

Report of the Supervisory Board

Dear shareholders,

following years of crisis, the first half of 2011 was shaped by a temporary relief and improvement in the general economic situation. The second half of the year, however, was marked by the intensifying sovereign debt crisis in Europe, accompanied by a significant slowdown in economic growth. At the same time, European banks were affected by significant changes to the regulatory standards concerning capital requirements which have to be implemented within a short time frame. Raiffeisen Zentralbank Österreich AG, as the superordinate banking institute and main shareholder of RBI, has to fulfill the 9 per cent capital ratio requirement by the end of June 2012 and therefore, together with RBI, immediately started the implementation of the necessary measures after the new requirement had been announced.

Activity in 2011

As in previous years, members of the Supervisory Board and its committees were fully informed by the Management Board in a timely and comprehensive manner during regular meetings about all pertinent business developments, including risk management of the bank and associated companies. Information was provided in writing as well as verbally.

At each meeting, the Management Board reported to the Supervisory Board on business developments in the various business divisions and explained current risk developments. In addition to its regular meetings, the Supervisory Board had many opportunities to hold discussions with the Management Board. The collaboration between Management Board and Supervisory Board was characterized by open and proactive communication.

During the period under review, there were five Supervisory Board meetings. More than half of the meetings were attended by all members of the Supervisory Board. In all meetings, the Supervisory Board performed the tasks incumbent upon it by law and in accordance with the articles of association pursuant to the 2010 Austrian Corporate Governance Code. In accordance with the requirements of the Austrian Corporate Governance Code, the Supervisory Board arranged for an external assessment of its activities, the results of which were discussed in depth by the Supervisory Board.

In the meetings, as well as during talks held outside the meetings, the effects of the financial and economic crisis, in particular the risk situation, were discussed at length. Thus, the Supervisory Board regularly received reports on the current earnings situation and the Group's liquidity and risk situation. In light of the amplification of the sovereign debt crisis in Southern Europe, appropriate stress tests were presented to the Supervisory Board.

The new and stricter regulatory requirements for banks published in the second half of the year necessitated an adjustment of business policy, which the Management Board discussed in detail with the Supervisory Board. The new regulations concerning remuneration policy under banking law were also reported on several times, and resolutions were approved.

Overall, the Supervisory Board was able to fulfill its supervisory duties conscientiously and take all its decisions in a carefully reasoned way.

The Chairman of the Working Committee, Audit Committee and Personnel Committee regularly reported to the Supervisory Board on the relevant committee's work.

The Working Committee dealt primarily with the appointment of executive members in the Group, regulations governing holdings in affiliated companies and business transactions requiring its approval.

The Audit Committee monitored the accounting process, the effectiveness of the internal control system and the internal audit system, as well as the bank's risk management. It monitored the annual statutory audit and the consolidated financial statement audit. It was also responsible for verifying and monitoring the independence of the statutory auditor. It reviewed the annual financial statements and consolidated financial statements and prepared for their adoption. It also dealt with the proposed appropriation of profit, the Management Letter and Corporate Governance Report. In addition, it made a proposal in regard to the appointment of the statutory auditor.



The Personnel Committee dealt in particular with questions concerning the remuneration of the Management Board including the bonus scheme and directors' and officers' insurance.

At the Annual General Meeting held on 8 June 2011, Walter Rothensteiner was reelected as a member of the Supervisory Board and reappointed by the Supervisory Board as its Chairman. In addition to Alfred Lejsek, the Austrian Finance Minister appointed Anton Matzinger as Deputy State Commissioner.

Annual financial statements and consolidated financial statements

These consolidated financial statements (income statement, statement of financial position, statement of changes in equity, cash flow statement and notes) as well as the annual financial statements for RBI AG have been audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna. The audit revealed no grounds for objections. All legislative provisions were fully satisfied. Therefore, the unqualified Auditor's Report was issued.

The consistency check of the Corporate Governance report according to Section 243b of the Austrian Commercial Code (UGB) was performed by Univ.Prof.DDr. Waldemar Jud Corporate Governance Forschung CGF GmbH, and its final results report yielded no significant grounds for objections.

Following an extensive audit and discussion of the consolidated financial statements and the annual financial statements in the Audit Committee and in the Supervisory Board, the Supervisory Board agreed with the proposed appropriation of profit and approved the annual financial statements of RBI AG. The annual financial statements have thus been adopted in accordance with Section 96 (4) of the Austrian Stock Corporation Act (AktG).

The Supervisory Board would like to express its gratitude to the Management Board, the Staff Council and all employees for their outstanding commitment in this constantly changing environment.

On behalf of the Supervisory Board
Walter Rothensteiner, Chairman