

# Corporate governance report

Raiffeisen International agrees to comply with the Austrian Corporate Governance Code (ACGC) as amended in June 2007. The ACGC is publicly available at the websites of the Austrian Working Group for Corporate Governance ([www.corporate-governance.at](http://www.corporate-governance.at)) and Raiffeisen International ([www.ri.co.at](http://www.ri.co.at)).

## Composition of the Managing Board

The Managing Board currently consists of six members:

Managing Board	Year born	Date first appointed	End of term in office
Herbert Stepic, Chairman	1946	14 June 2001	13 June 2011
Martin Grill	1959	3 January 2005	2 January 2010
Aris Bogdaneris	1963	1 October 2004	26 September 2009
Rainer Franz	1943	20 January 2003	31 December 2009
Peter Lennkh	1963	1 October 2004	26 September 2009
Heinz Wiedner	1953	14 June 2001	13 June 2011

The members of the Managing Board have seats on the supervisory boards of the following domestic and foreign companies not included in the consolidated financial statements:

- Herbert Stepic: OMV AG

Persons who are 68 years or older may not be appointed as member of the Managing Board or be reappointed for another term in office.

## Composition of the Supervisory Board

The Supervisory Board currently has six members:

Supervisory Board	Year of birth	Date first appointed	End of term in office
Walter Rothensteiner, Chairman	1953	11 May 2001	Regular Annual General Meeting 2011
Manfred Url, Deputy Chairman	1956	11 May 2001	Regular Annual General Meeting 2011
Patrick Butler	1957	28 September 2004	Regular Annual General Meeting 2009
Karl Sevelda	1950	11 May 2001	Regular Annual General Meeting 2011
Stewart D. Gager	1940	24 January 2005	Regular Annual General Meeting 2009
Johann Strobl	1959	10 June 2008	Regular Annual General Meeting 2013

## Independence of the Supervisory Board

The Supervisory Board of Raiffeisen International stipulates the following criteria for the independence of supervisory board members of a company according to Rule 53 of the Austrian Corporate Governance Code:

- The supervisory board member shall not have served as member of the management board or as management-level staff of the company or one of its subsidiaries in the past five years.
- The supervisory board member shall not maintain or have maintained in the past year any business relations with the company or one of its subsidiaries to an extent of significance for the member of the supervisory board. This shall also apply to relationships with companies in which a member of the supervisory board has considerable economic interest. The approval of individual transactions by the supervisory board pursuant to L Rule 48 does not automatically mean the person qualifies as not independent.
- The supervisory board member shall not have acted as auditor of the company or have owned a share in the auditing company or have worked there as an employee in the past three years.
- The supervisory board member shall not be a member of the management board of another company in which a member of the management board of the company is a supervisory board member.
- The supervisory board member shall not be a close relative (direct offspring, spouse, life partner, parent, uncle, aunt, sibling, niece, or nephew) of a member of the management board or of persons who hold one of the aforementioned positions.

The exercise of functions within the group or the mere exercise by a supervisory board member of duties as a member of the board of management or as a managing director shall not result in the relevant enterprise being considered an "enterprise in which the supervisory board member has a substantial economic interest" unless the circumstances give reason to believe that the supervisory board member draws a personal benefit from such enterprise.

All members of the Supervisory Board of Raiffeisen International meet the criteria applying to the independence of supervisory board members.

As a member of the Supervisory Board, Steward D. Gager is neither a shareholder with a stake of more than 10 per cent nor represents such shareholders and is therefore “free float representative” in the meaning of C Rule 54 of the ACGC 2007.

Members of the Supervisory Board have the following supervisory board seats in domestic and foreign companies:

- Walter Rothensteiner: UNIQA Versicherungen AG
- Karl Sevelda: Bene AG, Unternehmens Invest AG

Persons who are 75 years or older may not be elected as a member of the Supervisory Board or be reappointed for another term in office. Furthermore, no person may be elected who has altogether more than eight supervisory board seats in companies listed on the stock exchange. The chair in the supervisory board of a company listed on the stock exchange counts twice.

## Members of the Committees

The bylaws of the Supervisory Board regulate its organization and assign certain tasks to the Working, Audit, and Personnel Committees. The Committees are composed as follows:

Supervisory Board member	Working Committee	Audit Committee	Personnel Committee
Walter Rothensteiner, Chairman	Chairman	Chairman	Chairman
Manfred Url, Deputy Chairman	Deputy	Deputy	Deputy
Karl Sevelda		Member	

## Meeting participation

No member of the Supervisory Boards failed to participate personally in more than half of the Supervisory Board meetings last year.

## Contracts subject to approval

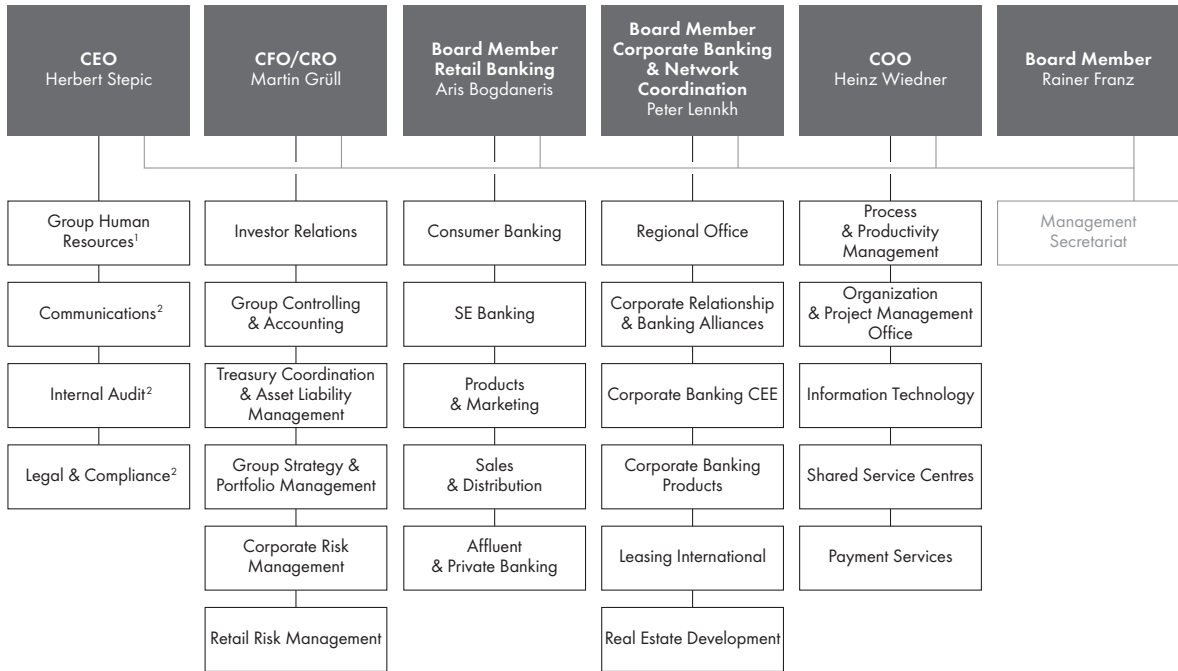
Furthermore, no contracts subject to approval as defined by the Austrian Stock Corporation Act were made with Supervisory Board members in 2008.

# Working method of the Managing Board and Supervisory Board

## Assignment of duties in the Managing Board

The Managing Board of Raiffeisen International manages the Company according to clearly defined goals, plans, and guidelines with a forward-looking orientation and relying on modern principles of entrepreneurship. In the process, it constantly takes into account the interests of the shareholders and employees.

A division of business operations governs the tasks belonging to the individual areas of responsibility in the Managing Board:



<sup>1</sup> The Learning & Development unit reports to Rainer Franz.

<sup>2</sup> Outsourced to RZB.

## Decision-making powers of the Committees

The business management measures that require the consent of the Supervisory Board or the responsible Committee are regulated in the bylaws of the Managing Board and the Supervisory Board and its Committees.

The *Working Committee* is responsible for all matters assigned to it by the full Supervisory Board. It is thus called upon to approve the transactions and measures not reserved to the Supervisory Board. Those include, in particular, the establishment and dissolution of subsidiaries as well as the acquisition of shareholdings up to a certain book value amount, the making or dissolution of syndication or voting trust agreements with co-shareholders, the assumption of duties in the corporate bodies of other enterprises by Managing Board members, or the appointment of persons to managing boards and supervisory bodies of Group lending institutions. The Working Committee furthermore approves the extension of loans and credits to Group enterprises from a certain amount upward.

The *Personnel Committee* concerns itself with the matters of remuneration of the Managing Board members and the employment contracts of the Managing Board members. It is specifically responsible for approving the bonus allotment and the allocation of shares from the share incentive program to the Managing Board members.

The *Audit Committee* prepares the ratification of the annual financial statements, the management report, the consolidated financial statements, and the consolidated management report as well as the proposal concerning the distribution of profit. It furthermore draws up the proposal for the selection of the auditor. The content of the management letter is also discussed in the Audit Committee.

## Number of meetings

The Supervisory Board convened for five meetings in the reporting period. In addition, the Managing Board regularly informed the Supervisory Board in a timely and comprehensive manner about all issues relevant to business development, including the risk situation and risk management of the Company and material Group entities, and particularly about events of major significance. The Audit Committee met once. As a rule, the Working and Personnel Committees made their decisions in writing on a circulating basis, with important decisions being dealt with orally in advance.

## Disclosure concerning Managing Board and Supervisory Board remuneration

### Remuneration of the Managing Board

The remuneration of the Managing Board is reported according to fixed and performance-based components including remuneration for membership in boards of subsidiaries, bonuses, and payments in kind.

For the duration of the Managing Board contract, payments are made to pension funds on the basis of a contribution-oriented system. On the whole the same rules apply to the Managing Board members as apply to employees. They provide that a basic contribution to a pension fund and an additional contribution be made by the Company if the employee makes contributions in the same amount. Three Managing Board members additionally have individual retirement benefits that are funded by pension liability insurance.

Furthermore, there is protection against the risk of occupational disability, likewise arranged by means of a pension fund or based on an individual pension commitment secured by pension liability insurance.

The following amounts of remuneration were paid to the Managing Board of Raiffeisen International:

in € 000	2008	2007
Fixed and performance-based remuneration	9,219	5,864
Payments to pension plans and pension liability insurance	79	80
<b>Total</b>	<b>9,298</b>	<b>5,944</b>

In the year under review, the share of performance-based remuneration components amounted to 60.7 per cent. It had been 45.1 per cent in the preceding year.

The performance-based components of the Managing Board's remuneration consist of bonus payments linked to the achievement of Company objectives for profit after tax, return on risk-adjusted capital, and cost/income ratio and to the achievement of annually agreed personal objectives and the value of an allotment of shares in the framework of the share incentive program. The value of the allotted shares corresponds to 65.7 per cent of the performance-based remuneration components. There were no material changes in the principles for profit-sharing compared with the preceding year.

## Share incentive program

The share incentive program (SIP) is a stock-based remuneration program for the Managing Board, members of the managing boards of network banks, and executive personnel with a term of three years per tranche. At the beginning, a number of shares are conditionally allotted to beneficiaries that correspond in value to a fixed percentage of the basic annual remuneration. The number of shares actually allotted at the end of the term is geared to two equally weighted performance parameters – the average return on equity achieved during the term in comparison with a target value fixed per tranche and the TSR (total shareholder return) ranking in comparison with the banks listed in the DJ Euro Stoxx banks subindex.

It is a prerequisite for participation in the SIP that the beneficiaries make an investment of their own and hold a number of Raiffeisen International shares during the term that corresponds to at least 30 per cent of the number of conditionally allotted shares.

A tranche of the remuneration program matured for the first time in 2008 (the 2005 SIP tranche). In accordance with the terms of the program (published in the *Amtsblatt zur Wiener Zeitung* on 9 August 2005), the maximum number of shares to be allotted, i.e., maturing shares, was reached by exceeding the set performance criteria (average return on equity over the waiting period and TSR ranking). Because of the designated value limit for an allotment, the lower number of shares shown in the following table was actually transferred. The value of the allotted shares is equivalent to 65.69 per cent of the performance-based remuneration components.

### 2005 SIP

Group of persons	Number of shares due	Value at a share price of € 81.17 on allotment date in €	Number of shares actually transferred
Managing Board members of Raiffeisen International	45,286	3,675,865	39,206
Managing Board members of bank subsidiaries associated with Raiffeisen International	81,057	6,579,397	64,616
Executives of Raiffeisen International and other enterprises associated with it	24,818	2,014,477	15,362

To avoid legal uncertainties, a severance indemnity was paid in cash instead of a transfer of shares in four countries in accordance with plan terms and conditions for qualifying employees. In Austria, the possibility was granted to qualifying persons likewise to receive a cash settlement instead of half of the shares due in order to pay from that the wage tax due at the time of transfer. For these reasons, a lower number of actually transferred shares was deducted from the total number of own shares.

A new tranche is issued in the framework of the SIP every year. That means that conditional shares are allotted respectively for three tranches as of the balance sheet date. The number of those shares amounted to 202,377 as of 31 December 2008 (the 2006 allotment accounted for 65,803 of those, the 2007 allotment for 51,903, and the 2008 allotment for 84,591).

The originally disclosed number of conditionally allotted shares changed as a result of various personnel changes in the Group units and the maturing of the 2005 SIP tranche and is presented in the following table as an aggregate:

## 2006 SIP to 2008 SIP

Groups of persons	Number of shares maturing as of 31 Dec. 2008	Minimum allotment of shares	Maximum allotment of shares
Managing Board members of Raiffeisen International	60,977	15,244	39,206
Managing Board members of bank subsidiaries associated with Raiffeisen International	108,578	27,144	162,867
Executives of Raiffeisen International and other enterprises associated with it	32,822	8,206	49,234

## Severance rights of the Managing Board

The Managing Board contracts are entered into for the duration of the term in office. In case duties or employment are ended, two members of the Managing Board have rights to severance benefits in accordance with the Austrian Salaried Employees Act (*Angestelltengesetz, AngG*), two members in accordance with contractual stipulations, and two members in accordance with the Austrian Company Pension Fund Act (*Betriebliches Mitarbeitervorsorgegesetz, BMVG*). The severance rights according to the AngG or to contractual stipulations generally lapse upon notice of termination by the employee except in the case of a Managing Board member.

Furthermore, there are no indemnification agreements between the Company and its Managing Board and Supervisory Board members, e.g., for the eventuality of a public takeover bid.

## Remuneration of the Supervisory Boards

The Annual General Meeting resolved on 10 June 2008 to pay the Supervisory Board members total remuneration of € 330.000 and assigned to the Supervisory Board itself the task of distributing that amount.

in €	2008
Chairman of Supervisory Board	70,000
Deputy Chairman of Supervisory Board	60,000
Member of Supervisory Board	50,000
<b>Total</b>	<b>330,000</b>

Fees for meeting attendance were not paid.

## D & O insurance

Directors and officers (D & O) property damage and liability insurance was taken out again last year for the Managing Board and Supervisory Board with UNIQA Sachversicherung AG.

## Report on external evaluation

Transparency in matters of corporate governance is of special importance for Raiffeisen International. It therefore undertakes not “merely” to comply with the ACGC, but rather actually lives and breathes it. In the reporting period, all of the ACGC’s L and C rules were complied with. L rules (Legal Requirement) are based on compulsory legal regulations. C rules (Comply or Explain) are to be complied with, and any divergence must be explained and justified to achieve behavior in conformity with the Code.

Following the recommendation in the preamble to the ACGC, the Company commissioned an external evaluation by *Univ.-Prof. DDr. Waldemar Jud Unternehmensforschungs GmbH*, which confirmed full compliance with the Austrian Corporate Governance Code. The results of that evaluation are available to the public on the Raiffeisen International website ([www.ri.co.at](http://www.ri.co.at)).

## Annual General Meeting

The Annual General Meeting for 2007 was held on 10 June 2008 at the Austria Center in Vienna. The next Annual General Meeting for 2008 will take place on 9 June 2009. The invitation to shareholders for this meeting will be published at least three weeks in advance.

As owners of the Company, the shareholders exercise their rights by voting at the Annual General Meeting. The voting proceeds according to the one-share-one-vote principle in which all shareholders have equal rights without voting right restrictions. Every unit share issued confers one vote, and no registered shares have been issued. The shareholders can exercise their voting right themselves or through proxies. Unless different voting majorities are prescribed by law, the Annual General Meeting’s resolutions are ratified by a simple majority of the capital stock in attendance at the time of ratification. In addition to voting on the discharge of the Managing Board and Supervisory Board, the election of Supervisory Board members and on proposals they have submitted themselves, the shareholders vote on the use of profit and hence on the amount of the dividend. To ensure maximum transparency of the Annual General Meeting, the opening comments and speeches by the Managing Board are broadcast live on the internet at [www.ri.co.at](http://www.ri.co.at) → **Investor Relations** → **Events** → **Annual General Meeting** and may also be viewed there later. That gives shareholders who were unable to attend the Annual General Meeting in person the opportunity to obtain the information first-hand.

## Transparency

Open and transparent communication with shareholders and their representatives, customers, analysts, employees, and the interested public is especially important to Raiffeisen International. The internet and particularly the Company website play an important role in that. In this regard, the website presents, among other things, the following continuously updated information:

- Annual and interim reports
- Company presentations
- Ad hoc announcements, press releases, and IR mailings
- Share price information and data on the Company’s stock
- Financial calendar with long advance notice of important dates
- Directors’ dealings
- Articles of association of Raiffeisen International
- Criteria of independence for Supervisory Board members
- Analysts’ estimates
- Forms for ordering printed materials and signing up for automatically distributed “Investor Relations News” by e-mail



## Conflicts of interest

Members of Raiffeisen International's Managing Board must disclose material personal interests in transactions of the Company and Group enterprises and other conflicts of interest to the Supervisory Board. They must also inform the other Managing Board members.

Managing Board members who perform management functions for other enterprises are obligated to work towards achieving a fair balance of the interests of the enterprises involved.

If Supervisory Board members get into conflicts of interest, they must inform the Chairman of the Supervisory Board of that without delay. If the Chairman gets into conflicts of interest, he must disclose them to the Deputy Chairman without delay.

The Supervisory Board's consent is required for contracts between the Company and members of the Supervisory Board that obligate the members to performance in relation to the Company or a subsidiary (Section 228 (3) Commercial Code) apart from their activity in the Supervisory Board for more than merely negligible compensation. That also applies to contracts with enterprises in which a Supervisory Board member has a considerable economic interest. The Company did not enter into any such contracts in 2008.

## Accounting and financial statement auditing

The Raiffeisen International Group's accounting is performed according to the provisions of the International Financial Reporting Standards (IFRS). The annual financial statements of Raiffeisen International are prepared according to the provisions of the Austrian Commercial Code (UGB). The consolidated financial statements are published within the first three months of the financial year following the reporting period, and interim reports at the latest 45 days after the end of the respective reporting period.

The 2008 Annual General Meeting again appointed *KPMG Austria GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft*, Vienna as auditor. The auditor appointed by the last Annual General Meeting received compensation of € 27,524 for other services ordered by the Company. For the current financial year, no consulting services have so far been agreed beyond the previous year's extent. The auditor confirms that it has been issued a certificate of a quality assurance system and no reasons for exclusion or partiality exist. Besides preparing the legally prescribed audit report and performing an auditor's reporting duty, the auditor writes a management letter to the Managing Board that also contains references to weaknesses in the Company. The letter is brought to the attention of the Supervisory Board Chairman, who ensures that it is dealt with in the Audit Committee and a report of that is made to the Supervisory Board.