

Report of the Supervisory Board

Dear Shareholders,

During the 2016 financial year, the members of the Supervisory Board and its Committees were informed in a timely and comprehensive manner by the Management Board, in the course of meetings, about the different business areas, risk developments and relevant business developments in RBI as well as the subsidiaries. Information was provided verbally as well as in writing and enabled the Supervisory Board to duly fulfill its duty to supervise and advise the Management Board.

At the Supervisory Board meetings, the Management Board was given specific assignments and asked to report on their implementation and results at subsequent meetings. The Supervisory Board also asked the Management Board to provide regular reports on significant political and legal developments, as well as on regulatory, macroeconomic and other possible risks. Key areas included, for example, the foreign currency issues in some CEE countries and the situation in Russia, especially the status of the continuing sanctions and their impact on the local network bank. The Management Board was also asked to provide regular reports on matters which were of priority for the Supervisory Board due to their importance for the company or their strategic significance. In addition to the implementation of the transformation program, the cost reduction program and the largest IT projects, this included in particular the merger of RBI with Raiffeisen Zentralbank Österreich Aktiengesellschaft (RZB). The Supervisory Board was provided with regular detailed reports on the valuation analyses and the project's development. On 5 October 2016, following the evaluation phase, the Management Boards and Supervisory Boards of RBI and RZB decided, in principle, to merge RBI with RZB. Details on the merger of RBI and RZB are provided in the next chapter of this report. This form of regular reporting on particularly important matters enabled the Supervisory Board to form a comprehensive picture of developments within RBI throughout the entire financial year.

In addition to the regular meetings, the Chairman of the Supervisory Board also held numerous discussions with the Management Board. This further strengthened open communication and the regular exchange of information between the members of the Supervisory Board and the members of the Management Board.

Besides the ordinary Supervisory Board meetings, the Supervisory Board also met, on a situation-specific basis, for five extraordinary meetings:

- At the extraordinary meeting on 22 January 2016, the Supervisory Board discussed and/or decided on the following matters: the preliminary result for 2015, the budget of the RBI Group and medium-term planning, the status of the transformation and the cost reduction programs, and the status of the planned sales process for Raiffeisen-Leasing Polska S.A. (RLPL) and Raiffeisen Bank Polska S.A. (RBPL).
- An extraordinary meeting was held after the Annual General Meeting on 16 June 2016. The only item on the agenda was the re-election of Walter Rothensteiner as Chairman of RBI's Supervisory Board and his re-election to the Supervisory Board Committees.
- The extraordinary meetings on 5 October 2016 and 16 December 2016 primarily dealt with the merger of RBI and RZB.
- At the extraordinary meeting on 30 November 2016, the Management Board was authorized to finalize the negotiations and conclude the planned sale of RBPL. Also at this meeting, Johann Strobl was appointed as Chairman of the Management Board, Klemens Breuer was appointed as Deputy Chairman, and Hannes Mösenbacher as Chief Risk Officer. The appointments will become effective once the merger of RBI with RZB is registered with the commercial register.

As in previous years, the members of the Supervisory Board also had the opportunity to hold expert discussions in advance of the meetings in order to obtain detailed information about the content of the items on the agenda for the forthcoming meeting. Overall, the members of the Supervisory Board were thereby able to diligently fulfill their supervisory duties and form a sound basis on which to take decisions.

The Audit and Risk Committees each appointed a new Chairman. The Chairmen of the Working, Audit, Remuneration, Personnel, Risk and Nomination Committees regularly reported to the Supervisory Board on the respective Committee's work. A detailed breakdown of the type and composition of the Committees as well as their fields of activity is contained in the Corporate Governance Report.

In 2016, the Supervisory Board also conducted an efficiency review to examine its organizational structure and working methods in order to enable it to properly carry out its duties in the interests of the shareholders and all other stakeholders. The efficiency review was conducted on the basis of a self-evaluation and was analyzed by an external party. The results of the self-evaluation were presented in detail. Priority is given to guaranteeing open communication and to the prompt and adequate provision of information.

At the Annual General Meeting on 16 June 2016, Walter Rothensteiner was elected as member of the Supervisory Board and at the subsequent extraordinary Supervisory Board meeting he was re-elected as Chairman of the Supervisory Board.

Martin Prater, Chairman of the Staff Council and member of the Supervisory Board, entered into early retirement as of 1 February 2016. His delegation was therefore revoked by the Staff Council. On behalf of the Supervisory Board, I would like to thank Martin Prater for his longstanding service to RBI and his close cooperation at all times. The Staff Council delegated Natalie Egger-Grunicke to the Supervisory Board with effect from 18 February 2016. Rudolf Korten Hof is the new Chairman of the Staff Council.

The 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 have been audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (KPMG). Representatives of the auditing company presented the results of the audit at the respective meeting of the Audit Committee and Supervisory Board which dealt with the financial statements.

The audit revealed no reason for objections. All legislative provisions were fully satisfied and the unqualified auditor's report was thus issued.

The consistency check of the Corporate Governance Report according to § 243c of the Austrian Commercial Code (UGB) was performed by KPMG. Its final report gave no reason for objections.

Following an extensive audit and discussion of the consolidated financial statements and annual financial statements, in the Supervisory Board meeting and preceding Audit Committee meeting, the Supervisory Board approved the annual financial statements of RBI. The statements were thus adopted in accordance with § 96 (4) of the Austrian Stock Corporation Act (AktG). The consolidated financial statements were noted by the Supervisory Board.

The last financial year was dominated by two key issues. Firstly, the market environment, which remained challenging due to the very low interest rate level and continuing high regulatory and political pressures; secondly, the start of the process of evaluating a merger of RBI and RZB. Once again, the high level of commitment shown by the Management Board and by employees enabled a respectable, positive result and a solid capitalization to be achieved in the last financial year. On behalf of the Supervisory Board, I would therefore like to express my deep gratitude to our employees and to the members of the Management Board for their contribution in this particularly demanding financial year.



On behalf of the Supervisory Board
Walter Rothensteiner, Chairman

