

Ladies and Gentlemen,

The 2016 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.

The capitalization requirements for banks were increased substantially following the 2008 financial crisis and there has also been extensive tightening of regulations by the national and international regulatory authorities. February 2015 saw the implementation of a transformation program designed to strengthen the capital base – it targeted a CET1 ratio (fully loaded) of at least 12 per cent, a reduction of complexity and a substantial reduction of costs. With a CET1 ratio (fully loaded) of 13.6 per cent at 31 December 2016, RBI achieved its target ahead of schedule.

Following an extensive evaluation phase, on 5 October 2016, the Management and Supervisory Boards of RBI and RZB passed in principle a resolution to merge RBI and RZB. The Extraordinary General Meeting of RBI approved the merger with RZB by a clear majority on 24 January 2017. The merger is effective once it has been entered in the commercial register, which is expected by the end of March 2017 at the latest.

The strengths of the merged entity will build on prior achievements. These include the geographic footprint in the attractive growth markets of CEE, with top-five market positions in 9 of a total of 14 markets, as well as a stable business in Austria. The focus will remain on long-term customer relationships in the respective local markets. As a customer-oriented universal bank, solutions to address corporate customer needs based on local market access and an extensive network, along with a comprehensive multi-channel offering for retail customers in CEE, play an important role in the overall focus.

The Raiffeisen Bank Polska Capital Group, one of the largest entities comprising the Raiffeisen Bank International Group, has been performing well, despite the demanding market and regulatory environment, not to mention the special circumstances that arose during the year as a result of the planned sale of Raiffeisen Bank Polska. It successfully increased its share in the retail banking sector, and maintained its traditionally strong position in the segment of services rendered for the benefit of businesses and financial institutions.

Importantly, it has also been effectively introducing savings-oriented measures that constitute a part of the transformation program, which is cost base reduction program implemented throughout the entire RBI group. Focus on the customer and thorough knowledge of their needs in different market segments enabled the Group to optimize business processes. This, in combination with an attractive and modern product offering, has resulted in a rapid increase in the number of customers. Furthermore, efforts taken to improve the quality of customer service have been recognized by media concerned with the financial sector. The Group has received prestigious awards for the highest level of customer service and is often recommended by its customers due to the emphasis it places on the quality of its offering and on relations with its partners.

Negotiations between Raiffeisen Bank International and Alior Bank S.A. on the sale of Raiffeisen Bank Polska were terminated on 7 December 2016. Therefore - in line with the commitment towards the Financial Supervision Authority - an initial public offering of shares to be traded on the Warsaw Stock Exchange is planned for the first half of 2017.

I would like to take this opportunity to thank all employees of Raiffeisen Bank Polska Capital Group for their hard work and constant efforts to serve customers and bring benefits to the entire RBI Group.

On behalf of the Supervisory Board,

Karl Sevelda,
Chairman of the Supervisory Board