

# Corporate Governance Report

This Corporate Governance Report combines the Corporate Governance Report of RBI AG and the consolidated Corporate Governance Report of RBI pursuant to § 267a of the Austrian Commercial Code (UGB) in conjunction with § 251 of the UGB.

RBI attaches great importance to responsible and transparent business management in order to maintain the understanding and confidence of its various stakeholders – not least capital market participants. Hence, RBI is committed to adhering to the Austrian Code of Corporate Governance (ACCG or “the Code”) as laid out in the version dated January 2015. The ACCG is publicly available on the Austrian Working Group for Corporate Governance website ([www.corporate-governance.at](http://www.corporate-governance.at)) and on the RBI website ([www.rbiinternational.com](http://www.rbiinternational.com) → Investor Relations → Corporate Governance). RBI does not have any capital market-oriented subsidiaries which are obliged to publish a corporate governance report due to local statutory regulations.

Transparency is a key corporate governance issue and is therefore of particular importance to RBI. This Corporate Governance Report is structured according to the legal guidelines contained in § 243c of the UGB and is based on the structure set forth in Appendix 2a of the ACCG.

The ACCG is subdivided into rules L, C and R. L Rules (Legal Requirements) are based on compulsory legal requirements. C Rules (Comply or Explain) should be observed; any deviation must be explained and justified in order to ensure conduct that complies with the Code. R Rules (Recommendations) have the characteristics of guidelines; non-compliance does not need to be reported or justified.

RBI deviates from the C Rule below, but conducts itself in accordance with the Code through the following explanation and justification:

**C Rule 45: non-competition clause for members of the Supervisory Board**

RBI AG is a company forming part of the Raiffeisen Banking Group Austria (RBG), which is also a majority shareholder through its central institution, RZB. Some members of the Supervisory Board therefore also hold executive roles as shareholder representatives in RBG banks. Moreover, a number of members of the Supervisory Board hold executive roles at other banks and financial services institutions. Consequently, comprehensive know-how and experience specific to the industry can be applied in exercising the control function of the Supervisory Board, to the benefit of the company.

In accordance with C Rule 62 of the ACCG, RBI AG commissioned KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (KPMG) to conduct an external evaluation on compliance with the C Rules of the Code. The report on this external evaluation is publicly available at [www.rbinternational.com](http://www.rbinternational.com) → Investor Relations → Corporate Governance → External Evaluation of the CG Code.

## Composition of the Management Board

In the 2016 financial year, the Management Board consisted of the following members:

Management Board member	Year of birth	Original appointment	End of term
Karl Sevelda Chairman	1950	22 September 2010 <sup>1</sup>	With entry of merger of RZB AG into RBI AG (expected on 18 March 2017) <sup>2</sup>
Johann Strobl Deputy Chairman	1959	22 September 2010 <sup>1</sup>	28 February 2022 <sup>3</sup>
Klemens Breuer	1967	16 April 2012	31 December 2020
Martin Grill	1959	3 January 2005	28 February 2020 <sup>3</sup>
Andreas Gschwenter	1969	1 July 2015	30 June 2018
Peter Lennkh	1963	1 October 2004	31 December 2020

<sup>1</sup> Effective as of 10 October 2010  
<sup>2</sup> As a result of the merger of RZB AG into RBI AG, Karl Sevelda will resign his mandate as member of the Management Board member once the merger is effective.  
<sup>3</sup> The mandates as Management Board members of Johann Strobl and Martin Grill will be extended once the merger of RZB AG into RBI AG is effective.

At the Supervisory Board meeting on 30 November 2016, it was decided, in connection with the merger of RZB AG with RBI AG, to appoint Johann Strobl as Chairman of the Management Board with effect as of the date of the merger, Klemens Breuer as Deputy Chairman of the Management Board, and Hannes Mösenbacher as member of the Management Board.

Members of the Management Board held seats on the supervisory board or comparable functions in the following domestic and foreign companies that are not included in the consolidated financial statements:

Karl Sevelda	Oesterreichische Kontrollbank AG, Siemens AG Austria
Klemens Breuer	FMS Wertmanagement AöR (until 5 January 2017)
Peter Lennkh	Raiffeisen-Leasing Management GmbH (until 9 April 2016)

In addition to the management and governance of RBI AG, the members of the Management Board perform supervisory and managerial duties at the following material subsidiaries as Managing Director or on the Supervisory Board:

	Supervisory Board mandate	Management
Karl Sevelda	Raiffeisen Bank d.d., Bosnia and Herzegovina, Chairman Raiffeisenbank Austria d.d., Croatia, Chairman Raiffeisen Bank Polska S.A., Poland, Chairman AO Raiffeisenbank, Russia, Chairman Raiffeisen Bank S.A., Romania, Chairman Raiffeisen banka a.d., Serbia, Chairman Tatra banka, a.s., Slovakia, Chairman Raiffeisenbank a.s., Czech Republic, Chairman Raiffeisen Bank Aval JSC, Ukraine, Chairman Raiffeisen Bank Zrt., Hungary, Deputy Chairman Priorbank JSC, Belarus, member	
Johann Strobl	Raiffeisen Bank Zrt., Hungary, Chairman DAV Holding Kft., Hungary, Chairman AO Raiffeisenbank, Russia, Deputy Chairman Raiffeisen Bank Polska S.A., Poland, member Raiffeisen Bank S.A., Romania, member Tatra banka, a.s., Slovakia, member Raiffeisenbank a.s., Czech Republic, member	
Klemens Breuer	Raiffeisen Centrobank AG, Austria, Chairman Kathrein Privatbank Aktiengesellschaft, Austria, Deputy Chairman Raiffeisen Bank Polska S.A., Poland, member Raiffeisen Bank S.A., Romania, member AO Raiffeisenbank, Russia, member Tatra banka, a.s., Slovakia, member Raiffeisenbank a.s., Czech Republic, member	
Martin Grill	Raiffeisen Bank Polska S.A., Poland, Deputy Chairman Raiffeisen Bank S.A., Romania, Deputy Chairman AO Raiffeisenbank, Russia, member Tatra banka, a.s., Slovakia, member Raiffeisenbank a.s., Czech Republic, member	Raiffeisen CEE Region Holding GmbH, Austria, Managing Director Raiffeisen CIS Region Holding GmbH, Austria, Managing Director Raiffeisen RS Beteiligungs GmbH, Austria, Managing Director Raiffeisen SEE Region Holding GmbH, Austria, Managing Director
Andreas Gschwenter	RSC Raiffeisen Service Center GmbH, Austria, member Raiffeisen Bank Polska S.A., Poland, member Raiffeisen Bank S.A., Romania, member AO Raiffeisenbank, Russia, member Tatra banka, a.s., Slovakia, member Raiffeisenbank a.s., Czech Republic, member Raiffeisen Bank Zrt., Hungary, member	
Peter Lennkh	Raiffeisen Bank d.d., Bosnia and Herzegovina, Deputy Chairman Raiffeisenbank Austria d.d., Croatia, Deputy Chairman Raiffeisen banka a.d., Serbia, Deputy Chairman Raiffeisenbank a.s., Czech Republic, Deputy Chairman Raiffeisen Bank Aval JSC, Ukraine, Deputy Chairman Raiffeisen Bank Polska S.A., Poland, member Raiffeisen Bank S.A., Romania, member AO Raiffeisenbank, Russia, member Tatra banka, a.s., Slovakia, member	

# Composition of the Supervisory Board

During the 2016 financial year, the Supervisory Board comprised:

Supervisory Board member	Year of birth	Original appointment	End of term
Walter Rothensteiner Chairman	1953	11 May 2001	Annual General Meeting 2017 <sup>3</sup>
Erwin Hameseder 1st Deputy Chairman	1956	8 July 2010 <sup>1</sup>	Annual General Meeting 2020
Heinrich Schaller 2nd Deputy Chairman	1959	20 June 2012	Annual General Meeting 2017
Martin Schaller 3rd Deputy Chairman	1965	4 June 2014	Annual General Meeting 2019
Klaus Buchleitner	1964	26 June 2013	Annual General Meeting 2020
Kurt Geiger	1946	9 June 2009	Annual General Meeting 2019
Michael Höllerer	1978	17 June 2015	With entry of merger of RZB AG into RBI AG (expected on 18 March 2017) <sup>4</sup>
Günther Reibersdorfer	1954	20 June 2012	Annual General Meeting 2017
Johannes Schuster	1970	8 July 2010 <sup>1</sup>	With entry of merger of RZB AG into RBI AG (expected on 18 March 2017) <sup>4</sup>
Bettina Selden	1952	4 June 2014	Annual General Meeting 2019
Rudolf Kortenhof <sup>2</sup>	1961	10 October 2010	Until further notice
Martin Prater <sup>2</sup>	1953	10 October 2010	31 January 2016
Peter Anzeletti-Reikl <sup>2</sup>	1965	10 October 2010	Until further notice
Susanne Unger <sup>2</sup>	1961	18 January 2012	Until further notice
Helge Rechberger <sup>2</sup>	1967	10 October 2010	Until further notice
Natalie Egger-Grunicke <sup>2</sup>	1973	18 February 2016	Until further notice

<sup>1</sup> Effective as of 10 October 2010    <sup>2</sup> Delegated by the Staff Council    <sup>3</sup> As a result of the merger between RZB AG and RBI AG, Walter Rothensteiner will resign his mandate as member of the Supervisory Board as of the end of the Annual General Meeting on 22 June 2017.    <sup>4</sup> Michael Höllerer and Johannes Schuster will withdraw from their functions on the Supervisory Board once the merger is effective.

# Independence of the Supervisory Board

In accordance with and taking into consideration C Rule 53 and Appendix 1 of the ACCG, the Supervisory Board of RBI AG specified the following criteria for the independence of the members of the company’s Supervisory Board:

- The Supervisory Board member shall not have been a member of the Management Board or a senior executive of the company or one of its subsidiaries in the past five years.
- The Supervisory Board member shall not have, or have had in the previous year, any significant business relationships with the company or a subsidiary of the company. This also applies to business relationships with companies in which the Supervisory Board member has a significant financial interest, albeit not with regard to carrying out executive functions within the company. The approval of individual transactions by the Supervisory Board according to L Rule 48 of the ACCG does not automatically lead to a qualification of “not independent”.
- The exercise of functions within the company or merely exercising the function of a management board member or senior executive by a Supervisory Board member does not, as a rule, lead to the company concerned being regarded as a “company in which a Supervisory Board member has a significant financial interest,” to the extent that circumstances do not support the presumption that the Supervisory Board member derives a direct personal advantage from doing business with the company.
- The Supervisory Board member shall not have been an auditor of the company, nor a partner or employee of the auditing company in the previous three years.

- The Supervisory Board member shall not be a member of the management board of another company in which a Management Board member of the company is a member of the supervisory board.
- The Supervisory Board member shall not be part of the Supervisory Board for longer than 15 years. This does not apply to Supervisory Board members who are shareholders with business interests in the company, or who represent the interests of such shareholders.
- The Supervisory Board member shall not be a close relative (direct descendant, spouse, partner, father, mother, uncle, aunt, brother, sister, nephew, niece) of a member of the Management Board or of persons who meet one of the criteria described in the preceding points.

In accordance with the criteria listed above for the independence of Supervisory Board members, all RBI AG Supervisory Board members are considered independent.

Bettina Selden and Kurt Geiger, as members of the Supervisory Board, are neither shareholders with a shareholding of greater than 10 per cent, nor do they represent the interests of such shareholders. They are therefore “free float representatives” according to C Rule 54 of the ACCG.

Members of the Supervisory Board had the following additional supervisory board mandates or comparable functions in domestic and foreign stock exchange listed companies:

Walter Rothensteiner	UNIQA Insurance Group AG AG (Chairman)
Erwin Hameseder	AGRANA Beteiligungs-AG (Chairman), STRABAG SE, UNIQA Insurance Group AG, Südzucker AG, Flughafen Wien AG
Heinrich Schaller	voestalpine AG, AMAG Austria Metall AG
Klaus Buchleitner	BayWa AG, AGRANA Beteiligungs-AG
Kurt Geiger	Demir Bank OJSC
Johannes Schuster	UNIQA Insurance Group AG

In addition to their functions as members of RBI AG’s Supervisory Board, supervisory duties within the context of supervisory board mandates were also performed at the following material subsidiaries in the 2016 financial year:

Walter Rothensteiner	Kathrein Privatbank Aktiengesellschaft, Austria, Chairman
Kurt Geiger	Raiffeisen Bank AVAL JSC, Ukraine, member
Michael Höllerer	Raiffeisen Centrobank AG, Austria, member
Johannes Schuster	RSC Raiffeisen Service Center GmbH, Austria, member

No management functions at RBI AG’s material subsidiaries were undertaken by Supervisory Board members.

## Members of the Committees

The procedural rules of the Supervisory Board govern its organization and allocate particular tasks to the Working, Audit, Remuneration, Risk, Nomination and Personnel Committees. These committees comprise the following members:

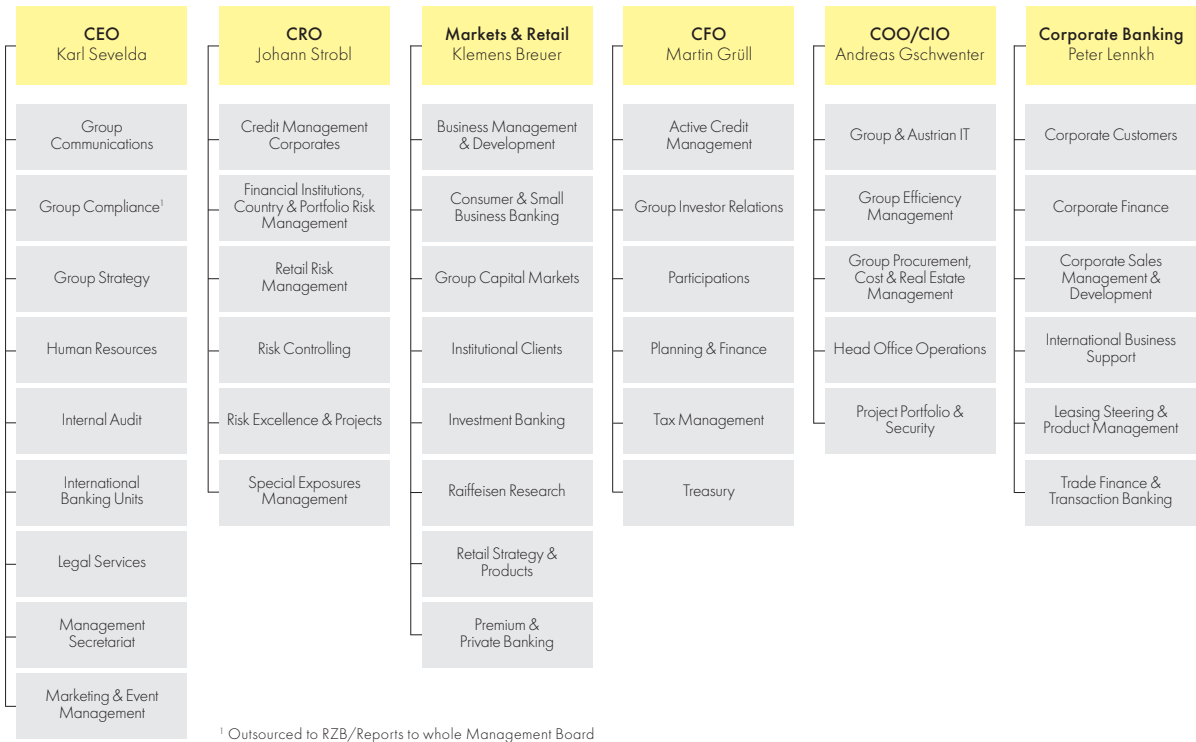
	Working Committee	Audit Committee	Personnel Committee	Remuneration Committee	Risk Committee	Nomination Committee
Chairman	Walter Rothensteiner	Michael Höllerer <sup>1</sup>	Walter Rothensteiner	Walter Rothensteiner	Johannes Schuster <sup>1</sup>	Walter Rothensteiner
1 <sup>st</sup> Deputy Chairman	Erwin Hameseder	Walter Rothensteiner <sup>2</sup>	Erwin Hameseder	Erwin Hameseder	Walter Rothensteiner <sup>2</sup>	Erwin Hameseder
2 <sup>nd</sup> Deputy Chairman	Heinrich Schaller	Erwin Hameseder <sup>3</sup>	Heinrich Schaller	Heinrich Schaller	Erwin Hameseder <sup>3</sup>	Heinrich Schaller
3 <sup>rd</sup> Deputy Chairman	Martin Schaller	Heinrich Schaller <sup>4</sup>	Martin Schaller	Martin Schaller	Heinrich Schaller <sup>4</sup>	Martin Schaller
4 <sup>th</sup> Deputy Chairman	-	Martin Schaller <sup>5</sup>	-	-	Martin Schaller <sup>5</sup>	-
Member	Johannes Schuster	Johannes Schuster	Johannes Schuster	Johannes Schuster	Johannes Schuster <sup>6</sup>	Johannes Schuster
Member	Rudolf Kortenhopf	Rudolf Kortenhopf	-	Rudolf Kortenhopf	Rudolf Kortenhopf	Rudolf Kortenhopf
Member	Peter Anzeletti-Reikl	Peter Anzeletti-Reikl	-	Peter Anzeletti-Reikl	Peter Anzeletti-Reikl	Peter Anzeletti-Reikl
Member	Susanne Unger <sup>7</sup>	Susanne Unger <sup>7</sup>	-	Susanne Unger <sup>7</sup>	Susanne Unger <sup>7</sup>	Susanne Unger <sup>7</sup>

<sup>1</sup> As of 15 March 2016; until 15 March 2016, Walter Rothensteiner      <sup>4</sup> As of 15 March 2016; until 15 March 2016 Martin Schaller      <sup>6</sup> Until 15 March 2016  
<sup>2</sup> As of 15 March 2016; until 15 March 2016 Erwin Hameseder      <sup>5</sup> As of 15 March 2016      <sup>7</sup> As of 1 February 2016; until 31 January 2016 Martin Prater  
<sup>3</sup> As of 15 March 2016; until 15 March 2016 Heinrich Schaller

# Functions of the Management Board and the Supervisory Board

## Division of responsibilities and functions of the Management Board

The RBI AG Management Board manages the company according to clearly defined goals, strategies and guidelines on its own authority, with a focus on future-oriented business management and in line with modern business principles. In doing so, the Management Board pursues the good of the company at all times and considers the interests of shareholders and employees. Management Board members' areas of responsibility have been defined by the Supervisory Board, without prejudice to the general responsibility of the Management Board, as follows (as at 31 December 2016):



<sup>1</sup> Outsourced to RZB/Reports to whole Management Board

In the 2016 financial year, the following significant organizational changes, among others, took place at Tier 2 management level (B-1):

- Management Board division Corporate Banking: As a result of the inclusion of employees of RLI Holding Gesellschaft m.b.H. in RBI AG, the new area “Leasing, Steering & Product Management” was created under Peter Lennkh.
- Management Board division Chief Operation Officer/Chief Information Officer (COO/CIO): The dissolution of the “Lean” area and the reorganization of the responsibilities of the “Operations” area resulted in the establishment of two new areas: “Group Efficiency Management” and “Head Office Operations”. “Procurement & Cost Management” was combined with “Real Estate Management” to form “Group Procurement, Cost & Real Estate Management”.
- Management Board division Markets and Retail: Following the dissolution of the “Consumer Banking” and “Small Businesses & Premium Banking” areas, three new areas were created: “Retail Strategy & Products”, “Consumer & Small Business Banking” and “Private & Premium Banking”.

The Management Board manages the company’s business in accordance with the law, the Articles of Association and the Management Board’s rules of procedure. The Management Board’s weekly meetings are convened and led by the chairman. The meetings facilitate mutual gathering and exchange of information, consultation and decision-making with respect to all matters requiring the board’s approval. The internal regulations of the Supervisory Board and the Management Board describe the duties of the Management Board in terms of information and reporting, as well as a catalog of measures that require the approval of the Supervisory Board.

## Decision-making authority and activities of the Committees of the Supervisory Board

The internal regulations of the Management Board, as well as the Supervisory Board and its Committees, outline the business management measures that require the approval of the Supervisory Board or of the appropriate Committee.

The **Working Committee** is responsible for all matters referred to it by the Supervisory Board. These include, in particular, the approval of the establishment, closure and liquidation of subsidiaries, as well as the acquisition or disposal of equity participations where the change in the capitalized book value of the investment resulting from the transaction exceeds a certain amount (up to the ceiling amount for overall Supervisory Board responsibility). Moreover, the Working Committee deals with the execution of functions in the management bodies of other companies by members of the Management Board. Furthermore, the Working Committee approves the assumption of risks arising from banking business and risk limits to third parties above a certain level up to the ceiling amount for overall Supervisory Board responsibility.

The **Personnel Committee** deals with the remuneration of Management Board members as well as their employment contracts. In particular, it is responsible for approving bonus allocations and share allotments through the Share Incentive Program to members of the Management Board. Furthermore, it also gives its approval in the event of an acceptance of secondary employment by members of the Management Board.

The **Audit Committee** monitors the accounting process. It issues corresponding recommendations or proposals for guaranteeing reliability and supervises the effectiveness of the company's internal control, audit and risk management systems. The tasks of the Audit Committee include the supervision of the annual audit of the financial statements and consolidated financial statements, as well as checking and supervising the independence of the Group's auditors, particularly with respect to additional work performed for the audited company. The Committee examines the annual financial statements, the management report, the consolidated financial statements and the Group management report, and is responsible for the preparation for their adoption. It also examines the proposal for earnings appropriation and the consolidated corporate governance report. The Audit Committee presents a report on the results of its examinations to the Supervisory Board. It also conducts a process, in accordance with statutory requirements, for the selection of the (Group) auditor and bank auditor and submits a recommendation to the Supervisory Board concerning the appointment of the auditor. Moreover, the Audit Committee discusses the content of the management letter as well as the report on the effectiveness of the risk management system and the internal control system. Internal Audit must provide the Audit Committee with quarterly reports on the areas audited and on any audit findings from audits performed, taking into account § 42 (3) of the Austrian Banking Act (BWG). The Organization & Processes area also reports twice a year on the status of the internal control system and its effectiveness.

The **Remuneration Committee's** responsibilities include, first and foremost, establishing guidelines for the company's remuneration policies and practices, particularly on the basis of the BWG, as well as relevant sections of the ACCG. In addition, the Remuneration Committee supervises and regularly reviews the remuneration policies, remuneration practices and relevant incentive structures to ensure that all related risks are controlled, monitored and limited in accordance with the BWG, as well as with respect to the company's capitalization and liquidity. In doing so, the long-term interests of shareholders, investors and employees of the company are also taken into account, as are the economic interests of maintaining a functioning banking system and the stability of the financial market. The Remuneration Committee also directly reviews the remuneration of executives responsible for risk management and compliance.

The responsibilities of the **Risk Committee** include advising the Management Board on current and future risk propensity and risk strategy, monitoring the implementation of this risk strategy with regard to the controlling, monitoring and limitation of risk in accordance with the BWG, as well as the monitoring of capitalization and liquidity. It is also responsible for checking whether the pricing of the services and products offered, the business model as well as risk strategy are given adequate consideration and where applicable for submitting a plan with corrective measures. The Risk Committee also monitors whether the incentives offered by the internal remuneration system give adequate consideration to risk, capital, liquidity and the probability as well as timing of realized profits.

The **Nomination Committee** attends to the filling of any posts on the Management Board and the Supervisory Board that have become vacant. Consideration is given to the balance and diversity of knowledge, skills and experience of all members of the governing body in question. The Nomination Committee also specifies a target ratio for the under-represented gender on the Management Board and the Supervisory Board, as well as a strategy for achieving the defined target. In its decision-making process, it ensures that the Management Board and the Supervisory Board are not dominated by one individual person, or a small group of persons, in a way which is contrary to the company's interests. The Nomination Committee's other responsibilities include:

- regular evaluation, and in all cases where events indicate a need for re-evaluation, of the structure, size, composition and performance of the Management Board and Supervisory Board, as well as submission to the Supervisory Board of proposals for changes where necessary;
- regularly conducting, but at least once a year, an evaluation of the knowledge, skills and experience of the individual members of both the Management Board and Supervisory Board and also of the respective governing body as a whole, and informing the Supervisory Board of the results; and

- reviewing the Management Board’s policy with regard to the selection of executives and supporting the Supervisory Board in preparing recommendations for the Management Board.

Number of meetings of the Supervisory Board and of the Committees

The Supervisory Board held nine meetings during the reporting period. In addition, the Management Board fully informed the Supervisory Board on a prompt and regular basis of all relevant matters pertaining to the company’s performance, including the risk position and risk management of the company and material Group companies, particularly in relation to important matters.

The Working Committee held eight meetings in the 2016 financial year. The Audit Committee met three times, the Personnel Committee three times, the Remuneration Committee three times, the Risk Committee five times, and the Nomination Committee five times.

No member of the Supervisory Board was unable to personally attend more than half of the sittings of the Supervisory Board.

In addition, the Supervisory Board and the Working and Remuneration Committees also passed resolutions by circulation.

Further information on the activities of the Supervisory Board can be found in the Report of the Supervisory Board.

Management Board and Supervisory Board remuneration disclosure

Management Board remuneration

The following total amounts were paid to the Management Board of RBI AG:

in € thousands	2016	2015
Fixed remuneration	5,017	5,007
Bonuses (incl. portions for prior years)	1,467	1,759
Share-based payments	220	0
Other remuneration	2,456	2,477
<b>Total</b>	<b>9,160</b>	<b>9,243</b>

Fixed remuneration, as shown in the above table, includes salaries and benefits in kind. Performance-based components of the Management Board’s remuneration basically consist of bonus payments and the share-based remuneration under the Share Incentive Program (SIP).

In 2016, deferred bonus amounts from 2013 and previous years as well as immediately payable bonus amounts for 2015 were paid out. No bonus was paid for 2014. In 2016 there was an allocation of share-based payments from the 2011 SIP tranche (see below for details).

The payment of a bonus is linked to the achievement of annually agreed goals from four or five areas based on a balanced scorecard approach. These are weighted financial goals (adjusted to the respective function, e.g. return on risk-adjusted capital, total costs, risk-weighted assets), customer and employee goals, as well as process/efficiency/infrastructure goals and, where necessary, additional goals. The amount of the bonus is determined based on consolidated profit and the cost/income ratio; the targets to be achieved are based on the RBI’s medium-term return on equity target and thus consider a period spanning several years. Payment of bonuses is deferred as set forth in the BWG and implemented according to internal regulations.

Management Board members’ contracts specify a maximum bonus. Similarly, the SIP includes a cap amounting to three times the allocation value. A maximum limit is thus in place for all variable compensation components. Other remuneration consists of compensation for board-level functions in affiliated companies, payments to pension funds and for reinsurance policies, as well as other insurance and benefits.



The Management Board’s remuneration paid in 2016 is shown in detail as follows:

in € thousands	Fixed remuneration	Bonus allocations for 2015 and prior years	Share-based payments	Other	Total
Karl Sevelda	1,111	359	65	471	2,006
Johann Strobl	900	312	60	444	1,716
Klemens Breuer	823	236	0	518	1,577
Martin Grill	762	275	52	430	1,519
Andreas Gschwenter	659	65	0	159	883
Peter Lennkh	762	220	43	434	1,459
Total	5,017	1,467	220	2,456	9,160

In addition to the amounts listed above, deferred bonus amounts totaling € 382 thousand and € 111 thousand were paid to Herbert Stepic, Aris Bogdaneris and Patrick Butler within the context of the payment of the 2011 SIP tranche on account of their previous work on the Management Board.

Principles of remuneration policy and practices in accordance with § 39 (2) in conjunction with § 39b of the BWG

In accordance with § 39 (2) in conjunction with § 39b of the BWG including annexes, RBI AG’s Supervisory Board approved the “General Principles of the Remuneration Policy and Practice” in 2011. Remuneration of all employees, including the Management Board and other “risk personnel” must comply with these principles. These principles also apply to bonus payments for 2011 and subsequent years. The Remuneration Committee reviews these principles on a regular basis and is responsible for the monitoring of these policies and their implementation. Taking the current version of § 39 (2) in conjunction with § 39b of the BWG including annexes into account, which was updated in implementation of Directive 2013/36/EU, the Remuneration Committee of RBI AG’s Supervisory Board approved a new version of the “General Principles of the Remuneration Policy and Practice” in 2014, which was applied as of 2014. This was most recently amended in 2015.

As a result of this amendment, the variable component may fall away completely for positions with minimal or only indirect influence on the business results. Role-based fixed compensation was implemented in various forms according to respective local conditions. When determining the bonus for specific business and management functions, more weight was placed on RBI’s and the respective organizational units’ results and less on the functional area in order to promote teamwork.

General remuneration principles of the RBI – Summary

The RBI uses a simple, transparent remuneration system which reflects the Group’s business strategy and complies with regulatory requirements. The remuneration principles support the company’s long-term objectives, interests and values while at the same time containing measures to avoid conflicts of interest.

The RBI’s remuneration system does not encourage the assumption of disproportionate risks, and instead supports sound, effective risk management (e.g. through a performance management process with financial and non-financial targets as well as qualitative and quantitative key performance indicators and the use of a bonus pool approach). This is in particular also achieved by limiting variable remuneration through thresholds and upper limits, which also enables more precise long-term cost planning. In addition, special rules apply to all employees whose professional activities have significant consequences for the risk profile of the company and/or the Group (“risk personnel”).

Within the overall remuneration, the relationship between fixed and variable components is made appropriate to enable employees to maintain an adequate standard of living based on their fixed income. This aims to facilitate a flexible policy and should allow for unrestricted choice and implemenentation of the variable remuneration components, and it should also be possible to forgo the granting of variable remuneration. The total amount of the variable remuneration does not restrict the RBI’s ability to improve its capitalization. The basis for all variable remuneration programs is performance, which is measured at Group, company and also individual level.

The remuneration system of the RBI helps to address the “silo mentality” by linking a significant part of variable remuneration to the Group’s performance – in compliance with statutory and regulatory requirements. The remuneration and performance management system provides quality enhancement and aims to strengthen customer relationships in the long term.

Share Incentive Program

Due to the immense increase in the complexity of the regulatory provisions for variable remuneration, the Management Board was prompted to review the benefits and meaningfulness of share-based remuneration. Originally intended as a variable long-term remuneration element geared towards the market and corporate success, the SIP has since lost this meaning because the annual bonus for the same target group of top executives is now deferred for 3 to 5 years, and half must be paid in instruments (e.g. shares). It was therefore decided that no further SIP tranches would be issued from the 2014 financial year onwards.

The 2011 SIP tranche matured in 2016. In accordance with the terms and conditions of the program, the number of shares actually transferred was as follows:

SIP 2011

Group of persons	Number shares due	Value at share price on allotment date (2/5/2016) € 13.92	Actual number of transferred shares
Members of the Management Board of RBI AG	24,493	€ 340,943	12,809
Members of the management boards of subsidiary banks and branches affiliated to RBI AG	30,050	€ 418,296	23,125
Executives of RBI AG and other affiliated companies	19,839	€ 276,159	11,384

To avoid legal uncertainties and in accordance with the program’s terms and conditions, eligible employees in three countries were given a cash settlement instead of an allocation of shares. In Austria, eligible parties were granted the option of accepting a cash settlement in lieu of half of the shares due in order to cover the income tax payable at the time of transfer. Therefore, fewer shares were actually transferred than the number that was due. The portfolio of own shares was subsequently reduced by the lower number of shares actually transferred.

On the reporting date, contingent shares for two tranches were allocated. At 31 December 2016, the number of these contingent shares was 693,462 (of which 367,977 were attributable to the 2012 allocation and 325,485 to the 2013 allocation). The number of contingently allocated shares originally announced changed due to various personnel alterations in Group units. It is shown on an aggregated basis in the following table:

SIP 2012 and 2013

Group of persons	Number of contingently alloted shares at 31/12/2016	Minimum allocation of shares	Maximum allocation of shares
Members of the Management Board of RBI AG	214,091	64,227	321,137
Members of the management boards of subsidiary banks and branches affiliated to RBI AG	291,910	87,573	437,865
Executives of RBI AG and other affiliated companies	187,461	56,238	281,192

No shares were repurchased for the SIP in 2016.

Expenditure for severance payments and pensions

The same rules essentially apply for the members of the Management Board as for employees. They provide for a basic contribution to a pension fund by the company and an additional contribution when the employee makes their own contributions in the same amount. Additional individual pension benefits, which are financed by a reinsurance policy, apply to three members of the Management Board.

In the event of a function or contract termination, one member of the Management Board is entitled to severance payments in accordance with the Salaried Employees Act and the Banking Sector Collective Agreement, one member in accordance with a contractual agreement and four members in accordance with the Company Retirement Plan Act. In principle, the severance payment claims under the Salaried Employees Act or contractual agreements expire if the Management Board member resigns.

Furthermore, protection against occupational disability risk is provided by a pension fund and/or on the basis of an individual pension benefit, which is secured by a reinsurance policy. Contracts for Management Board members are limited to the duration of their respective term in office or a maximum of five years. Regulations regarding severance payments, in the event of the early termination of Management Board mandates, are based on the principles stipulated by the ACCG, as well as on the stipulated maximum limits (a maximum of two years’ total annual remuneration for early termination without serious cause and in any case no longer than the remaining term. No remuneration is paid for premature terminations for serious reasons attributable to the Management Board member).

Supervisory Board remuneration

For the 2015 financial year, the members of the Supervisory Board received total remuneration of € 525,000 in accordance with the resolution of the Annual General Meeting. This amount included € 70,000 for the Chairman of the Supervisory Board, € 60,000 each for the Deputy Chairmen of the Supervisory Board and € 50,000 each for the other members of the Supervisory Board. Depending on the duration of the respective Supervisory Board member’s term, the remuneration for 2015 was paid on a pro rata basis or in its entirety.

Supervisory Board remuneration for the 2016 financial year was apportioned to individual Supervisory Board members as follows. The amounts stated are provisional amounts from the statement of financial position, subject to the approval of the Annual General Meeting 2017. Attendance fees were not paid. Depending on the duration of the respective Supervisory Board mandate, the provision for the 2016 financial year was booked on a pro rata basis or in its entirety.

Supervisory Board member	in €
Walter Rothensteiner	70,000
Erwin Hameseder	60,000
Heinrich Schaller	60,000
Martin Schaller	60,000
Klaus Buchleitner	50,000
Kurt Geiger	50,000
Michael Höllerer	50,000
Günther Reibersdorfer	50,000
Johannes Schuster	50,000
Bettina Selden	50,000

D&O insurance

For the 2016 financial year, a D&O (directors and officers) financial loss and liability insurance policy was signed with UNIQA Sachversicherung AG for the Supervisory Board, the Management Board and key executives, the cost of which is borne by the company. The policy covers both third party claims (external cover) and also claims of the company itself (internal cover) against the managers. The internal cover also protects the Company.

## Annual General Meeting

The Annual General Meeting for the 2015 financial year was held on 16 June 2016 in Vienna. In addition, on 24 January 2017, an Extraordinary General Meeting of RBI AG decided on the merger of RZB AG and RBI AG. The Annual General Meeting for the 2016 financial year will take place on 22 June 2017. The convening notice will be published in the Wiener Zeitung's official journal and in electronic form a minimum of 28 days before the Annual General Meeting.

At the Annual General Meeting the shareholders, as owners of the company, can exercise their rights by voting. The fundamental principle of 'one share, one vote' applies. Accordingly, there are no restrictions on voting rights and all shareholders have equal rights. Every share confers one vote; registered shares have not been issued. Shareholders may exercise their voting rights themselves or by means of an authorized agent. RZB has not exercised its right to nominate up to one third of the Supervisory Board members to be elected by the Annual General Meeting, as per the Articles of Association, so that the share structure complies with the principle of 'one share, one vote'. At the Extraordinary General Meeting of RBI AG on 24 January 2017, a decision was taken to remove the right to delegate members in Article 9 of RBI AG's Articles of Association. The right to delegate members will therefore cease to exist when the amendment to the Articles of Association is registered with the commercial register.

## Report on measures taken by the company to promote women to the Management Board, the Supervisory Board and into executive positions (§ 80 of the Austrian Stock Corporation Act (AktG)) as laid down in § 243c (2) 2 of the UGB

Prejudices and discrimination have no place in RBI. This is also clearly stated in the Code of Conduct which is valid across the entire Group. RBI instead advocates equality, and in keeping with its corporate identity, it offers equal opportunities for equal performance within the company, regardless of gender or other factors. This begins with staff selection, which must be without prejudice, and where the same standards must always be applied irrespective of gender.

At 31 December 2016, the proportion of women in the top three tiers of management (positions with staff responsibility) at RBI AG was as follows: Supervisory Board, 13 per cent; Management Board, 0 per cent; Tier 2 management, 12 per cent; and Tier 3 management, 29 per cent. This is with a total proportion of female employees of 45 per cent.

In RBI, the total proportion of women among employees is 67 per cent. The proportion of women in Management Board positions is 16 per cent, 36 per cent in Tier 2 management and 47 per cent in Tier 3 management positions. The proportion of women who are Supervisory Board members is 8 per cent. These figures include RBI AG and the 14 network banks in CEE, as well as Kathrein Privatbank Aktiengesellschaft and Raiffeisen Centrobank AG.

To further improve the framework conditions for work and career, RBI continuously endeavors to reconcile family and working life as far as possible. Working arrangements such as flexible working hours, part-time and home-office working are offered in almost all countries in accordance with the local statutory provisions, as are company kindergartens with employee-friendly opening hours. Among other things, these aim to facilitate effective management of maternity leave, which should encourage women to return to work. RBI adopts a positive stance towards paternity leave and considers it an important means of strengthening equality at both the personal and professional level.

In order to build on management skills among employees, RBI offers targeted training and continuing education programs, which also proved popular among female employees. For example, 27 per cent of the participants in the group-wide top management program "Execute" were women; in 2016, the proportion of women participating in RBI AG's basic leadership program was 26 per cent and in the Talent Lab for managers 32 per cent.

In 2016, RBI AG launched the initiative “Diversity 2020”. This diversity initiative firstly focuses on the empowerment of women. In particular, it aims to increase the number of women in top management positions. Extensive communication measures were implemented to further raise awareness and highlight the importance of this issue as well as to ensure maximum transparency for the initiative. Accordingly, a waiting period is applied to the process when recruiting internally and, in addition, qualified female candidates are approached by HR employees. Subconscious prejudices are a material factor preventing the appointment of women to management positions, among other things. This issue formed the focus for two “managers’ breakfasts” and for keynote presentations to employees. For RBI AG, mentoring of women is an important tool for increasing the percentage of women in management positions. We will therefore continue our efforts in this field. Another key focus involves strengthening the skill sets of female managers. Initial measures for training in this area have already taken place.

The Management Board is aware of the need to continue to pursue the existing initiatives as well as to maintain its openness to new initiatives in order to further increase the percentage of women in highly qualified positions. To achieve this end, it encourages women to take advantage of these opportunities and to actively participate in further development.

## Transparency

The internet, particularly the company website, plays an important role for RBI with regard to open communication with shareholders, their representatives, customers, analysts, employees, and the interested public. Therefore, the website offers regularly updated information and services, including the following: annual and interim reports, company presentations, telephone conference webcasts, ad-hoc releases, press releases, investor relations releases, share price information and stock data, information for debt investors, financial calendar with advance notice of important dates, information on securities transactions of the Management Board and Supervisory Board that are subject to reporting requirements (directors’ dealings), RBI’s Articles of Association, the corporate governance report, analysts’ research and recommendations, as well as an ordering service for written information and registration for the automatic receipt of investor relations news by e-mail.

## Conflicts of interest

Both the Management Board and the Supervisory Board of RBI are required to disclose any potential conflicts of interest.

Members of the Management Board must therefore disclose to the Supervisory Board any significant personal interests in transactions involving the company and Group companies, as well as any other conflicts of interest. They must also inform the other members of the Management Board. Members of the Management Board who occupy management positions within other companies must ensure a fair balance between the interests of the companies in question.




Members of the Supervisory Board must immediately report any potential conflicts of interest to the Chairman of the Supervisory Board, who is supported by Compliance when carrying out his evaluation. In the event that the Chairman himself should encounter a conflict of interest, he must report this immediately to the Deputy Chairman. Company agreements with members of the Supervisory Board that require members to perform a service for the company or for a subsidiary outside of their duty on the Supervisory Board (§ 189 a sub-para. 7 of the UGB) in exchange for not-insignificant compensation require the approval of the Supervisory Board. This also applies to agreements with companies in which a member of the Supervisory Board has a significant financial interest. Furthermore, related party transactions as defined by § 28 of the BWG require the approval of the Supervisory Board.

## Accounting and audit of financial statements

RBI’s consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as applied in the EU. They also comply with the regulations of the BWG in conjunction with the UGB to the extent that these are applicable to the consolidated financial statements. The consolidated annual financial statements are published within the first four months of the financial year following the reporting period. Interim reports are published no later than two months after the end of the respective reporting period pursuant to IFRS.

The Annual General Meeting on 17 June 2015 selected KPMG as external Group auditor and bank auditor for the 2016 financial year. KPMG has confirmed to RBI that it has the certification of a quality auditing system. It has also declared that there are no reasons for disqualification or prejudice. The Supervisory Board is informed of the result of the audit by a statutory report regarding the audit of the consolidated financial statements by the auditor, as well as by the report of the Audit Committee. Furthermore, the auditor assesses the effectiveness of the company’s risk management in accordance with the ACCG, based on the documents submitted to the auditor and otherwise available. The resulting report is presented to the Chairman of the Supervisory Board, who is responsible for ensuring the report is addressed in the Audit Committee and presented to the Supervisory Board.

The Management Board

  
Karl Sevelda  
  
Klemens Breuer  
  
Andreas Gschwentner

  
Johann Strobl  
  
Martin Grüll  
  
Peter Lennkh