

# Report of the Supervisory Board

## Review and earnings performance

The 2017 financial year saw an economic upturn in Austria and our core markets on the one hand, and on the other, was a year of continued low interest rates, notably in the euro area. This positive overall macroeconomic trend and favorable market environment contributed to the strong year-on-year improvement in RBI's consolidated profit. The better operating result was mainly positively impacted by lower risk costs. Alongside the successful sale of non-performing loans, this was also due to a notable decrease in net provisioning for impairment losses.

The result achieved in 2017 also confirmed that the strategic decisions taken over the past years have played a key role in helping RBI to successfully emerge from a challenging transformation period with increased strength. This is also demonstrated by a steadily strengthening capital base, balanced risk profile and considerably reduced NPL ratio - from 8.7 per cent (2016 pro forma) to 5.7 per cent. This improvement in asset quality was based not least on the determined reduction of non-performing loans in recent years.

## Merger of RZB and RBI

The merger of Raiffeisen Zentralbank Österreich Aktiengesellschaft and RBI AG was put into effect on schedule upon entry in the commercial register on 18 March 2017. The changes in the Management Board under the chairmanship of Johann Strobl also took effect. The Annual General Meeting on 22 June 2017 subsequently appointed the new Supervisory Board, thereby also strengthening its diversity through an increase in the share of women on the Supervisory Board. At its inaugural meeting, the Supervisory Board elected a new Chairperson and both Deputy Chairpersons, decided on the composition of its Committees and established an Advisory Council with a purely consultative function pursuant to § 12 (2) of the Articles of Association. I would like to take this opportunity to extend very special thanks on behalf of the entire Supervisory Board to Walter Rothensteiner and to the other members who have stepped down from the Supervisory Board for their many years of successful service.

## Changes to the Management Board

Klemens Breuer resigned as Deputy Chairman of the Management Board on personal grounds at the end of October 2017. Following an intensive recruitment process and on recommendation of the Nomination Committee, the Supervisory Board appointed Andrii Stepanenko to the Management Board with responsibility for Retail Banking on 7 December 2017, and Lukasz Januszewski to the Management Board with responsibility for Markets and Investment Banking on 15 January 2018. These key appointment decisions taken by the Supervisory Board have strengthened RBI's Management Board team in keeping with the strategic importance of our core markets in Central and Eastern Europe.

## Meetings of the Supervisory Board and its Committees

In the 2017 financial year, the members of the Supervisory Board and its Committees were kept informed in a timely and comprehensive manner by the Management Board - at four meetings of the Supervisory Board, eight meetings of the Working Committee, four meetings of the Risk Committee, and two meetings respectively of the Audit Committee, Remuneration Committee, Nomination Committee and Personnel Committee - about key political, economic, regulatory and legal developments and potential risks, as well as on individual business areas, risk developments and business performance at RBI and Group companies. The information was provided verbally as well as in writing. This enabled the Supervisory Board to duly fulfil its duty to supervise and advise the Management Board and to form a comprehensive view of developments at RBI. In addition to the ordinary Supervisory Board and Committee meetings, extraordinary meetings also took place as required - one of the Supervisory Board, one of the Remuneration Committee and five of the Nomination Committee. The respective Chairperson regularly reported on the work of the Committees to the Supervisory Board.

At the Supervisory Board Meetings, the Management Board was also given work assignments, the implementation and results of which were reported at subsequent meetings. The Management Board was also asked to provide ongoing reports on matters of priority for the Supervisory Board due to their importance for the company or strategic significance. This particularly concerned business and risk developments, the digitalization strategy and development of Group subsidiaries, with a focus on Raiffeisen Bank Polska.

Furthermore, Supervisory Board members obtained further in-depth knowledge of current and bank regulatory issues through training programs. In the intervals between meetings, the Supervisory Board Chairperson and/or Deputy Chairperson met regularly with the Management Board in order to exchange views and information on topical issues. The members also held expert discussions to gain information on matters to be addressed by the Supervisory Board on a regular basis. Overall, the members of the Supervisory Board diligently fulfilled their supervisory duties and formed sound decisions.

## Consolidated financial statements and annual financial statements

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). As the audit revealed no reason for objections, with all legislative provisions fully satisfied, an unqualified auditor's report was issued.

Following an extensive audit and discussion of the consolidated financial statements and annual financial statements at 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.

### Corporate Governance Report and non-financial report

The consistency check of the Corporate Governance Report according to § 243c of the Austrian Commercial Code (UGB) was carried out by KPMG. The independent consolidated non-financial report was prepared for RBI according to § 267a of the UGB, which is to include the disclosure for the parent company pursuant to § 243b of the UGB. This was reviewed by the Supervisory Board according to § 96 (1) of the AktG. Both the Corporate Governance Report and independent consolidated non-financial report were also reviewed by KPMG and revealed no reason for objections.

### Strategy 2018

RBI will thus continue to pursue its strategy as a leading universal banking group in CEE and Austria with the primary objective of creating long-term value. Selective growth is planned for the coming years in specific markets which demonstrate stability and good economic prospects. Effective capital and risk management as well as the further reduction in non-performing loans will also remain crucial in future. In 2018, the Management Board and Supervisory Board will increase their focus on the challenges in the form of ongoing high regulatory requirements, political risks, progressing digitalization and related changes to the competitive environment. Given a continuation of the current positive environment, the Supervisory Board expects 2018 to be a successful financial year.

On behalf of the Supervisory Board, I would like to express my gratitude to all our employees for their accomplishments during the last financial year. At the same time, I would like to take this opportunity to ask for your unabated commitment in tackling the challenges going forward.



On behalf of the Supervisory Board  
Erwin Hameseder, Chairman

