of the management board of RBI nor the members of the supervisory board of RZB, nor an auditor of financial statements, bank auditor, redemption auditor or any other auditor of RBI or any company participating in the redemption is granted any special benefits pursuant to sec. 220 para. 2 No. 7 of the AktG; the reasonable fees payable to the redemption auditor for the redemption audit do not constitute a special benefit as defined in sec. 220 para. 2 No. 7 of the AktG.
- 5.3. RZB is to be appointed trustee in respect of amounts to compensate beneficiaries of the participation capital to be redeemed which cannot be credited to an account for the purposes of sec. 26b para. 7 of the BWG or in respect of which no other arrangements can be made.
- 5.4. Any and all documents which, pursuant to sec. 26b of the BWG in conjunction with sec. 2 para. 3 of the UmwG and the provisions of the AktG to be applied by analogy, are to be filed with the competent court by RBI in order to prepare the redemption shall be submitted to the Commercial Court of Vienna, of Marxergasse 1a, 1030 Vienna. Within a period of at least one month to be applied (by analogy) pursuant to sec. 26b para. 4 of the BWG and sec. 2 para. 3 of the UmwG in conjunction with sec. 221a of the AktG, the management board of RBI, prior to its own resolution and the resolution by the supervisory board on the redemption, will timely file the draft of the Redemption Plan with the commercial register after review by the supervisory board and publish a reference to such filing in the official gazette "*Amtsblatt zur Wiener Zeitung*". In addition, by way of application by analogy of the mentioned provisions, (i) the draft of the Redemption Plan, (ii) the report by the management board on the redemption, (iii) the audit report by the court-appointed redemption auditor, (iv) the report by the supervisory board on the review of the redemption, (v) the annual financial statements and management reports and the corporate governance reports for the last three business years, (vi) the interim financial statements as of September 30, 2013 as closing balance sheet as well as (vii) the semi-annual financial report 2013 will be available at the Company's registered office for inspection by the shareholders and the holders of participation capital and made accessible on the Company's website at (www.rbinternational.com/ir/participationcapital) during that period.
- 5.5. In accordance with the articles of association of RBI and the issuing terms for the Participation Capital 2008/2009, the official announcements required in connection with this contemplated redemption will be made in the official gazette "*Amtsblatt zur Wiener Zeitung*".

- 5.6. The resolution by the management board on the redemption based on the authorization granted pursuant to § 4 para. 7 of the articles of association will be published in the official gazette "*Amtsblatt zur Wiener Zeitung*" in accordance with the articles of association and the issuing terms, also notifying the commercial register. Upon announcement of the resolution, the Participation Capital 2008/2009 is considered redeemed pursuant to sec. 26b para. 6 of the BWG.
- 5.7. By way of application by analogy of the provisions of merger and reorganization law, the respective beneficiary of the Participation Capital 2008/2009 may initiate a procedure for judicial review of the adequacy of the cash compensation for the Participation Capital 2008/2009 to be redeemed. Such procedure will take place by way of application by analogy of sections 225c *et. seq.* of the AktG. The procedure must be initiated with the court having jurisdiction at the registered office of the Company, i.e. the Commercial Court of Vienna, of Marxergasse 1a, 1030 Vienna. The procedure must be conducted by way of application by analogy of sec. 225e of the AktG. To safeguard the rights of beneficiaries who did not file an application for judicial review, a joint representative would have to be appointed pursuant to sections 225 *et seq.* of the AktG in case such procedure is initiated.
- 5.8. The coming into force of the Redemption Plan shall be subject to the condition precedent of the permission by the Financial Market Authority provided for in sec. 26b para. 1 of the BWG in conjunction with Article 77 of Regulation (EU) No. 575/2013 being granted.

6. Concluding remarks

- 6.1. The management board of RBI states that all reports and documents required for the redemption were issued pursuant to the provisions of the BWG, by way of application by analogy of the UmwG and the AktG, and are in compliance with the laws. The Company's interim financial statements as of September 30, 2013, as closing balance sheet forming the basis of the redemption under consideration, were drawn up in accordance with the applicable laws.
- 6.2. The shareholders and holders of the Participation Capital 2008/2009 will be informed of their rights pertaining to the redemption under consideration, including, without limitation, their right to inspect the redemption documentation and their right to have the amount of the cash compensation reviewed by court, in the official gazette "*Amtsblatt zur Wiener Zeitung*" and on the Company's website.

- 6.3. Within a period of one month pursuant to sec. 26b para. 4 of the BWG in conjunction with sec. 2 para. 3 of the UmwG (by analogy), the management board will adopt a resolution on the redemption of the Participation Capital 2008/2009 and publish such resolution in the official gazette "*Amtsblatt zur Wiener Zeitung*".

Vienna,

Raiffeisen Bank International AG

The management board

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Karl Sevelda

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Martin Grüll

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Johann Strobl

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Klemens Breuer

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Aris Bogdaneris

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Peter Lennkh