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Summary

This document is the corporate responsibility report (CR report) to be published by the RZB Group. Others will follow at regular intervals. The report is also available in German. It can be downloaded from www.rzb.at/corporateresponsibility/de and www.ri.co.at.

The CR report outlines our business principles and gives an overview of the many corporate responsibility initiatives taking place across the Group. It is also intended as a guide and reference for our 66,600 or so employees. It shows what has been achieved and looks ahead to future goals.

In terms of its content, the report takes its cue from the Global Reporting Initiative (GRI); the relevant guideline is the G3 Financial Services Sector Supplement. The structure is based on the following Group principles:
- A future always needs a past
- We are here to stay
- Our clients’ success defines our own success
- The best become better with us
- A strong cultural mix

These principles are drawn from the original values encapsulated in the Raiffeisen idea. Reinterpreted to fit today’s times, these values are central to the world of the RZB Group, and link its ideals with those of its shareholders in the Austrian Raiffeisen banking group.

The weight that the report gives to the various issues discussed here reflects the outcomes of an internal project, as well as views expressed in workshops and interviews with RZB staff and senior executives. Insights gained from discussions with representatives of non-governmental organisations have also been taken into account.

The examples presented here are only a representative cross-section of our many and varied projects and initiatives. They were selected because they are particularly good illustrations of the RZB Group’s CR strategy.

All the information was obtained from staff in the divisions concerned. Due to the surging growth of the RZB Group in recent years, the information provided on some parts of the Group does not match up to the desired quantity and quality. Moreover, the rapid expansion of Raiffeisen International and its network banks has meant that it has not yet been possible to create an adequate reporting system for employee data and environmental indicators. We will try to fill these gaps in time for future CR reports.

The cut-off date for this report was 31 December 2008. This is also the balance sheet date of the annual reports of RZB (http://gb2008.rzb.at) and RI (http://gb2008.ri.co.at).

In principle this report is devoted to the RZB Group, but important parts also include limited coverage of RZB AG and the RI subgroup.
The following corporate abbreviations are used in the report:

**RZB**
Raiffeisen Zentralbank Österreich AG

**RI**
Raiffeisen International Bank-Holding AG

**RZB Group**
RZB and all the consolidated subsidiaries included in the bank’s consolidated financial statements (see RZB Annual Report 2008, pp 240 ff).

In the interests of completeness, we also sometimes refer to associates accounted for using the equity method.

**RI Group**
The RI Group, or in other words Raiffeisen International with RI AG at its head, is the largest consolidated subgroup in the RZB Group, and has network units in 17 Central and Eastern European markets.

**RBG**
The three-tier structure of the Austrian Raiffeisen banking group consists of autonomous local banks (“Raiffeisen banks”; first tier), independent regional banks (RZB’s principal shareholders; second tier); and RZB (the RBG’s lead bank; third tier).

Please accept that gender-specific wording has been omitted for reasons of better readability, it goes without saying that both genders are referred to in an equal manner.
Foreword

Dear Ladies and Gentlemen,

This is the RZB Group’s corporate responsibility report 2008. This report is aimed at all those interested in forming a view of the sustainability of our operations. In particular, it is addressed to the 66,600 employees of the RZB Group. It explains the values we are committed to, and how we fulfil our corporate responsibilities.

Who we are

The RZB Group is one of the world’s 100 largest banks, with total assets of EUR 156.9 billion (bn) and a presence in more than 36 countries. The RZB is the flagship of the cooperatively organised Austrian Raiffeisen Banking Group — the country’s largest banking group — and it is their firm support that makes our success possible. Together with them, we work under the gable cross — the trademark of the organisation founded by Friedrich Wilhelm Raiffeisen about 140 years ago. Today, it is impossible to imagine life in Austria, and Central and Eastern Europe, without the Raiffeisen sector.

What we stand for

We have distilled our view of ourselves into five guiding principles. These give expression to our traditional roots, and our dynamism and international focus. Separate chapters of this report are devoted to each of these principles. Although RZB has never been a cooperative, we remain strongly committed to the cooperative ethos, regardless of our legal form.

The Raiffeisen idea is both timeless and up to date. To us, corporate responsibility means acting responsibly in every area of operations. There is nothing new about that, though today’s social problems differ from those of the second half of the 19th century, when our organisation was established. Proud of our history and traditions, we equate corporate responsibility with doing business the Raiffeisen way — a contemporary commitment to the enduring ideas of Friedrich Wilhelm Raiffeisen, who recognised the need to help people to help themselves by forming cooperatives and put this idea into practice.

Among our recent achievements are:

- Leadership of the Austrian corporate banking sector and a growing share of the Central and East European retail banking market with over 14.7 million (m) customers.
- Roll-out of a financial services network with over 3,250 branches and almost over 66,600 employees across 17 Central and Eastern European markets — a major contribution to economic progress in the region.
- Creation of about 650 quality jobs in Vienna alone since 2005.
- Despite our group structure, a clear commitment to regionalism: we are local banks in all our home markets, and this is reflected in the high proportion of local management staff.
– Active fulfilment of our social responsibilities through large numbers of projects and financial support.

**Challenges and goals**

The next few years will bring major challenges for the RZB Group, which we will address and confront with determination. We will:

– adhere to our successful strategy with a view to becoming the leading banking group in Austria, and Central and Eastern Europe.
– remain rooted in our home markets in Austria, Central and Eastern Europe.
– impress our clients with our high service and product quality, and our collaborative approach to customer relationships.
– develop our employees’ careers and cement their loyalty by being an attractive employer.
– strengthen the common corporate culture in the RZB Group on the basis of our roots and history.

We are well aware that there are differences in the degree to which our CR policies have been implemented around the Group because of our rapid growth in recent years. To the extent that this is legally, economically and culturally possible, we are working to harmonise them.

The RZB Managing Board is fully committed to the Raiffeisen principles and working towards the above goals. In today’s troubled times, it is more important than ever to stay true to our convictions, remember our strengths and live out our commitment to sustainability.

Dr. Walter Rothensteiner
Chairman of the Managing Board
WELCOME TO THE BANK
THAT COMES TOP FOR CUSTOMER SATISFACTION
CHAPTER 1

1 Who we are

1.1 The RZB Group

RZB is the lead bank of the Austrian Raiffeisen Banking Group, the largest banking group in the country. Our market share of 16.3% makes us the country’s leading commercial and investment bank. We are the only Austrian bank whose branch network includes all the world’s top financial centres: London, New York, Singapore and Beijing. At the time of publication of this report we had branches in 36 countries (Figure 1).

Central and Eastern Europe (CEE) has been a major focus of our operations since the mid-1980s. Via our listed subsidiary, Raiffeisen International, we operate one of the largest banking networks in CEE. Some 17 markets in this emerging region are served by our subsidiary banks, leasing companies and an

Figure 1: RZB Group representative offices
1.1.1 Business performance

RZB posted a solid performance in 2008 despite the severe financial crisis. Thanks to an excellent operating performance, we had sufficient resources to absorb the full force of the crisis.

RZB has taken the strategic decisions needed to adapt to the changed environment. Because the market is currently looking for higher capital ratios, RZB increased its Tier 1 capital substantially in 2008 with the help of its shareholders; this should prevent it from being at a competitive disadvantage.

At the same time, we trimmed our growth to match the changed refinancing situation created by seized-up credit markets. Despite the economic downturn, our Austrian and CEE home markets still offer excellent opportunities, which we will continue to be able to take thanks to our strong position.

array of other financial service providers. This translates into over 3,230 branches (RZB Group total: 3,251) with over 14.7m customers.

RZB has strategic investments in Austria. These defend and strengthen the market shares of RZB and RBG. Raiffeisen Centrobank AG, Raiffeisen-Leasing Österreich GmbH and RSC Raiffeisen Daten Service Center GmbH are examples of fully consolidated subsidiaries.

RZB itself is organised according to the matrix principle. Customer, product and service divisions interact to form a powerful organisation (> Figure 2).

The past few years have been a period of rapid growth, during which the RZB Group head count has risen to over 66,600 by end of 2008.
RZB Group will continue to focus on CEE as well as Austria. Austria is a key market for RZB, which is one of the front runners in corporate banking, and is the lead bank of the Austrian Raiffeisen Banking Group. Corporate banking is the foundation of RZB’s Austrian business, and again performed excellent in 2008.

RZB Group pioneered the opening up and modernisation of CEE banking markets, and is now the second-largest bank in the region. Our CEE focus is built on a long-term commitment to the region, which will not be knocked off course by short-term setbacks. For example, after the 1998 Russian financial crisis RZB Group was the first international bank to recapitalise its local subsidiary, despite the negative assessments of the rating agencies at the time. What followed was an unparalleled geographical diversification that made our banking network one of the strongest in CEE. As at 31 December 2008 our customers in CEE countries totalled over 14.7m.

Total assets were set to reach EUR 156.9bn at year end 2008. RZB Group’s operating performance remains excellent.

Although the trading profit attributable to RZB declined as a result of the crisis, the operating profit beat the previous year’s record figure, rising to EUR 2.788m. With revenue growing faster than costs, the cost/income ratio improved by 4.1% to 52.8%.

While the operating result hit a record high, the repercussions of the financial and banking crisis led to a decline in profits. Within RZB Group, pre-tax profits dropped by 60% from EUR 1.485m to EUR 597m, which was mainly due to changes in market valuation of securities and financial instruments, Lehman and the collapse of Iceland’s banking system.

Profit before tax fell by 59.8% to EUR 597m, profit after tax by 63.7% to EUR 432m and profit after minorities by 93.8% to EUR 48m. The main factors behind the sharper decline in the latter figure as compared to the pre-tax result were an increased tax burden and the fact that the minority shareholders primarily hold stakes in the Group’s more profitable companies.

The RZB Group’s own funds increased by 4.9% to EUR 10.8bn. RZB’s shareholders played a major part in this increase in equity.

Equity strengthening actions in 2008:
– 7 September 2008:
  EUR 250m private placement of non-voting non-ownership stock (DZ Bank)
– November 2008:
  EUR 165m capital increase (subscribed to by existing shareholders)
– December 2008:
  EUR 750m issue of non-voting non-ownership stock (subscribed to by existing shareholders)

1.1.2 Management
Managing Board
Since 1 October 2007 the Board has had six members:
Walter Rothensteiner, Chairman
Herbert Stepic, Deputy Chairman
Patrick Butler
Karl Sevelda
Johann Strobl
Manfred Url

Supervisory Board
The RZB Supervisory Board consists of 12 shareholder representatives, six employee representatives, and the following three committees:
– Personnel Committee
– Audit Committee
– Working Committee
Compliance

Banks cannot function without trust. Our business success directly depends on stable and fair relationships with customers and employees.

RZB therefore expects its employees to show integrity and commitment in their treatment of customers. We rely on them to avoid all forms of behaviour, dependent relationships or conflicts of interest that could prejudice the interests of our customers or the Bank. We require them to desist from behaviour that is harmful to the customer, exercises an unfair influence on financial markets, or is detrimental to our reputation, both as employees and as private individuals.

The Compliance Manual containing the Code of Conduct (> www.rzb.at/corporateresponsibility/en) is central to corporate responsibility (Cr) at RZB. As would be expected, the manual contains all the normal regulations needed by a bank to prevent conflicts of interest. It also establishes rules of conduct such as the policy on the improper acceptance of gifts. A special feature of our Compliance Manual is the separate section containing additional rules regarding human rights, arms dealing, the environment and nuclear energy. We only do business that conforms to these regulations.

Our Compliance Manual protects employees by clarifying their duties under the large body of applicable legislation. It establishes minimum standards that are mandatory for all RZB Group employees. It is a practical guide to the legal and regulatory rules governing:

- treatment of market-sensitive information;
- treatment of employee dealings;
- overcoming conflicts of interest;
- the execution of customer buy or sell orders;
- customer classification and advice;
- complaints management;
- avoidance of money laundering and fraud;
- the initiation of business relationships;
- financial sanctions.

1.1.3 Risk management, compliance and audit

Our risk management, compliance and audit functions are organised in accordance with international standards, and are continuously improved.

Risk management

The risk management function is fundamental to the overall management of the RZB Group. It is headed by Johann Strobl, who was appointed to the new position of Chief Risk Officer on 1 October 2007. The relevant risk categories are credit, country, market, liquidity and operational risk.

The Raiffeisen brand is our most valuable asset. This is why we attach such importance to reputational risk — a subject frequently mentioned in this report. Environmental risk also calls for close scrutiny because of the nature of our activities and our customer base. For instance, we finance industrial plants and property developments. The RZB Group began applying the Basel II standard approach to operational risk at the start of 2008. This has led to increased attention to potential reputational risk arising from projects associated with environmental risk exposure.

Apart from active loan portfolio management, our risk management function will give high priority to:

1. the implementation of an internal rating based (IRB) approach to credit risk; and
2. the development and use of proprietary models for other risk categories.

For further information on risk management, consult pp. 74 and 193 of the RZB Group 2008 Annual Report.
An important area of work in 2008 was compliance with the third Money Laundering Directive. We have long carried out special identity checks under certain predefined circumstances.

Separate instructions establish strict rules for transactions involving arms dealing. Definitions are given for terms such as “military equipment and supplies” and “prohibited arms transactions”, and strict limits set to lending related to arms dealing. We comply with local and international law, we make careful checks to verify the intended use in the destination country.

We are also conscious of our responsibility to the environment. We therefore evaluate environmental impacts and compliance with domestic and international environmental law. We do not finance projects involving nuclear power stations or other nuclear facilities unless the money is used to improve technical standards and safety at existing plants.

These regulations are the ground rules, and encourage our employees to address and point out potential reputational risks themselves. Infringements of the Code of Conduct result in disciplinary action. The Code of Conduct applies to the entire Group.

Group Compliance forms part of the Legal and Compliance service division, which reports directly to the CEO. Corresponding organisational units monitor compliance with local regulations and Group compliance standards at our subsidiaries and our principal shareholders, the Regional Raiffeisen Banks.

Audit
The Audit Division is the central unit for our Group audit and internal audit functions. There are also separate audit departments at RZB Group companies.

1.1.4 Corporate governance
Our cooperative roots give us a particular duty to take corporate governance seriously. Ever since our formation, transparent governance has been a living reality at RZB. Our Raiffeisen International subsidiary is listed on the Vienna Stock Exchange (almost one third of the shares are in free float). RI has committed to the Austrian Code of Corporate Governance, and compliance is subject to annual independent evaluations.

For further details please consult our 2008 annual reports (http://gb2008.rzb.at or http://gb2008.ri.co.at).

1.2 Corporate responsibility in the RZB Group

1.2.1 Our approach to CR
As a member of the Raiffeisen family, social responsibility and sustainability are in our genes. In particular, we are explicitly committed to:

- protecting the environment — especially against climate change;
- upholding human rights;
- fighting corruption; and
- contributing to the stable economic development of the regions where we operate.

We are committed to economic and social sustainability, and a sensible balance between the free market, and social and environmental responsibility.

Simon Zadek has developed a model of the various stages of corporate social responsibility. The diagram below shows our view of where RZB is at present (> Figure 3).
Corporate responsibility is a core component of our culture, and our image inside and outside the organisation. Sustainability is of strategic importance to our business operations, and our cooperation with customers and business partners. Our goal is to show RZB’s owners, customers, employees and stakeholders (see p. 19) that we are acting on our commitment to CR.

RZB also belongs to several national and international organisations.

In our lending operations we apply the environmental and social standards of international and supranational financial institutions and development banks, including the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC).

### 1.2.2 CR standards and memberships

<table>
<thead>
<tr>
<th>Environment</th>
<th>since</th>
</tr>
</thead>
<tbody>
<tr>
<td>ÖGUT - Money and Insurance Business working group</td>
<td>1985</td>
</tr>
<tr>
<td>The Austrian Society for Environment and Technology (ÖGUT) was founded as a non-party platform in 1985 - after the debacle of the Hainburg hydropower scheme - with the aim of overcoming barriers to communication in areas of conflict between economics and ecology.</td>
<td></td>
</tr>
<tr>
<td>ISO certifications</td>
<td></td>
</tr>
<tr>
<td>The International Standards Organisation (ISO) is the international association for standards bodies. It draws up international standards.</td>
<td></td>
</tr>
<tr>
<td>9001 Quality Management</td>
<td>1995</td>
</tr>
<tr>
<td>14001:2004 Environmental Management System (audited by Quality Austria and implemented by ZHS Office &amp; Facility Management GmbH, an RZB subsidiary)</td>
<td>1998</td>
</tr>
<tr>
<td>The UNEP-FI is a global partnership between the UN Environment Program (UNEP) and private sector financial institutions. RZB is a founder member of the UNEP-FI CEE Task Force, which was set up in 2004.</td>
<td></td>
</tr>
<tr>
<td>RKI (Raiffeisen Climate Initiative)</td>
<td>2008</td>
</tr>
<tr>
<td>(see p. 42)</td>
<td></td>
</tr>
</tbody>
</table>

![Figure 3: Stages of corporate social responsibility (based on Simon Zadek’s model)](image-url)
In order to underpin the success of our projects, senior executives are expected to act as role models for our corporate values. This creates awareness among our employees. We encourage debate on the Raiffeisen principles and the CR policies based on them. A series of events and workshops are planned where employees will be given a more detailed insight into corporate responsibility.

1.2.4 Corporate Responsibility Committee
An internal CR Committee has been set up as the appeal body in cases of dispute escalation. The committee is composed of the CEO, the Managing Board member responsible for risk management, the compliance officer and any experts who may be required. The chairman of the RI Managing Board joins the committee to discuss key CR issues influencing the network banks. Final decisions are taken by the Group Managing Board as a whole.

An extended CR committee has also been set up to support the development of CR policies across the RZB Group. The committee’s members include experts from a variety of divisions, and stakeholder representatives. It discusses the prioritisation of the Group’s CR activities.
The members of the extended CR committee
Erwin Hameseder, CEO of Raiffeisenlandesbank
Niederösterreich-Wien AG (RZB’s majority share-
holder), represents the shareholders’ interests. He is
also responsible for liaison with the Raiffeisen Re-
gional Banks, our principal shareholders.

Franz Fischler, chairman of the board of the Raiffeisen
Climate Initiative, is a renowned expert on the envi-
ronment and sustainability. Thanks to the experience
gained during a long and successful career as an
Austrian and EU agricultural policy maker, Mr Fischler
provides valuable input on environmental issues.

KR Martin Essl, entrepreneur and chairman of bau-
Max AG board of directors, is our clients’ represent-
ative on the committee. He is considered a pioneer and
visionary in the field of CR. Two of the things
our companies have in common are the presence in
central and southern European countries and the ex-
tensive social and cultural commitment.

Professor Rudolf Bretschneider, managing partner at
opinion research firm GfK Austria (formerly Dr.
Fessel-Institut für Marktfororschung), is expected to
make a major contribution to discussion of political
and social policy issues. In 2008, RZB commis-
sioned a study by GfK Austria on Austria and the
new EU member states.

Sabine Haag, general director of the Kunsthistorisches
Museum in Vienna, represents the cultural and artist-
ic viewpoint.

CR expert Professor Christian Friesl has also joined
the committee. He heads the social policy depart-
ment at the Federation of Austrian Industry, where
he focuses on migration issues, and lectures at the
University of Vienna Institute of Practical Theology.

Monika Lindner, a member of the governance board
of the Austrian Red Cross, shares her wide-ranging
experience and expertise in a variety of community
services.

Krisztina Horvath, member of the Managing Board
at Raiffeisen Bank Zrt. in Hungary, represents the net-
work banks.

1.2.5 CR – bridging the gap between common rules
and decentralisation
Despite the group structure, RZB Subsidiaries are
largely autonomous and free to take their own deci-
sions. Corporate responsibility is no exception.
Local CR policy choices can and must grow from
our common roots and the Raiffeisen values. The
economic, environmental and social conditions in
our core markets differ greatly. As the local subsidi-
aries know their markets best, we trust in their ability
to set the right CR priorities. Two examples illustrate
this approach.

- Raiffeisen-Leasing Österreich Gesellschaft m.b.H.,
  Austria — renewable energy
  Raiffeisen-Leasing Österreich Gesellschaft m.b.H. is an RZB
  subsidiary which specialises in financing alternative and
  renewable energy production plants (e.g. biodiesel, bio-
  ethanol, biogas and biomass, and geothermal, photovoltaic,
  small hydro and wind power). Thanks to the strong support
  of top management and RZB, a new division has been set
  up (see p. 47). Raiffeisen Leasing organises regular public
  information and discussion events on renewable energy,
  and also publishes its own sustainability report.

- Tatra banka a.s., Slovakia — corporate culture
  Tatra banka a.s. has shown its commitment to CR by mount-
  ing a wide-ranging corporate culture project. A group of 26
  managers drew up proposals for the organisation’s internal
  culture and mission statement. CEO Igor Vida presented the
  outcomes to members of staff at a series of ten roadshows.
  An anonymous online survey gave all employees an oppor-
  tunity to share their opinions, suggestions and criticisms on
  the proposals. The response rate of 82% was an indication
  of the success of this initiative.
1.2.6 Stakeholder communication and relationships
Openness is central to all of our stakeholder relationships. We also use large numbers of events and a variety of media to communicate proactively, both internally and externally. Group companies’ PR departments, the RI Investor Relations Department and the RZB Debt Investor Office are available to answer questions from the public.

Our key stakeholders are:
- owners
- customers
- employees
- international financial institutions
- business partners
- governments and public authorities
- investors and analysts
- suppliers
- regional and local authorities
- investees
- NGOs
- universities and schools

The following chapters explain how we engage with our main stakeholders, and what their expectations of us are. We always seek open and transparent communication. In the interests of still closer relationships with the main stakeholder groups, we plan to hold regular stakeholder dialogues.

Open communication is also writ large within the Group. For example, a so called Group meeting is held each spring. All managing board members from the international Raiffeisen network are invited to Austria to discuss future strategy and current issues with representatives of RZB and RI, and top managers from RZB subsidiaries. This two-day management event is a very popular discussion forum, and also helps strengthen team spirit.

1.3 What we stand for
As a banking group we are ideally placed to set the tone for sustainable development. We have laid down five principles which act as a framework for CR activities within the Group.

1.3.1 A future always needs a past
The RZB Group boasts stable and successful owners with long traditions and a strong umbrella brand. We therefore set great store by behaving responsibly to our brand, thereby creating sustainable value for our shareholders.

- The Raiffeisen idea — responding to social challenges
Friedrich Wilhelm Raiffeisen set up a number of associations devoted to tackling poverty and the hopeless situation facing the rural population. Originally philanthropic, these organisations were later based on the principles of self-help, self-administration and individual responsibility. Social responsibility has remained our creed to this day. However we must adapt our founder’s legacy to contemporary society and language. Corporate responsibility is the response to many of today’s social and environmental challenges.
1.3.2 We are here to stay
Our investments and transactions are designed to have sustainable positive effects on the regions and economies where we operate.

- Sustainable economic growth
  Our successful investments in Austria and Central and Eastern Europe have made a major contribution to regional economic development. We provide stability by maintaining an active presence even in times of crisis.

- Retaining skilled labour
  The brain drain is one of the big challenges facing Central and Eastern Europe. We help to lessen its impact by creating quality jobs.

- Stimulus from investment
  Our investments stimulate economic growth. We also finance infrastructure projects.

- Fair taxation
  The countries where we operate create an economic environment in which we can be successful. In return we do our bit for the public purse.

- Active role in society
  We attach great importance to donations and sponsorship. Many staff members also make a personal contribution to society by performing voluntary work.

- Social responsibility
  Social responsibility is essential if the fruits of economic success are to be fairly distributed. We fight corruption, human trafficking and money laundering, and observe strict controls on arms dealing.

- Internal environmental policies
  Responsibly run businesses act as role models for energy and resource conservation. By setting an example we can attract publicity as pioneers, and be more active imitators.

1.3.3 Our clients’ success defines our own success
The RZB Group provides a comprehensive range of financial services. Our clients include the top 1,000 Austrian companies, and private and corporate customers in Central and Eastern Europe. RZB also holds stakes in specialist investment banks and asset managers.

- Building eco-social aspects into existing risk analyses
  Plants that do not meet the latest energy efficiency standards or infringe stakeholders’ human rights represent a major risk. As one of Europe’s leading business banks, we are strongly committed to sustainability. This approach makes for more secure investments, and helps asset managers assemble portfolios with good long-term prospects.

- Product innovation
  In corporate, investment and retail banking, there are now new products focused on renewable energy or energy efficiency. And in the asset management area, sustainability funds are a fast growing niche market.

- Long-term relationships
  Our investments are designed to create long-term value and not simply to generate short-term profits. Especially in times of crisis, we seek agreed solutions with those affected.

- Consumer protection
  All of our marketing is subject to guidelines on fairness, and consumer and data protection are important concerns.
1.3.4 The best become better with us
In these times of demographic change and increasingly difficult labour market conditions, we are an exemplary employer.

- Recruiting and retaining staff
  Rapid economic growth in Central and Eastern Europe is leading to stiff competition for skilled labour. The RZB Group attaches great importance to positioning itself as an attractive employer.
- Training and development
  RZB employees are offered a wide range of training and development opportunities.
- A motivating working environment
  A strong leadership culture, personality development and clear objectives provide the right conditions for employees to fulfil their potential.
- Integrating CR
  We are currently working to integrate environmental and social objectives in our training and goal setting systems.
- Health and the work-life balance
  We aim to provide a working climate that is conducive to wellness in the widest sense.

1.3.5 A strong cultural mix
The RZB Group currently has over 66,600 employees from many different nationalities, and sees itself as a multicultural group. We make a reality of equal opportunities in our organisation, cultivate staff mobility in our banking network and advocate diversity in society.

- Innovative products tailored to consumer target groups
  The RZB Group constantly creates new areas of business by responding to its customers’ cultures.
- Openness to the outside world
  International networking, cultural exchanges and the European Union are all central to our public relations activities.
- Sponsoring cultural diversity and local traditions
  RZB is following the lead of its shareholders by supporting the arts in its core markets. This sometimes extends well beyond the mainstream.
- Promotion possibilities and equal opportunities for all employees
  Regardless of cultural background or gender, all RZB employees have the same opportunities for career advancement, and receive equal pay for equal work.
- Balancing work and family life for men and women
- Equal opportunities for the disabled
OUR ORIGINS AS A SOCIAL MOVEMENT ARE LEADING US TOWARDS A GLOBAL FUTURE
CHAPTER 2

2 A future always needs a past

2.1 The origins of an idea

The Raiffeisen movement, whose origins can be traced back to the vision and pioneering work of Friedrich Wilhelm Raiffeisen (1818–1888), brought a lasting improvement to the desperate conditions faced by small farmers in the Westerwald region of the Rhine Province of Prussia, in today’s Germany, in the mid-19th century. The relief organisations he founded were successful in alleviating the plight of the rural population. The purpose of these organisations was not to collect and distribute aid — they were associations that enabled their members to create an independent livelihood and build up savings.

F. W. Raiffeisen

Our principle that “a future always needs a past” pays tribute to the origins, traditions and history of Raiffeisen. Our strategies and business activities stem directly from these roots.

2.1.1 The origins of an idea

“Raiffeisen is more than a group of companies. Because of our long and successful history, today the Raiffeisen organisation is deeply rooted in Austria’s economic life and society. We stand for sustainable business practices for the welfare of society. Our pioneering achievements in Central and Eastern Europe, and the flotation of Raiffeisen International have enriched our brand with two further success stories. For RZB’s management and employees this excellent reputation is both a shared heritage and a mission. All of us have a responsibility to act according to the Raiffeisen values.”

Manfred Url
Member of the RZB Managing Board

Raiffeisen is a byword for security and stability. Our members and business partners are happy to put their trust in a company that boasts over a century of success. The Regional Raiffeisen Banks are our strong and stable owners, and underpin the continuity in our Group. Their shareholders, the local Raiffeisen cooperative banks with 1.7m members, are the ultimate owners.
Raiffeisen's first association — the Verein für Selbstbeschaffung von Brod und Früchten (Society for Self-Supply with Bread and Grain), in the small Westerwald community of Weyerbusch— was still largely concerned with poor relief. However, the purpose of the second organisation he founded, the Hülfsverein zur Unterstützung unbemittelten Landwirte (Association for the Support of Indigent Farmers), in Flammersfeld, was to reduce the crippling burden of debt on local farmers. Like the first association, this was supported by the local gentry. It bought cattle pledged to money lenders by farmers, thereby settling their debts. The farmers who became debtors of the relief organisation in this way would then repay their obligations over long periods (in ten annual instalments), at very low interest rates.

Friedrich Wilhelm Raiffeisen took a crucial step forward when he founded his third organisation, a credit union for the parish of Anhausen in the Neuwied district, and the Heddesdorfer Wohltätigkeitsverein (Heddesdorf Charitable Society), which was converted into a credit union in 1864. Further advances concerned the structure of the associations, with much of the capital now raised by the beneficiaries themselves. In principle, the capital came from members' deposits, meaning that this was also a form of special purpose saving. Loans were extended from this savings capital at fair conditions. Liability was mutual and the resulting benefits were shared. Raiffeisen had thus created a prototype rural credit union. The activities he initiated rapidly took on the character of an economic and social movement, and he disseminated his ideas in his many writings. His most important work, Die Darlehenskassen-Vereine als Mittel zur Abhilfe der Not der ländlichen Bevölkerung sowie der städtischen Handwerker und Arbeiter (The Credit Union as a Remedy for the Poverty of the Rural Population and Urban Tradesmen and Workers), was published in 1866 to great acclaim. In terms of social organisation, the cooperative principle remains a means of emancipating people from economic, social or political dependency. This process of liberation can give rise to a variety of forms of solidarity, community and networks. Solidarity is central to the cooperative ideal.

After the founder's death, the Raiffeisen idea spread across large parts of Europe and the rest of the world. Today it is embodied in over 900,000 cooperatives with 500m members in more than a hundred countries.

2.1.2 The Austrian Raiffeisen Banking Group (RBG)

The first credit union based on the principles of Friedrich Wilhelm Raiffeisen was founded in Mühldorf, near Spitz an der Donau, on 2 December 1886. By the turn of the century, there were already 2,906 credit unions in Austria, with total assets of 171m kronen. The rapid expansion of the local credit unions led to the creation of regional clearing banks in the provinces from 1894 onwards (today's Regional Raiffeisen Banks), and to the foundation of RZB in 1927.

Today the RGB is the strongest banking group in Austria. It has the most extensive branch network in the country, and makes up about one quarter of the
2.1.4 Stable ownership — a pillar of strength
Our success would not have been possible without the unwavering support of our shareholders. The Regional Raiffeisen Banks laid the foundations for the growth of the RZB Group. Since 2004 RZB’s nominal capital has been increased by over EUR 70m, and its share capital has risen to almost EUR 440m. This is the visible proof of the strong bond between our core shareholders and the RZB Group.

entire domestic banking industry. The RBG has a three-tier structure. The first tier consists of the 541 local Raiffeisen banks with 1,695 branches, and the second tier of the eight Regional Raiffeisen Banks. The latter are the shareholders of the Raiffeisen Zentralbank Österreich AG, which constitutes the third tier. In addition, the RBG owns a variety of specialised banks and investments in other Austrian financial institutions.

2.1.3 The roots of RZB
1927 the Vienna based Girozentrale der österreichischen Genossenschaften (Austrian Cooperative Clearing Bank) was founded as a lead bank for cooperative payments. The main purpose was to simplify transactions between the Austrian Zentralkasse and the cooperative associations. The clearing institution was also aimed at integrating the provincial institutions in the Austrian money market and creating a link between them and the central bank.

The first ten years saw the total assets of the cooperative clearing bank increase from the equivalent of EUR 800,000 to EUR 3m. After World War II it was renamed the Genossenschaftliche Zentralbank Aktiengesellschaft (Cooperative Central Bank Plc). In 1977 — its 50th financial year — the total assets of Raiffeisen Zentralbank Österreich AG, as it has been called since 1989, were EUR 3.7bn. By end of 2008 they had increased to EUR 156.9bn.

RZB started out with nine employees. By 1957 this number had grown to 184, and by the end of 1997 the head count of the RZB Group already totalled 3,074 — with 789 staff working in Vienna, 100 at foreign branches and representative offices, and 1,890 in Central and Eastern Europe. By end of 2008 the Group had some 66,600 staff and more than 3,230 branches around the world.

2.1.4 Stable ownership — a pillar of strength
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Figure 4: Structure of the Austrian Raiffeisen Banking Group

<table>
<thead>
<tr>
<th>1.7 million members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raiffeisen Banks: 541 Raiffeisen Banks</td>
</tr>
<tr>
<td>Raiffeisenlandesbanken: 8 Regional Raiffeisen Banks, Zveza Bank</td>
</tr>
</tbody>
</table>

- Investments in Austrian financial institutions: Raiffeisen Centrobank, Kathrein & Co, Raiffeisen Capital Management, Raiffeisen Factor Bank, Nationalbank, Kontrollbank, PayLife, leasing companies, Bauparkasse, card complete, UNIGA, etc.
- The Network in Central and Eastern Europe: Raiffeisen International, Network Banks, Leasing International, other subsidiaries
- Foreign branches, offices and equity investments: Branches, representative offices, banks
- Specialist and back-office companies: Payment and securities settlers, IT companies, property and trading companies, private equity companies, etc.
### 2.2 The gable cross — a valuable brand

Geneva based market research company IMT analysed the Raiffeisen brand and deciphered its “DNA”, which consists of 12 success factors. One of these is the Gable Cross — the time-hallowed symbol of safety for our owners, customers and employees. Raiffeisen owes much of its success to its people, whose day-to-day work helps strengthen the brand (> Figure 5).

Raiffeisen brand DNA:
Our responsibility to our brand is also enshrined in the Code of Conduct (see section entitled “Who we are”).

### 2.3 The RZB Group — a dynamic pioneer

Over the past two decades, the RZB Group has stood out for its readiness to enter new markets much earlier than the competition. Rapid growth is vital if RZB is to remain the number one banking group in Austria, and Central and Eastern Europe, and to extend its lead. Back in 1986, before the fall of the Iron Curtain was in sight, we founded our first subsidiary in Hungary — a joint venture. At the time, the main motive for expanding into Eastern Europe was Austria’s position at the periphery of the “West”, and the good relations of the country and the bank with its eastern neighbours. We kept to this strategy of organic growth until we acquired Market Banka in Bosnia-Herzegovina in 2000 (> Figure 6).
Figure 5: Raiffeisen brand DNA

Figure 6: Expansion of the network

Successful greenfield expansion...

...complemented by profitable acquisitions.
Vision
RZB is the leading banking group in Austria and Central and Eastern Europe.

Mission
– We seek long-term customer relationships.
– In Austria and Central and Eastern Europe, we provide a full range of highest quality financial services.
– In the world’s financial centres and Asia, we are an important niche player.
– As the central institution of the Raiffeisen Banking Group in Austria, we offer specific services to our owners.
– We achieve sustainable and above-average return on equity.
– We empower our employees to be entrepreneurial and to show initiative and we foster their development.

Values
Focus on our customers’ needs.
– We provide excellent financial services to our customers’ needs.
– We are committed to the highest professional standards.
– We support flexibility to ensure a rapid response to customer needs.

Increase shareholder value
– We strive for continuous and sustainable growth in shareholder value by achieving an exceptional return on equity.

Uphold solid general ethics
– We base our work and attitudes on fundamental ethical values.

2.4 “We are Raiffeisen”

Although RBG and RZB operate in different markets, we are guided by the same set of principles. We stand shoulder to shoulder, work and succeed together.

The RZB Group is an integral component of the Raiffeisen banking group. Our strategy is rooted in our shared Raiffeisen traditions. This is why we constantly remind our people of the history and values of our organisation. Our principal shareholder, Raiffeisenlandesbank Niederösterreich-Wien is currently carrying out a project with very similar aims, billed as “Mit.Einander” (Together).

We have taken our five principles as the framework for this CR report in order to show their practical relevance. Together with our vision, mission and values, they are the cornerstone of the RZB Group’s CR strategy.

Principles
– A future always needs a past
– We are here to stay
– Our clients’ success defines our own success
– The best become better with us
– A strong cultural mix
Lead, Motivate and Empower People
- We set strategic and operational goals and lead the Group to their successful implementation.
- We encourage entrepreneurship and initiative.
- We empower the employees of the RZB Group, creating a climate that motivates them to high performance.
- We foster the development, satisfaction and loyalty of our employees.
- We see teamwork as the basis for successful cooperation within the RZB Group and for its future development.
- We provide equal opportunities based on merit and reward performance.

2.5 Objectives and actions

We do not intend to sacrifice what we have created and achieved on the altar of tomorrow’s intellectual fads. We mean to uphold the founding vision and aims of our organisation as the inalienable foundations of our business activities.
- Active preservation of our history, traditions and origins.
- Active protection of the Raiffeisen brand.
- Active consolidation of our common Group identity.
- Active solidarity with our main stakeholders.

RZB, RI and their network banks plan to pursue these goals by launching a raft of activities including:
- “We are Raiffeisen”
  Continuation of the “We are Raiffeisen” campaign to communicate Raiffeisen’s history, values and CR approach to our people.
- Stakeholder dialogue
  Organisation of a dialogue on “CR at Raiffeisen” involving the CR committee.
- Critical self-assessment
  Implementation of CR audit mechanisms across all divisions.
WE DON’T JUST INVEST IN NEW MARKETS, WE’RE THERE TO STAY
3 We are here to stay

3.1 Long-term strategies and stability

We pursue long-term strategies in all our markets without exception, and management is decentralised despite our group structure.

3.1.1 Business the Raiffeisen way

The RZB Group has had a very strong growth record over the past few years. With total assets of EUR 156.9bn we are one of the hundred largest banks in the world. Our pioneering role and progressive market penetration have made us a major player in the Austrian and CEE financial sectors (> Table 3). At year end 2008 our market share in Austria had reached 16.3% measured against the aggregate total assets of all banks — up from 15.3% at year end 2007.

Key characteristics of the RZB Group are its belief in maintaining a long-term presence in its markets, and its regional and decentralised structure. Our extensive Central and East European network of over 3,230 branches (RZB Group total: 3,251) attests to the success of this formula (> Table 4).

The history of the RZB Group has shown that banks can base their operations on cooperative ideals such as sustainability, subsidiarity and on helping people to help themselves. Wherever we work we have our place in local society. Our policies advance sustainability and contribute to the common good. This is what makes our brand so successful.”

Patrick Butler MA
Member of the RZB Managing Board

Our “we are here to stay” principle expresses our cooperative roots. We feel a responsibility to the regions where we work and the people who live there, and pursue long-term strategies. The following pages look at our contribution to economic and social development in the individual countries where we operate. Although conditions in our Austrian and CEE home markets are different, we always do business in the same way, focusing on the long term.
3.1.2 Decentralised structure of the RZB Group

Our decentralised approach has two major advantages: the chains of command are very short, and the decision-makers are predominantly local managers (see page 67). We set out to combine international standards with grassroots knowledge. The benefits for customers are the unbureaucratic approach to inquiries and the speed with which business processes are completed — important advantages for many customers in today’s fast moving markets.

This is why our customers put their trust in us. Today ZAO Raiffeisenbank in Moscow is one of the leading banks in Russia (> Table 5).

The branches are not just confined to densely populated areas and business centres, some are also in rural areas.

In times of crisis customers soon see whether a bank is there for the long haul. The Russian crisis in 1998 is a case in point. We proved ourselves to be a reliable partner for the local business community and a long-term investor. While other banks jumped ship, RZB rode out the storm. In the actual turbulent times, Raiffeisenbank has maintained stability due to a clear-cut and well-implemented business model which takes into account all the specifics and trends of the Russian banking market and allows for prompt and timely responses to any fluctuations in the economy.

### Table 3: The RZ Group’s market shares in Central and Eastern Europe

<table>
<thead>
<tr>
<th>Country</th>
<th>Total assets EUR m</th>
<th>Change*</th>
<th>Branches</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>2,048</td>
<td>5.0%</td>
<td>102</td>
<td>1,427</td>
</tr>
<tr>
<td>Belarus</td>
<td>1,646</td>
<td>52.3%</td>
<td>103</td>
<td>2,168</td>
</tr>
<tr>
<td>Bosnia-Herzegovina</td>
<td>2,395</td>
<td>12.9%</td>
<td>100</td>
<td>1,776</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>4,766</td>
<td>20.2%</td>
<td>197</td>
<td>3,708</td>
</tr>
<tr>
<td>Kazakhstan (leasing)</td>
<td>97</td>
<td>-18.1%</td>
<td>1</td>
<td>30</td>
</tr>
<tr>
<td>Kosovo</td>
<td>598</td>
<td>26.4%</td>
<td>47</td>
<td>720</td>
</tr>
<tr>
<td>Croatia</td>
<td>5,984</td>
<td>7.3%</td>
<td>79</td>
<td>2,333</td>
</tr>
<tr>
<td>Poland</td>
<td>7,108</td>
<td>19.3%</td>
<td>123</td>
<td>3,271</td>
</tr>
<tr>
<td>Romania (inc. Moldova)</td>
<td>6,561</td>
<td>17.1%</td>
<td>557</td>
<td>6,899</td>
</tr>
<tr>
<td>Russia</td>
<td>14,952</td>
<td>22.8%</td>
<td>236</td>
<td>10,276</td>
</tr>
<tr>
<td>Serbia</td>
<td>2,913</td>
<td>-0.1%</td>
<td>103</td>
<td>2,210</td>
</tr>
<tr>
<td>Slovakia</td>
<td>10,973</td>
<td>39.9%</td>
<td>162</td>
<td>3,885</td>
</tr>
<tr>
<td>Slovenia</td>
<td>1,509</td>
<td>7.0%</td>
<td>16</td>
<td>344</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>7,198</td>
<td>27.0%</td>
<td>107</td>
<td>2,654</td>
</tr>
<tr>
<td>Ukraine</td>
<td>6,285</td>
<td>1.9%</td>
<td>1,134</td>
<td>17,368</td>
</tr>
<tr>
<td>Hungary</td>
<td>9,568</td>
<td>18.4%</td>
<td>164</td>
<td>3,960</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>84,601</strong></td>
<td><strong>19.0%</strong></td>
<td><strong>3,231</strong></td>
<td><strong>63,029</strong></td>
</tr>
<tr>
<td>Other/consolidation</td>
<td>796</td>
<td>–</td>
<td>–</td>
<td>347</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>85,397</strong></td>
<td><strong>17.4%</strong></td>
<td><strong>3,231</strong></td>
<td><strong>63,376</strong></td>
</tr>
</tbody>
</table>

*Changes in total assets compared to 31 Dec. 2007. Growth measured in local currencies gives a different outcome due to exchange rate fluctuation.

### Table 4: Branches in Central and Eastern Europe

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Branches</td>
<td>2,443</td>
<td>2,848</td>
<td>3,015</td>
<td>3,231</td>
</tr>
</tbody>
</table>

### Table 5: Total assets and deposit growth, ZAO Raiffeisenbank

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>3.92</td>
<td>8.27</td>
<td>12.17</td>
<td>14.95</td>
</tr>
<tr>
<td>Deposits</td>
<td>2.06</td>
<td>4.62</td>
<td>5.65</td>
<td>6.07</td>
</tr>
</tbody>
</table>
Since 2006 the Financial Times and the International Finance Corporation (IFC) have been honouring financial institutions that show an exceptional commitment to integrating social and environmental considerations into their operations. Raiffeisenbank (Bulgaria) EAD was nominated for the Emerging Markets Sustainable Bank of the Year category of the 2008 FT Sustainable Banking Awards.

Our outstanding quality and reputation are also demonstrated by many accolades from well-known trade magazines.

Examples of awards won from 2008

- Euromoney – Best Bank in Central and Eastern Europe (CEE)
- Euromoney – Best Bank in Albania, Belarus, Bosnia-Herzegovina, Kosovo, Serbia and Slovakia
- The Banker – Bank of the Year in Central & Eastern Europe, Bulgaria, Croatia and Slovakia
- The Banker – Deal of the Year in Romania
- Global Finance – Best Bank in Central and Eastern Europe
- Global Finance – Best Bank in Albania, Bosnia-Herzegovina, Serbia and Slovakia

3.2 Responsibility to society

Our goal is to combine business success with the common good. This is why we bolster the regions where we are present by making an active contribution to society. Banking trade should not be an end in itself; it should serve the real economy and the prosperity of the population. In Central and Eastern Europe, the prime function of the banking system is to finance the transformation process.

Our strong profits also make an impact, through the dividends we distribute and the financial flows to our stakeholders.

3.2.1 Financial flows to stakeholders

Table 6 sets out the financial flows to some of our stakeholders since 2005. The presentation is based on our balance sheets and capital flows. The figures show considerable year-on-year increases.

We plough most of our profits back into continued growth — our capital has increased by almost EUR 2.9bn since 2005. In 2008 our Group paid around EUR 450m in income taxes and social security contributions. We injected around EUR 2.5bn into the economies of the countries where we operate in the form of wages and salaries, investment and payments to suppliers in 2008.

3.2.2 Creating prosperity

The RZB Group feels an obligation to the economic development of the regions it operates. This is not merely a matter of sustainable business practices and a long-term presence; we make an important financial and social contribution to the communities we serve, as the following examples demonstrate.

Creating jobs

Some 20,400 new employees since 2005 — this sharp increase resulted both from organic growth and acquisitions (see chapter “The best become better with us”). These jobs have a variety of positive economic knock-on effects. The salaries and welfare benefits increase purchasing power and boost demand for non-durable consumer goods, and personal property such as homes, furniture, cars and consumer electronics. In addition, direct and indirect taxation on the salaries paid by the RZB Group strengthens the community.
In 2008 the wages and salaries paid by the RZB Group amounted to over EUR 1.2bn — a 100% increase on 2005 in absolute terms. This trend was mainly due to new appointments and integration of acquisitions. The social security contributions and income tax also benefit the community (> Table 7).

Opportunities through education
The brain drain is a widespread problem — and this goes for many CEE countries. This is why many RZB Group subsidiaries are investing in local educational institutions. Alongside partnership schemes with universities, we also run banking training schemes. This offers opportunities to obtain recognised qualifications and find good jobs.

Table 7: Wages and salaries, and social security contributions by RZB Group business segments (in EUR m; at year end)

<table>
<thead>
<tr>
<th></th>
<th>Wages and salaries</th>
<th>Social security contributions</th>
<th>Wages and salaries</th>
<th>Social security contributions</th>
<th>Wages and salaries</th>
<th>Social security contributions</th>
<th>Wages and salaries</th>
<th>Social security contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>191.55</td>
<td>38.51</td>
<td>219.79</td>
<td>43.76</td>
<td>226.53</td>
<td>46.34</td>
<td>233.25</td>
<td>52.86</td>
</tr>
<tr>
<td>Central Europe</td>
<td>197.52</td>
<td>50.19</td>
<td>221.86</td>
<td>61.38</td>
<td>299.994</td>
<td>85.32</td>
<td>342.87</td>
<td>94.02</td>
</tr>
<tr>
<td>CIS</td>
<td>81.09</td>
<td>16.60</td>
<td>220.21</td>
<td>49.00</td>
<td>292.46</td>
<td>59.43</td>
<td>357.1</td>
<td>59.08</td>
</tr>
<tr>
<td>South-Eastern Europe</td>
<td>131.19</td>
<td>39.73</td>
<td>163.24</td>
<td>47.11</td>
<td>215.64</td>
<td>58.97</td>
<td>254.15</td>
<td>71.33</td>
</tr>
<tr>
<td>Other</td>
<td>9.42</td>
<td>0.59</td>
<td>10.87</td>
<td>0.78</td>
<td>26.52</td>
<td>2.68</td>
<td>33.51</td>
<td>3.49</td>
</tr>
</tbody>
</table>

Raiffeisen Bank Sh.a., Albania — a good training for a better future
Educational initiatives are a high priority for the CR activities of Raiffeisen Bank Sh.a. in Albania. Two projects stand out: “Bring the Internet to every school” and “Albania reads”. The goal of “Albania reads” is to increase the stock of books in primary school libraries. In cooperation with UNICEF, Raiffeisen Bank provided financial support to purchase books for 20 libraries in northern Albania. “Bring the Internet to every school” was an Albanian government scheme. Raiffeisen Bank was the first private company to back this project and make a significant financial contribution. As a result it was possible to equip computer rooms at 12 secondary schools across Albania over the past three years.
Fair tax contribution
We pay the tax required by national and international legislation, and make use of tax efficient arrangements permitted by it. The Group’s income tax burden has fallen by over 27% since 2005 (36% fall in profit before tax) (> Table 8).

Table 8: Taxes on income (in EUR m; at 31 Dec.)

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax expense</td>
<td>225.22</td>
<td>250.91</td>
<td>294.74</td>
<td>164.68</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>929.86</td>
<td>1,882.31</td>
<td>1,484.82</td>
<td>596.66</td>
</tr>
</tbody>
</table>

(2006 inc. non-recurring effects)

Financial support
Donations are voluntary contributions to the common good. We give to initiatives with a wide reach, but also lend a helping hand to individuals, for instance after personal misfortunes. In addition, we support a wide variety of socially, culturally and economically important institutions and projects.

The grand total of financial support from 2005 to the reporting date amounts to 7.85m. This number refers to RZB only and excludes the voluntary donations made by subordinated companies and network units (> Table 9).

Table 9: RZB voluntary financial support (in EUR m; at year end)

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voluntary donations</td>
<td>1.18</td>
<td>1.75</td>
<td>1.71</td>
<td>3.21</td>
</tr>
</tbody>
</table>

The following are three examples of donations made in Central and Eastern Europe that are worth a special mention.
3.2.3 Active role in society

Our interventions in public affairs relate to specific issues, and we have no affiliations with political parties. We advocate European integration and oppose prejudices against foreigners. To us, playing an active role in society also means taking on personal responsibility. Many of our employees do voluntary work for charities, and welfare, cultural and sporting organisations, and we will continue to encourage these activities.

VAT Raiffeisen Bank Aval, Ukraine — toloka

The term “toloka”, used in western Ukraine, denotes mutual assistance when locals club together to help someone who has suffered a misfortune. A good example of toloka was the aid that Raiffeisen Bank Aval provided in the summer of 2008. A few days before the Ukrainian Potyag do Yaremche culture festival was due to begin, the region was blighted by one of the worst floods in a century. Houses, roads, bridges and crops were seriously damaged. Raiffeisen Bank Aval, actively assisted by over 100 employees including CEO Vladimir Lavrenchuk, repaired an orphanage with an in-house school. In addition, a new playground was built for the children. While this emergency support was continuing, the arts festival went ahead almost as planned.

Raiffeisen banka a.d., Serbia — Budimir Boško Kostić charitable fund supporting SOS Kinderdorf in Kraljevo

In memory of the former CEO of Raiffeisen banka a.d., Boško Kostić, a humanitarian fund was set up in February 2008 with the goal of providing needy people with money, food, medicines and heating. In 2008 the bank donated some EUR 35,000 via this fund. The first charitable project was the donation of a new VW minibus and financial support for a summer camp to the only SOS Children’s Village in Serbia, which is currently home to 14 SOS families with 98 children.

Raiffeisen banka a.d., Serbia — a playground for every new branch

In every town where Raiffeisen banka a.d. opens a branch, it organises and finances a children’s playground in conjunction with the local authority. The council provides about 100 square metres (sqm) of land. This initiative was launched in 2003, and the bank has since opened 25 children’s playgrounds around Serbia. On top of the funding for the playgrounds, employees do voluntary work. They inspect the playgrounds regularly and see to any repairs that are needed.

Raiffeisen Banka d.d., Slovenia — sailing holidays

Socialno pedagoško društvo Mirno morje (holiday on a sailing boat) is the name of a scheme under which Slovenia’s Raiffeisen Banka d.d. enables children with special needs to take a holiday. This gives the children and their families a short break from their problems. Another donation by the bank enabled a blind child to finish school by buying a Braille computer.

Socialno pedagoško društvo Mirno morje
“It’s important to me that the funds we have raised are used as well as possible, I have the skills to help ensure that this is so,” explained Bogdan Gogu.

“I want to provide help where it is most needed, and improve my understanding of needy people, so as to do my bit to improve the situation,” said Gabriel Vladu.

When it comes to honorary activities, the board members are setting quite a number of great examples: RZB CEO Walter Rothensteiner is Vice-President of the Austrian Red Cross and president of the managing committee of Ferienhort, a holiday camp for children at Lake Wolfgang that goes back 120 years. In addition, Dr Rothensteiner was appointed Austrian honorary consul-general of Singapore in 1996.
We joined the Transparency International organisation in 2008, and are being voluntarily evaluated by the Basel Institute of Governance (not yet completed at the time of publication). In the summer of 2008 we carried out a comprehensive compliance review across all our network banks, focusing on corruption prevention.

No instances are known to us of any form of implication of the Bank or its employees in corruption. If we receive information indicating corruption, it is immediately investigated, and any deficiencies in processes and systems are rectified. New employees are informed about the compliance and anti-corruption regulations as part of their induction training. A special project on retail credit fraud is under way at our network banks in Central and Eastern Europe.

3.3 Environmental responsibility — Am Stadtpark 9 building

Our core business activity is the source of our main environmental impacts. Our environmental footprint in terms of our consumption of energy and resources at our office premises or during business travel is modest. Nevertheless, we attach great importance to this area. The following discussion relates to environmental issues at our largest location — the RZB headquarters building. Due to our rapid growth, the environmental reporting system at the network banks is still being rolled out.
Our Am Stadtpark 9 headquarters was developed by RALT Raiffeisen Leasing; move-in took place in 1989. All RZB departments, until then spread over ten different buildings, were centralised in a single modern building. Am Stadtpark 9 now has 20,298 sqm of office space and houses 1,609 employees. There were no environmental issues, or court or administrative proceedings from 2006–2008 relating to operation of the headquarters building, nor were we found guilty of any infringements of environmental regulations.

3.3.1 Electricity and heat consumption
The building’s total energy consumption (electricity and district heating) is 11,094 MWh. It has dropped by 2.51% in the past three years. All heating and hot water at our headquarters building comes from the district heating network. Our heat requirements fell by about 13% between 2006 and 2008. This was partly due to the installation of more efficient heat exchangers and an improved heating control system.

The main power consumers are IT and air conditioning equipment. Electricity use increased by only 1.3% between 2006–2008. We are proud of this, as power consumption is closely linked to the number of employees. Over the past three years the number of employees has continually grown. In 2006 consumption was 5.73 MWh per employee, and by 2008 it was a mere 5.23 MWh.

How were we able to increase energy efficiency? Mainly by modernising the emergency generator and air conditioning compressors. Another important factor was matching the operation of the air conditioning and lighting to business hours using a central building services control system.

3.3.2 Planned actions
In 2007 construction began of the Sky Conference Centre on the roof of the headquarters building. The conference centre has modern meeting facilities. A photovoltaic system with a total peak output of 22 kW has been installed on two parts of the structure. This will produce around 21,000 kWh/year of electricity. A solar water heating system is also being installed. We expect this to have an annual thermal yield of approx. 106,000 kWh, equating to CO₂ savings of some 24,300 kg/y.

We are encouraging employees to use energy more efficiently. Increasing energy awareness is a high priority (> Figure 7).

Figure 7: Total energy consumption

Electr. consumption (MWh)  District heat consumption (MWh)
3.3.3 Consumption analyses

Water
Due to the growth in the head count over the past three years, our total water consumption has risen. However, efficiency has been improved by strict checks on the amount of water used for outside watering. Per capita consumption has fallen steadily since 2006 and is currently 17.04 cubic metres (cu m).

Waste
Hazardous waste
We have reduced the amount of hazardous waste by barely one third since 2006, and it is currently 7.616 kg/y. Replacing emergency lamps by more up-to-date models has reduced the number of defective lamps by approx. 30%. The number of spent standard and defective rechargeable batteries was halved in 2008.

Non-hazardous waste
Most of the non-hazardous waste produced in 2008 at our main premises is as follows.
- Paper and cardboard (172,054 kg)
- Commercial waste/bulky waste (61,210 kg)
- Residual waste (61,660 kg)

Unfortunately there were increases in this area. Residual waste grew by 1%, and commercial and bulky waste by 39%. The main reason was ongoing building works at headquarters. Waste paper and cardboard ran counter to this trend, decreasing by 5%. From 2006 to 2008 waste per employee declined by 13.9 kg (> Table 10).

Total waste arisings — both hazardous and non-hazardous — increased by 3% since 2006 and 2007 and amounted to 313 tonnes (t) in 2008 (> Table 10).

Table 10: Waste arisings per employee (in kg)

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hazardous waste</td>
<td>9.0</td>
<td>6.9</td>
<td>4.7</td>
<td>4.7</td>
</tr>
<tr>
<td>Non-hazardous waste</td>
<td>202.1</td>
<td>201.4</td>
<td>213.2</td>
<td>189.6</td>
</tr>
<tr>
<td>Total waste</td>
<td>211.1</td>
<td>208.3</td>
<td>217.9</td>
<td>194.3</td>
</tr>
</tbody>
</table>

Office supplies and environmentally friendly purchasing
In 2008 we process some 17 million sheets of paper at the Stadtpark office building. In terms of the industry average this is an excellent performance. In 2008 paper consumption per employee was 10,566 sheets. We only use ECF paper. Copying and printing on both sides reduces consumption. For instance, we saved a total of 2m sheets of paper last year.

Table 11: Paper consumption per employee

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sheets of paper per employee</td>
<td>13,600</td>
<td>13,112</td>
<td>12,125</td>
<td>10,566</td>
</tr>
</tbody>
</table>

When purchasing cleaning materials we pay attention to their biodegradability. Due to ongoing projects (façade cleaning, Sky conference centre, etc.) the figures in Table 12 are not fully comparable.

Table 12: Cleaning agent use (in l per sqm)

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>l/m²</td>
<td>0.077</td>
<td>0.083</td>
<td>0.085</td>
<td>0.051</td>
</tr>
</tbody>
</table>

Environmental criteria are also important to us when buying office supplies. For instance, we buy recycled ballpoint pens which consist of at least 70% recycled material.
**IT equipment**

We have long paid attention to environmental and resource conservation considerations when purchasing PCs, notebooks, monitors, servers, printers and other IT equipment. This also saves money. The results of our holistic approach to the IT equipment life cycle — from procurement (materials used) and operation (energy consumption and heat output) to disposal (recycling) — show that there is no contradiction between “planet” and “profit”.

To us “green IT” also means virtualising our server systems — a step that cuts both power consumption and heat radiation. For example, we were able to reduce power consumption from 5,000 to 700 W and heat output from 23,000 to 2,500 BTU* by using the Netapp NAS Filer system.

We attach high priority to educating employees about the importance of reducing electricity consumption, and this will be the focus of power saving efforts apart from server virtualisation.

**Travel**

In addition to energy consumption, travel has a major impact on CO₂ emissions. More activities abroad mean more business travel. We are holding back the increase by using video and teleconferencing as far as possible. Nevertheless, rail travel rose by 13% between 2006 and 2008, and car mileage was up by 18%. However, a 2% reduction in the number of flights reversed the previous upward trend.

*BTU = British thermal unit. Heat losses from equipment at computer centres are stated in BTU/h.

---

**Table 13: Changes in business travel**

<table>
<thead>
<tr>
<th>Business trips</th>
<th>Change, 2006-2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of rail trips</td>
<td>13%</td>
</tr>
<tr>
<td>Number of flights</td>
<td>-2%</td>
</tr>
<tr>
<td>Car mileage (employees)</td>
<td>6%</td>
</tr>
<tr>
<td>Car mileage (company cars)</td>
<td>26%</td>
</tr>
</tbody>
</table>

---

**CO₂ emissions**

CO₂ emissions occur indirectly through electricity use and space heating, and directly through travel. Between 2006 and 2008 we could decrease our indirect CO₂ emissions by more than 11% (> table 14).

**Factors:**

Electricity: 0.40375 kg CO₂/kWh (mains voltage under 1 kW, standard power mix)

Heating: 0.131 t CO₂/MWh (information from Fernwärm Wien)

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**Table 14: CO₂ emissions for electricity and heating**

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO₂ emissions for electricity</td>
<td>3,354,355</td>
<td>3,300,656</td>
<td>3,398,364</td>
</tr>
<tr>
<td>CO₂ emissions for heating</td>
<td>402,432</td>
<td>255,188</td>
<td>350,687</td>
</tr>
<tr>
<td>CO₂ emissions total for electricity and heating</td>
<td>3,756,787</td>
<td>3,555,844</td>
<td>3,749,051</td>
</tr>
<tr>
<td>CO₂ emissions total per employee</td>
<td>2,593</td>
<td>2,269</td>
<td>2,330</td>
</tr>
</tbody>
</table>
3.4 Raiffeisen Climate Initiative

As an active member of the Raiffeisen Climate Initiative, RZB advocates climate aware business practices and itself makes a significant contribution to combating global warming. Among other things, we work to raise awareness of climate change, sustainability, energy efficiency and renewable energy sources, and to sensitise as wide a public as possible — including our people — to these issues.

RZB sets a good example on climate change, and now regularly stages internal energy saving days. In line with the principle that “climate protection begins at home”, RZB employees are also given a wide range of information about how to save energy outside work. Numerous exhibitors, including umweltberatung Wien, Wien Energie GmbH, Raiffeisenlandesbank Niederösterreich-Wien AG and other RBG companies, provide comprehensive advice.

In addition, as part of these events, every employee in Vienna is issued with a personal manual which outlines how individual staff members and the Bank as a whole can do their bit to protect the environment. In particular, it takes a critical look at business processes and the resource use they involve, since environmentally aware behaviour is not only good for society, it is also good for business.

RZB is unreservedly committed to the target set by the Raiffeisen Climate Initiative of limiting the average CO₂ emissions of new company cars to 150 g/km. A well balanced fleet policy and use of biofuels should enable us to meet this goal in 2009. The Managing Board are setting an example, and have already begun having their vehicles converted for high bioethanol blends. All users of RZB company cars with petrol engines are also invited to take this step. The conversion costs are entirely borne by RZB.

3.5 Objectives and actions

We have set ourselves the following goals for the future:

– Support for voluntary social service by employees;
– Environmental protection in our banking operations: reduction of costs and direct environmental impacts, as well as awareness raising among employees.

Planned actions in 2009:

– Helping employees to help:
   Time off for employees to act as volunteer helpers after natural disasters or accidents.
– Training focus on corruption prevention:
   Increased inclusion of corruption prevention in employee training courses.
– Internal environmental actions:
   Implementation as part of the Raiffeisen Climate Initiative.
– European Energy Service Initiative:
   Entry of the RZB headquarters building for the European Energy Service Award.
– Solar energy:
   Installation of PV arrays and solar collectors at the headquarters building.
– Environmental indicator system:
   Improvements to the RZB Group environmental reporting system.
THE CORNERSTONE OF OUR SUCCESS IS SUCCESSFUL PARTNERSHIPS WITH OUR CUSTOMERS
CHAPTER 4

4 Our clients’ success defines our own success

‘RZB stands for successful Relationship Banking in Austria and CEE. We play an important role in the financial success and prosperity of our customers as a banking group providing commercial and retail-banking services. Our secret is a close relationship with customers and a collaborative approach. We are here for customers come rain or shine. My next personal goal is for us to lead the way in financing innovative environmental projects and companies.’

Dr. Karl Sevelda
Member of the RZB Managing Board

What do we have in common with our customers? Like them we are aiming for success. It is the central object of our banking business, and shapes our treatment of customers. Corporate responsibility has many faces. It plays a role in the distribution of profits, management and behaviour to business partners.

We are proud to be steering our business in a sustainable direction and to be developing long-term relationships with our customers. This goes both for our corporate business and the financial services we offer to all customers in Central and Eastern Europe.

And it is precisely in troubled times that this approach, and the trust built up over long years pays off — for our customers, and still more for us as a bank, because we know our customers and know we can trust them.

4.1 Our customers’ success is our strength

A bank can only be successful if its customers are. The function of banking is to support the real economy. Success does not come out of the blue, it is the result of constant efforts (> Table 15).

Our banking products benefit society both directly and indirectly. They fuel prosperity by enabling our business customers to invest, and they finance retail customers’ personal consumption and housing. We plan to make inroads in the sustainable banking market, and increasingly offer our customers innovative products with environmental features.
4.2 Consideration of environmental and social factors

During the loan initiation and approval process, we screen applications for compliance with the Code of Conduct and assess potential risks for the environment and our stakeholders. We also seek independent expert advice in some cases.

In 2008 we evaluated 18 projects in terms of compliance with the Code of Conduct. The main focus was on environmental impacts. In one instance the review resulted in the rejection of a loan application.

We adhere to the guidelines established by international or supranational organisations — particularly those of the Oesterreichische Kontrollbank (ÖeKB), EBRD, IFC and UN — in all international transactions, and these rules are built into the agreements. We also plan comprehensive CR screening of all project loans.

Reputational risk is playing an increasingly important role in risk management and Basel II ICAAP processes — especially where there are potential trade-offs between environmental and social considerations.

4.2.1 Corporate customers

Our customers in this segment are the top 1,000 companies in Austria, multinationals and corporate clients in Central and Eastern Europe. In the past few years we have carved out a very strong position in this market by innovating and providing our clients with bespoke solutions.

Our highly specialised teams of advisers on renewable and conventional energy sources are held in particularly high esteem. Expert advice from a bank can make all the difference when it comes to turning an environmentally friendly project into an economic success.
Last year we lent a total of EUR 108m to small climate change and environmental protection projects; just under half went to solar energy equipment.

Raiffeisen Leasing Gesellschaft m.b.H. — financing renewable energy
Raiffeisen Leasing has played a pioneering role in renewable energy finance. It was an early mover in developing leasing schemes for such projects. Due to the success of this business area, in 2008 a separate subsidiary, Raiffeisen Energy & Environment (REE), was formed to handle it. The company has a pan-European presence and a wealth of expertise. By the end of 2007 Raiffeisen Leasing had lent EUR 468.41 million to fund a total of 53 clean energy plants. The Raiffeisen leasing vehicle fleet is currently being converted to run on biofuels. Green cars are chosen when new purchases are made, and the aim is for carbon neutral vehicles to make up two thirds of the company’s fleet by 2010.

Table 16: Green energy leasing volume
( in EUR m; at 31 Dec. 2008)

<table>
<thead>
<tr>
<th>Area</th>
<th>Projects</th>
<th>Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wind power</td>
<td>13</td>
<td>244.27</td>
</tr>
<tr>
<td>Biofuels</td>
<td>3</td>
<td>90.16</td>
</tr>
<tr>
<td>Biomass</td>
<td>9</td>
<td>77.46</td>
</tr>
<tr>
<td>Bio oil</td>
<td>6</td>
<td>25.45</td>
</tr>
<tr>
<td>Biogas</td>
<td>11</td>
<td>16.52</td>
</tr>
<tr>
<td>PV</td>
<td>11</td>
<td>14.55</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>53</strong></td>
<td><strong>468.41</strong></td>
</tr>
</tbody>
</table>

Meanwhile RZB is giving an important lead through the Raiffeisen Climate Initiative. Supervisory Board Chairman Christian Konrad launched the initiative in the autumn of 2007. It underpins our active role in promoting policy reform. We believe in an economic and social model that strikes a sensible balance between an innovative, highly competitive market economy, and social and environmental responsibility.

The Raiffeisen Climate Initiative pools the many different related activities taking place across the Group, expands them and acts as a forum for new ideas on sustainability, climate change, energy efficiency and renewable resources.
4.2.2 Retail banking
The RZB Group entered the retail banking services in Central and Eastern Europe in 1999. We are now one of the biggest retail banks in CEE with more than 14.7m customers. The strong growth of this business segment has been highly profitable.

| Table 17: Retail banking customers (in millions; at year end) |
|-----------------|-----------------|-----------------|-----------------|-----------------|
|                | 2005 | 2006 | 2007 | 2008 |
| Retail banking customers | 9.7   | 12.1 | 13.6 | 14.7 |

More than a million customers in CEE are small and medium-sized enterprises with revenues of less than EUR 5m. These businesses are the backbone of local economies and are playing a major part in their expansion.

We cover the full spectrum of quality financial services, and it goes without saying that we also offer a comprehensive range of services online. True to the Raiffeisen belief in helping people to help themselves, we support socially and economically underprivileged groups by providing micro-credit loans (see p. 66).

4.2.3 Participations
Our investment portfolio amounted to EUR 5.1bn at year end 2008.

We have a three-pronged investment strategy:

- investment in, or support of, our core business (e.g. RSC Raiffeisen Daten Service Center GmbH);
- investment in RZB’s function as the lead bank of the Raiffeisen Banking Group (e.g. Raiffeisen Bausparkasse GmbH);
- purely financial investments (e.g. Leipnik Lundenburger Invest Beteiligungs AG, where appealing opportunities exist).

All our investments are long term, and we focus on growing investees’ value and strengthening our banking group as a whole. We are represented on subsidiaries’ boards, and play an active part as owners going far beyond a mere shareholder value approach. One of our largest investments is in RBG (see p. 70). Some of our investees have already initiated CR activities themselves, and we do all in our power to support them in this.

4.2.4 Investment banking
Raiffeisen Centrobank AG (RCB) is one of the leading Austrian investment banks. It belongs to the RZB Group, and has a full range of products and services related to equities, derivatives and on and off-market equity transactions.

- Raiffeisen Insurance — Best Zins RZB Garant Special Edition Klimaschutz
  Raiffeisen Insurance offers an index-linked life assurance policy — Best Zins RZB Garant Special Edition Klimaschutz — developed jointly by RZB and Raiffeisen Centrobank. We invest an amount equal to the subscribed capital in climate change projects.

- Raiffeisen Centrobank AG (RCB) — climate change certificates
  In April 2008 RCB issued three certificates that enable holders to invest in combating climate change. We are one guaranteed investment certificate, and two index certificates, based on the S-BOX Klimaschutz®Kurs-Index and the S-BOX Nachhaltige Forstwirtschaft®Kurs-Index. The S-BOX Klimaschutz®Kurs-Index consists of three sub-indices (50% S-BOX Alternative Energien®Index, 30% S-BOX Nachhaltige Forstwirtschaft®Kurs-Index and 20% S-BOX Wasser®Kurs-Index), and boasts a high level of risk diversification.

In order to underline the importance of corporate responsibility to RZB, future securities prospectuses will refer to our CR report.
4.2.5 Asset management
We do not engage in asset management ourselves. Raiffeisen Capital Management (RCM) is the specialist RBG bank for asset management in Austria, and the network banks in Central and Eastern Europe operate various investment companies. Nevertheless, this report singles out one aspect of sustainable investment strategies: occupational pension and provident funds.

A new severance payment scheme was introduced at the start of 2003 for employees and extended to the self-employed on 1 October 2008 as an additional option for occupational retirement saving. In 2008 RBG and UNIQA Versicherungen AG pooled their occupational pension activities in a new joint venture, Vorsorge Holding AG. As at 1 December 2008 RZB held 24.7% of both ÖPAG Pensionskassen AG (ÖPAG) and ÖVK Vorsorgekasse (ÖVK) via Vorsorge Holding AG.

ÖVK is the second-largest pension and provident fund on the Austrian market with some 1.4m members.

In 2007 ÖVK developed a holistic sustainability programme — ÖVK Sustainability. This defines the basic structure, criteria, methods, processes and responsibilities for sustainable investments at ÖVK, as well as the necessary mechanisms. ÖVK Sustainability normally uses a two-phase sustainability filter consisting of exclusion, negative and quality criteria for the selection of the fund’s investment products. The programme also deals with ÖVK’s internal environmental policies, corporate citizenship, HR policy, business ethics and corporate governance. In 2008 ÖGU (the Austrian Society for Environment and Technology) renewed the sustainability certificate awarded to ÖVK in the previous year.

4.3 Long-term customer relationships take precedence over short-term profit maximisation

Our employees are service providers and partners for our customers. This brings follow-up business, but also entails support when the going gets tough. Customer surveys tell us that this open and collaborative approach is held in high regard (see p. 51). Central to it is our customers’ trust in us and our expertise.

Our low bad debt provisions and default rates show that we rely on long-term customer relationships. We have grown with our customers, and each profits from the other’s success.

Table 18: Loss rates* (in %; at year end)

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss rate</td>
<td>0.12</td>
<td>0.14</td>
<td>0.10</td>
<td>0.09</td>
</tr>
</tbody>
</table>

* Loss rate — Usage of previously allocated loan loss provisions plus direct write-downs and income received on written-down claims divided by total credit exposure.

4.3.1 Responsibility to our customers

As providers of complex financial services we bear a heavy weight of responsibility. We want to do more than the bare minimum, and develop successful long-term business relationships.

Providing customers with information is also important to us. An example of this is a project carried out by Raiffeisenbank Austria d.d. in Croatia:

Raiffeisenbank Austria d.d., Croatia — Matching income and costs

The Croatian Banking Association already launched its “Matching income and costs” initiative in 2006, and the local Raiffeisenbank was quick to support this ambitious project. Raiffeisenbank experts and others hold workshops on money several times a month in eight Croatian cities — Split, Osijek, Rijeka, Pula, Varazdin, Dubrovnik, Zadar and Zagreb. The events are very well received. They are held at public libraries, arts centres or facilities of NGOs such as the Red Cross.
4.3.2 Continuing to lend to regular customers — even in troubled times
The current financial crisis brings to mind an old saying: “cash is king”. The money markets have virtually come to a standstill as a source of long-term liquidity for the banks. The effects on short-term lending are negligible as short-term liquidity is still available, but long-term loans are another matter. However, government action should start to ease the situation. The crisis has not made any difference to lending criteria. They remain: the borrower’s creditworthiness; pricing at market rates and rates sufficient to cover costs; and the possibility of refinancing at matching maturities. At times of increasing maturity transformation, refinancing long-term loans at matching maturities is a critical factor.

Whether there is actually a credit crunch is a question of subjective perceptions, and hence of perspectives; certainly, there is no way of proving it. In the RZB AG lending to companies increased by 11.9% over the whole of 2008 (13.5% increase in lending to Austrian companies) (> Table 19).

4.3.3 Consumer protection in CEE
We take compliance with local consumer protection legislation very seriously. Nevertheless there are isolated problems with our product information and advertising.

Two proceedings (end of 2007 and beginning of 2008) resulted in the imposition of a fine on RI’s Hungarian subsidiary Raiffeisen Bank Zrt. The bank has changed the advertising that was the subject of the complaint and paid the fine.

Table 19: Lending by RBG to domestic non-financial companies, in EUR m

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>RZB</td>
<td>6,163</td>
<td>6,203</td>
<td>6,578</td>
<td>6,932</td>
<td>6,996</td>
<td>13.5</td>
</tr>
<tr>
<td>Lower Austria and Vienna</td>
<td>5,932</td>
<td>6,221</td>
<td>6,155</td>
<td>6,434</td>
<td>6,787</td>
<td>14.4</td>
</tr>
<tr>
<td>Burgenland</td>
<td>690</td>
<td>661</td>
<td>673</td>
<td>707</td>
<td>734</td>
<td>6.4</td>
</tr>
<tr>
<td>Upper Austria</td>
<td>8,102</td>
<td>8,307</td>
<td>8,931</td>
<td>9,391</td>
<td>10,094</td>
<td>24.6</td>
</tr>
<tr>
<td>Salzburg</td>
<td>3,486</td>
<td>3,371</td>
<td>3,473</td>
<td>3,666</td>
<td>3,802</td>
<td>9.1</td>
</tr>
<tr>
<td>Tyrol</td>
<td>1,913</td>
<td>1,796</td>
<td>1,892</td>
<td>1,940</td>
<td>2,123</td>
<td>11.0</td>
</tr>
<tr>
<td>Vorarlberg</td>
<td>1,234</td>
<td>1,227</td>
<td>1,208</td>
<td>1,240</td>
<td>1,327</td>
<td>7.5</td>
</tr>
<tr>
<td>Styria</td>
<td>2,876</td>
<td>2,889</td>
<td>3,038</td>
<td>3,104</td>
<td>3,316</td>
<td>15.3</td>
</tr>
<tr>
<td>Carinthia (inc. Slovenian cooperatives)</td>
<td>902</td>
<td>908</td>
<td>935</td>
<td>954</td>
<td>986</td>
<td>9.3</td>
</tr>
<tr>
<td>Raiffeisen Banking Group</td>
<td>31,298</td>
<td>31,583</td>
<td>32,883</td>
<td>34,368</td>
<td>36,165</td>
<td>15.6</td>
</tr>
<tr>
<td>RBG excluding RZB</td>
<td>25,135</td>
<td>25,380</td>
<td>26,305</td>
<td>27,436</td>
<td>29,169</td>
<td>16.1</td>
</tr>
</tbody>
</table>
It goes without saying that our principles also apply to our marketing activities. We adhere to the advertising standards established by the Austrian Self-Regulatory Code.

The following standards are particularly important to us:

- Truthfulness
  Our advertising messages are not a figment of the imagination, they are based on demonstrable facts drawn from market data or reputable studies.

- Respect
  We treat our competitors respectfully, and do not seek unfair advantage.

- Diversity
  Our communications reflect our belief in open-mindedness and diversity.

- We give discrimination of all kinds a wide berth
  We depict women and men as equals. The roles they are shown in arise from the pictorial content and desired message but not from gender characteristics. We portray the international nature of our company in our campaigns by showing people from a variety of backgrounds.

A common thread which runs through all our marketing activities is resource conservation. We keep the distance goods travel to a minimum. The quantities ordered err on the side of caution so as to avoid over-production.

We take compliance with banking secrecy, and other confidentiality and data protection regulations very seriously. They are basic to good customer relationships. We belong to the ARGE Daten data protection association and have not broken any data protection laws.

4.4 Customer proximity — the key to success

4.4.1 Good service depends on being close to the customer.

We stay in regular contact with our customers. We want to understand their transactions and the challenges they face, so as to provide them with products and services that will be of help to them. Besides these bilateral business contacts we organise many events designed to provide information and maintain relationships. We held 88 customer events in 2008. For instance, in September 2008 we hosted a business lunch devoted to discussion of bioethanol. Use of bioethanol as a fuel additive is making a major contribution to reducing CO\textsubscript{2} emissions.

Particularly in times when customers — and RZB — have to adjust to rapidly changing conditions, closeness to the customer and mutual trust are indispensable to successful customer relationships. Understanding our clients, their decision-makers and business models means that we can judge their medium to long-term prospects, even at times when the profitability of some industries and businesses is under pressure. This, in turn, often means in practice that we will lend to regular customers even when they are unable to raise capital on financial markets.

4.4.2 Customer satisfaction

We measure customer satisfaction by carrying out regular surveys. We analyse the results carefully and take action where necessary. We want to build on our strengths and continue to improve.

In the official customer surveys carried out by Schwabe, Ley und Greiner, customers praise our expertise, collaborative business relationships and quick decision making.
Numerous accolades attest to the fact that we are a good and trustworthy partner to our customers, and we are very proud of this. For more information on our awards turn to p. 33.

In 2008 we set up our own complaints management system for corporate customers. RI, too, has established a central point of contact for complaints (e-mail: customer.relations@ri.co.at), making further progress towards professionalising our customer relationship management systems.

We belong to the Joint Conciliation Board of the Austrian Banking Industry. This arbitration body joined the European Commission’s Financial Dispute Resolution Network (FIN-NET) in 2003.

4.4.3 Product innovation
Product innovation is more relevant than ever in the current economic climate, since the financial services industry is heading for major changes. Old products will be cast aside to make way for new ones. RZB is responding proactively by mounting an internal initiative led by managers from various divisions. The following actions are being implemented with involvement from all departments:

– embedding of potential product champions and approvers in the performance management process;
– provision of suitably qualified staff to drive product innovation forward in all the relevant areas of operation;
– appointment of an innovation officer for every department;
– regular coverage in the RZB staff magazine, RZB-intern;
– seats on the new products approval committee for suitable employees (senior executives and experts) with the necessary know-how, time and decision-making powers;
– nominations for the next innovation awards, due to be held for the second time in January 2010.
4.5 Objectives and actions

Our corporate objectives set the bar very high. Hitting our targets depends not just on our performance but also on the market environment and the economy. We firmly believe in the importance of corporate responsibility, and have therefore set ourselves the following objectives:

- Extend our CR leadership in our core operations: Improve external ratings (e.g. by Oekom-Research).
- Leverage CR to improve our business performance: Take opportunities and mitigate risks.
- Support sustainable business practices via our products, and feature a flagship “CR product” in each product area by the end of 2010.

Planned actions in 2009:
- Inclusion of eco-social issues in the Code of Conduct and formulation of additional CR guidelines.
- CR focus in projects
  Annual priorities for CR related project finance.
  2009 focus: Raiffeisen Climate Initiative.
- CR in contracts
  Incorporation of CR related clauses in our standard contracts.
- Membership of voluntary initiatives
  Commitment to the UN Global Compact and participation in the Carbon Disclosure Project.
OUR PEOPLE’S EXPERTISE IS THE KEY TO THE QUALITY OF OUR WORK
**CHAPTER 5**

### 5 The best become better with us

“‘Our people are our most important asset’. This statement appears often enough in corporate mission statements and philosophies, but it seldom corresponds to reality. Things are different in the RZB Group. We know how crucial our employees are to our success, and are committed to an open corporate culture without rigid hierarchies. We are an attractive employer, and create many new jobs in our markets. Over the past four years we have hired 650 additional employees at the Vienna location alone.”

Johann Strobl
Member of the RZB Managing Board

We are successful because we are committed to performance management, promoting entrepreneurial attitudes among our people, and staff welfare. Our performance management processes ensure that these principles are implemented across the Group. “The best become better with us” is both a promise and a challenge.

#### 5.1 Our people

In 2008 our head count increased by 5,300 or 9%. The RZB Group has some 40,000 employees more than in 2004. The growth in the head count is mainly due to the acquisitions of Bank Aval in Ukraine, Impexbank in Russia and e-banka in the Czech Republic, as well as organic growth.

| Table 20: Group head count (FTE = full time equivalent; at year end) |
|------------------|---|---|---|---|
|                  | 2005 | 2006 | 2007 | 2008 |
| Employees        | 46,243 | 55,434 | 61,351 | 66,651 |

The regional breakdown shows how strongly rooted our corporate and retail banking businesses are in the various markets.

| Table 21: Head count by region (FTE; at year end) |
|------------------|---|---|---|---|
|                  | 2005 | 2006 | 2007 | 2008 |
| Austria          | 2,529 | 2,577 | 2,858 | 3,179 |
| Central Europe   | 9,654 | 11,427 | 12,834 | 14,114 |
| Southeastern Europe | 11,834 | 13,481 | 16,663 | 19,073 |
| CIS              | 21,942 | 27,620 | 28,614 | 29,842 |
| Other            | 284  | 329  | 382  | 443  |

The sharp increase in head count at Vienna headquarters — 650 new jobs in four years — shows that expansion in the CEE region is not taking place at the expense of our Austrian base.

A young company
The average age of RZB employees is 37. At the network banks the figure is 33.5.

| Table 22: Average age of employees (at year end) |
|------------------|---|---|---|---|
|                  | 2005 | 2006 | 2007 | 2008 |
| RZB              | 36.3 | 36.2 | 36.2 | 37  |
| RI Group         | 33.6 | 33.6 | 33.2 | 33.5 |
| RZB Group        | 34  | 34.2 | 34  | 34  |

There were 29 trainees at Vienna headquarters in mid-2008, and 24 people will be offered training places in 2009. Some may be offered permanent contracts once they have completed their university degrees, depending on requirements.
5.2 Human resource management (HRM) at the RZB Group

The Human Resources department is responsible for HRM at RZB, with Group Human Resources fulfilling that function at RI and its subsidiaries. The main tasks of our HRM function are:
- recruitment;
- employee support and development;
- development and implementation of Group-wide HR standards.

Our HR managers work in accordance with the very latest principles and standards, making a vital contribution to achieving the Bank’s objectives, and meeting the requirements of our customers and staff. HR departments in other parts of the Group operate independently, although they take their lead from our Group guidelines and standards.

5.3 Challenges

Our recent expansion has presented the HR departments with many new challenges.

Our HR marketing and recruitment functions are already well placed to respond to the latest demographic trends and the increasingly specialised staff requirements of the various markets. We maintain close relationships with universities and make frequent appearances at career shows and conferences, and other events of such types.

We set out to be an attractive employer. We aim to attract and retain highly qualified employees. The average labour turnover rate at our CEE subsidiaries is 12.2%, and at RZB it is 8.4%. Fluctuations in head count are particularly strong in Eastern Europe, with turnover in some regions edging towards 25%. The demand for labour in these fast growing markets is particularly strong.

### Table 23: Labour turnover (at year end; including all terminations of employment, in accordance with the GRI definition)

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>RZB</td>
<td>7.7%</td>
<td>6.8%</td>
<td>6.9%</td>
<td>8.4%</td>
</tr>
<tr>
<td>RI Group</td>
<td>11.0%</td>
<td>12.0%</td>
<td>12.0%</td>
<td>13.5%</td>
</tr>
<tr>
<td>RZB Group</td>
<td>10.6%</td>
<td>10.1%</td>
<td>11.5%</td>
<td>13.2%</td>
</tr>
</tbody>
</table>

Voluntary separations are 4.55% of employment at RZB.

We are currently looking into ways of expanding our talent, retention and generation management efforts. A number of initiatives are already in place, including steps to improve our employees’ work-family balance. Further details on this project can be found in Chapter 6 (p. 63).

Bank acquisitions require a special set of HR measures and a great deal of sensitivity in integrating new employees. We are now reaping the benefits of the time and resources invested in integrating Bank Aval in 2005, Impexbank in 2006 and e-banka in 2007.

In some cases HR management approaches differ sharply from one subsidiary to the next. Although harmonisation of HR policies is a major concern, it is also important to allow for local legal, economic and cultural characteristics.

Due to its importance as a unifying factor for all Group employees, we attach great significance to our corporate culture. Preserving and reinforcing it is a key responsibility of our HR management function.

5.4 Challenging, encouraging and meeting goals together

We are fully committed to the principle of merit. We challenge our employees, but take care not to ask too much of them. We offer attractive training and development opportunities that enable our people to achieve their personal goals. Each and every em-
ployee can make a significant individual contribution to the attainment of our corporate objectives. A highly educated, well trained workforce is very important to us — and 59% of all RZB employees have a university degree. That figure rises to around 61% for the Group as a whole.

5.4.1 Personality development
At RZB, “development” means not just helping employees to rise up the hierarchy, but also ensuring that they grow personally and professionally. This is why our HR management function also offers every staff member a broad selection of development opportunities.

Our training and development programme, which runs the gamut of in-house training courses, is updated every year. It includes a wide variety of professional training, language and personal development workshops and seminars. On average, RZB Group employees devote 4.1 days to training and development each year.

| Table 24: Training days per employee (at year end) |
|---------------------|-------|-------|-------|-------|
|                    | 2005  | 2006  | 2007  | 2008  |
| RZB                | 5.3   | 4.6   | 4.7   | 4.5   |
| RZB Group          | 2.8   | 3.1   | 4.0   | 3.56  |
| RZB Group          | 2.9   | 3.2   | 4.1   | 3.75  |

The number of training days per employee differs according to the level of integration and development of the subsidiaries. The amount of time taken for training at RZB fell slightly in mainly because the staff recruited during the period were predominantly experienced. The rapid growth in head count also played a part in the fall in this indicator.

We are making increasing use of e-learning at the network banks — as these tools enable us to train a large number of employees quickly and efficiently at several locations at the same time. Some of the course contents are developed in-house (e.g., product training) but some standardised packages such as language courses are sourced from outside.

External training courses are also available, and every year we give five or six employees an opportunity to attend an MBA course in banking and finance at the Vienna University of Economics and Business Administration.

At present 15 employees are participating in RZB trainee programmes which provide practical training in finance, investment banking and treasury. Trainees are also given placements at our network banks and branches. This gives them an impression of the many different sides to our Group.

A CEE focused trainee programme for young graduates was launched in 2008. It concentrates mainly on finance and IT/operations — areas that are critical to the functioning of the entire Group. The one-year Retail Leadership programme is aimed at high potentials from the network banks. The trainees work on Group-wide projects and gather important international experience.

Mentoring and coaching are also gaining in importance at RZB. The two-year mentoring system is designed to support junior managers and high-potential young professionals at RZB, with experienced senior executives taking on the vital and highly sensitive role of mentor.
The tools used to analyse the potential of RZB staff are:
- assessment centres;
- self-tests;
- personality tests;
- 360° feedback for managers.

Our professional mediators are on hand to support internal conflict resolution.

5.4.2 Career planning
RZB employees have a choice of two career paths — the conventional management route or a career as an expert. Specialist staff can aspire to become an:
- expert;
- professional; or
- senior expert.

The Young Professional Potentials (YPP) Programme provides support for highly motivated employees aged 25–30. Participants must successfully complete a potential assessment before joining the programme.

The Basic Leadership Programme and the Group-wide Management Development Programme prepare employees for future management roles. Both are based on our leadership principles. Our talent management activities are already bearing fruit — on average around 85% of the managers based at RZB head office were recruited internally.

We also support up-and-coming managers at the network banks and gradually ease them into management tasks. We attach great importance to systematic succession planning.

5.4.3 Remuneration system
Our employees are normally paid in accordance with local statutory requirements and collective agreements, although there are also some special workplace agreements. The total cost of the fixed and performance-related compensation of the senior management bodies at RZB, RI and the network banks was EUR 39.31 m in 2008.

In 2008 the 2005 tranche of RI’s share incentive programme (SIP) became the first to mature. Performance based payments to the managing boards of RI and the network banks totalled EUR 10.26 m.

There are pension fund arrangements for all employees in Austria; these schemes provide for employer’s contributions and voluntary employee contributions. RI Group employees also receive fringe benefits in accordance with local market conditions and legislation.

5.5 Empowering without overstretched

People are at the heart of all the RZB Group’s activities. Mutual trust is our guiding principle, and gives staff the leeway they need to take responsibility and act on their own accord. We want our employees to be critical thinkers with strong interpersonal skills, not yes-men.

5.5.1 Performance management
In 2006 we redesigned the goal setting process at RZB and RI. It takes its cue from our quantitative and qualitative corporate objectives. These point the way ahead for employees, as their personal goals are expected to contribute to fulfilling our corporate objectives.

At the start of each year, employees agree on a set of personal and professional goals with their line managers. Performance review and development meetings are held around mid-year, and these are followed by end-of-year performance appraisals. Our employees’ interpersonal skills are just as important as their goal attainment performance and professional development. Performance appraisals influence annual bonus payments and salary increases.

Performance is measured in several ways. Besides a conventional review of goal attainment, we also look at the manner in which objectives are met. We have defined a number of desirable goal attainment behaviours and capabilities that accord with our corporate values, and these act as a yardstick. Overall performance is measured in terms of both aspects.
The historical and cultural differences between our network banks are very great in some cases. Because of this the performance management process is being phased in step by step, and tailored to local needs.

5.5.2 Staff survey
Our first staff survey took place in Vienna in 2005. The response rate was 72%. The results were extremely gratifying, as they showed that our people are highly motivated and that the working atmosphere is good. Employees suggested improvements, and many of these have already been made. We have:
- refined our career paths (management and expert paths);
- created a development programme for young professionals;
- improved the performance management process; and
- held workshops to develop departmental action plans, followed by phased implementation.

More staff surveys are planned, and implementation of staff suggestions will again be a top priority.

5.5.3 Co-determination and internal communication
As required by law, employee representative bodies are in place in all Group companies. Transparency and joint responses to challenges are a matter of course.

Our most important internal communication channels are our corporate intranet and databases. These offer our employees quick and easy access to up-to-date information. The quarterly RZB Group newsletter gives staff a good insight into developments taking place across the Company. We also issue house publications aimed at the various regions.

New recruits receive basic information about the Group through local induction events and programmes.

5.6 Team spirit
Collaboration and cooperation are the keys to our success — teamwork is the only way to maximise performance. Support for employees facing difficulties that they have not brought on themselves is another feature of our HR policy that stands out.

5.6.1 Health and work-life balance
Our occupational health services go well beyond the statutory requirements, and include a wide range of voluntarily provided services such as health and vitality check-ups, and nutritional advice.

In 2008 RZB employees took an average of 5.6 days of sick leave.

Table 25: Days of sick leave (at year end)

<table>
<thead>
<tr>
<th>Days of sick leave per employee</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Days of sick leave per employee</td>
<td>5.9</td>
<td>5.3</td>
<td>5.5</td>
<td>5.6</td>
</tr>
</tbody>
</table>
Focus on flexibility
RZB employees enjoy attractive working conditions, including a flextime system without core periods. Our kindergarten is split between two locations in Vienna, and provides crèche and after-school-day-care services alike. The convenient opening hours are a particular boon for employees.

Part-time positions also help our staff to find the right balance between work and family commitments. The proportion of part-time staff has risen since 2005, and is currently around 11%.

Table 26: Part-time employees (in % of total workforce; at year end)

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Part-time</td>
<td>9.6%</td>
<td>10.4%</td>
<td>11%</td>
<td>11%</td>
</tr>
</tbody>
</table>

We comply with the statutory regulations on workplace safety and emergency response measures throughout the Group.

5.6.2 Generation management
At RZB we see generation management as raising employees’ awareness of each other’s contributions. Current demographic trends will have a major effect on the structure of our workforce. Our aim is to ensure that the strengths of each generation are recognised and accepted.
RZB — Working together and celebrating together

The Raiffeisen family knows how to let its hair down. For instance, the biennial RZB Summer Ball in Vienna is a highlight for employees based in the city and invited network bank staff.

Other fringe benefits for staff at the Vienna office include concessional rates for concerts, museums and other events. RZB employees also appreciate and make good use of the broad selection of sports events organised by the company.

5.7 Objectives and actions

RZB’s HR objectives for the next three years:
– Step up staff training and development.
– Make further improvements to the performance management process.
– Raise management awareness of corporate responsibility processes.

Actions scheduled in the RZB Group for 2009:
– Focus on staff training and development
  At least one training or development activity for 70% of all staff.

Actions scheduled by RZB for 2009:
– Regular employee surveys
  Regular surveys starting in 2009.
– More performance reviews
  Target agreement and performance appraisal discussions for 90% of our staff.
– More staff development discussions
  Development discussions for 80% of employees.
– Personal CR objectives
  At least one CR objective for each of our senior executives.
– Initiation of a generation management system
  Development of a blueprint for our generation management system and implementation of the first important actions.
– CR in training courses
  Incorporation of CR aspects in our human relations training courses; increased attention to CR in staff training.

For further information on HR objectives please consult chapter “A strong cultural mix” (p. 63).
OPENNESS TO OTHER CULTURES IS PART OF OUR CORPORATE CULTURE
6 A strong cultural mix

“I find it important to be open to other cultures and be curious about the ‘other’. You have to see your partners in their element. You can only be successful in other cultures in the long term if your eyes are wide open and your ears pricked. My motto is to value rather than judge.”

Dr. Herbert Stepic
Deputy Chairman of the Managing Board RZB
Chief Executive Officer RI

Our expansion over the past few years has transformed us into a multicultural group with an international footprint, and a presence at over thirty locations. This growth has brought great economic and social benefits and opportunities, but it also faces us with formidable challenges. Two of the most critical tests we face are the integration of employees with differing cultural backgrounds and equal opportunities for all staff.

Our “strong cultural mix” principle stands for our commitment to cultural diversity and our opposition both to all forms of discrimination and to grey uniformity.

6.1 Pride in our traditions and cultural identity

Raiffeisen has always respected local customs and cultures, and the traditions that give people a sense of identity. Equally important to us is conserving mankind’s cultural heritage — especially in the regions where RZB operates. Around 30% of our sponsorship spending goes to culture, as this reflects our strong roots in our home markets.

Priorbank JSC, Belarus — art collection

Our Belarusian network bank, Priorbank JSC has been buying modern art by local artists for 20 years. Its collection has grown to an impressive 400 or so works, on show at the bank’s headquarters and branches. Consequently the art can be enjoyed by staff and customers, and is a cherished part of everyday life. The collection spans pieces from the 1950s down to the present, with 15–20 additions each year.

Drozdov Gennady, Abandoned House, acrylic, 1999
RZB — Summa Cum Laude International Youth Music Festival

In the summer of 2008 RZB and other members of the Austrian Raiffeisen Banking Group (RBG) sponsored the second Summa Cum Laude International Youth Music Festival in Vienna. This enabled 1,200 young people from all over the world to participate in a high-level training program run by the University of Music and Performing Arts, Vienna, the Konservatorium Wien University and the Vienna Musikverein. A positive knock-on effect was a contribution to international understanding and intercultural dialogue.

We also show a sensitivity to other customs in our daily business activities. A current example of this is the development and provision of Sharia compliant banking products. Since 2005 we have joined forces with Islamic banks as a member or lead arranger of consortia extending syndicated murabaha loans. These are intended for financial institutions from the Middle East, and range from USD 10–30m in size.

| Table 27: Annual murabaha lending by RZB (in EUR m; at year end) |
|----------|---------|---------|---------|---------|
| Murabaha lending volume | 2005 | 2006 | 2007 | 2008 |
|                     | 5     | 58     | 97     | 7 |

6.2 Equal opportunities with RZB

Women now make up 68% of the RZB Group workforce (2007: 67%). This proportion varies from company to company. In RZB itself the figure is 47%, and at the network banks the average is 70%. This ranges from around 50% in Kosovo to around 76% in Croatia and Romania.

Equal opportunities are important to us, and this commitment takes three forms:
6.2.1 Equal pay for equal work
At RZB men and women are paid the same for performing the same work. A comparison of the average salaries of men and women at different management levels revealed only small differences (see table). RZB will be making an increased effort to create career structures in which income inequality has no place. At present, taking the RZB Group as a whole, there are still disparities due to the growth and integration process.

Table 28: Comparison of the basic salaries of male and female RZB employees in Vienna

<table>
<thead>
<tr>
<th>Management tier (below Managing Board level)</th>
<th>Female/male basic salary ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1</td>
<td>-</td>
</tr>
<tr>
<td>Tier 2</td>
<td>1:1.08</td>
</tr>
<tr>
<td>Tier 3</td>
<td>1:1.08</td>
</tr>
</tbody>
</table>

6.2.2 Work-family balance
We have put a raft of measures in place to make it easier for women to return to work at RZB. We involve employees in company activities while they are still on maternity leave. For instance, we hold information workshops to keep them up to date with the latest developments. On re-entry, we offer flexitime, part-time work and alternating teleworking.

■ Raiffeisen Bank Polska S.A., Poland — Mother Care Programme
An example of a successful approach to balancing work and family life is a programme at RI’s Polish subsidiary, where 60% of the staff are women. The Raiffeisen Bank Polska Mother Care Programme provides support for women from pregnancy up to the child’s first birthday. The bank has expanded its offers of part-time work and flexitime, and provides crèche facilities to enable mothers to return to work quickly and easily. This is not only a help to mothers, Raiffeisen benefits, too. The record in a region that has traditionally had high staff turnover rates shows that employees who receive this support are very loyal to the company.

6.2.3 Female executives
Given the proportion of women working in the RZB Group, the number of female executives is still short of what we are aiming for.

Table 29: Proportion of women in senior positions at the RZB Vienna site

<table>
<thead>
<tr>
<th>Management tier (below Managing Board level)</th>
<th>Proportion of women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1</td>
<td>-</td>
</tr>
<tr>
<td>Tier 2</td>
<td>7.1%</td>
</tr>
<tr>
<td>Tier 3</td>
<td>25.6%</td>
</tr>
</tbody>
</table>

The proportion of female management board members at the network banks is 12.9%, and there are currently no female members of the RZB and RI boards. We plan to devote increased attention to this issue over the next few years, to ensure that the proportion of female employees increases. Here are two good examples of what is happening on the ground.

■ Raiffeisen Bank Kosovo J.S.C. — Iliriana Jakupi
Iliriana Jakupi is one of the youngest board members in the RZB Group. She began her working life as an economist with the central bank in Kosovo in 2000. Iliriana Jakubi has been working for Raiffeisen Bank Kosovo since 2004. Her outstanding professionalism and interpersonal skills were noticed, and she was promoted from her position as a branch manager to the position of management board member responsible for retail banking in 2007. She is not only on top of her job in charge of one of Raiffeisen Bank’s main lines of business, but has a family life, too, with her son Miki born in December 2008. With the support of her husband and the bank, she will continue to be able to maintain a healthy work-life balance. Iliriana Jakupi is a prime example of the opportunities RZB Group offers its staff.
■ RZB — Alexandra Spitz
Alexandra Spitz joined RZB in 1998 as one of three analysts with the then RZB Country and Bank Analysis Department, and did an excellent job in building it up. The workload steadily increased due to the need to develop new rating models, the implementation of Basel II, and the rapid growth of interbank business. Alexandra Spitz was appointed group manager, now renamed division manager. After her first period of maternity leave of half a year in 2000, she gave birth to her second child in 2005. Thanks to our flexibility as an employer, the strong support of her family, and her husband’s decision to take parental leave and part-time work, Alexandra has no trouble combining her career with raising a family.

6.2.4 RZB Equal Opportunities Committee
The committee, which consists of representatives of the works council and HR, provides an additional mechanism for responding to inquiries and requests. It meets regularly to raise and discuss issues, and deal with them with the relevant departments. No formal complaints about discrimination had been made to the RZB Equal Opportunities Committee at the time of publication of this report.

6.3 Equal opportunities in society
For us, equal opportunities do not end with our company, we also advocate action to improve the situation of marginalised groups. We regularly provide financial support on a case by case basis, and live out our self help creed by providing access to financial services. Here are two examples.

■ RZB — microcredit loans for Roma in Bulgaria
By forming Landhill Financial in 2007, Hans-Jürgen Luef, CEO of our RSC subsidiary, paved the way for the extension of microcredit loans to Roma in Bulgaria. Money is made available for microenterprises and small companies in the form of group loans of up to EUR 600. In order to expand the project, RZB is taking over the refinancing side. Plans call for lending volume to reach some EUR 200,000 by 2010.

■ RZB — business for integration campaign, Austria
RZB is campaigning for the integration of foreign employees in the Austrian economy together with principal shareholder Raiffeisenlandesbank Niederösterreich-Wien, Vienna City Council and the Vienna Economic Chamber and many companies. While we run and fund our own projects, we also believe that objective public information work has a major role to play in confronting this immense challenge.

6.4 A strong cultural mix, not grey uniformity
Our footprint extends to 36 countries, and we have more than 66,600 staff of varying nationalities on our payroll. By making a conscious effort to fit in with host communities and delegating decision-making powers to regional subsidiaries, we show that we are open to other countries, cultures and religions. Prejudice or discrimination have no place in our organisation.

The different cultural backgrounds of our staff are invaluable to our business. This diversity is what powers our success in so many different markets.
6.4.1 Diversity in the RZB Group

Of the 104 members of the RZB’s management bodies, the RZB branches, RI and the network banks (85), 60 (71%) are of local origin. The following is but one example of the innumerable careers made by local employees.

Since we launched out on our expansion in Central and Eastern Europe, our Group language has been English.

Today Group wide geographical and intellectual mobility are central to our corporate culture. Acceptance of other cultures and understanding of regional differences is what makes us an international banking group.

In organisational terms, since 2007 the International Acceleration Pool has provided a mechanism for Group-wide employee exchanges. Employees with the right skills can be included in the pool if certain conditions are met. As well as pressing ahead with the pool and stepping up efforts to inform employees about development and career opportunities around the Group, we are paying particular attention to continuing to create a multicultural and mobile workforce in our recruitment activities.

RZB also supports the Migrascope initiative set up by the Federation of Austrian Industries in 2008. This initiative campaigns for progressive immigration and integration policies.

6.4.2 Diversity in society

We do not want cultural diversity to be confined to our company. We also campaign publicly for integration and openness to others. Having profited from the political changes in Europe, we also feel a responsibility for the success of the European idea. We are countering euroscepticism and highlighting the advantages of a unified Europe by working to educate the electorate and setting a positive example.

A commitment to cultural diversity calls for delegation of managerial responsibility to local employees and encouragement of exchanges between nationalities. At Vienna headquarters alone, the 360 non-Austrian employees come from 46 different countries and account for 20% of the workforce. Almost half of the Raiffeisen International staff in Vienna are non-Austrian (> figure 8).

![Raiffeisen Bank S.A., Romania](image)

Andrei Stamatian studied at Stanford University in the USA in 2000, and completed his MBA at the renowned INSEAD institute in Fontainebleau, France, in 2004. After holding a number of positions in the financial sector, he joined Raiffeisen Bank S.A. as a project manager in 2005, and was appointed as the head of the Organisation and Process Management Department only a year later. In this role he handled many strategically important projects. The rapid growth of the bank helped propel him to the position of head of the Strategic Projects Department in 2008. Andrei and his team are responsible for due diligence processes and evaluating potential mergers and acquisitions such as the merger of the building society HVB banca pentru Locuinte S.A. and Raiffeisen Banca pentru Locuinte S.A. He is also responsible for coordinating the strategic development of the Raiffeisen Group in Romania.

RAZB: “Tellerrand” initiative

Despite the measurable benefits of EU membership and enlargement for the Austrian economy, Austria is the member state with the most negative attitudes to the European Union. RZB and seven other large Austrian companies launched the “Tellerrand” initiative in June 2006. As part of this we invited Austrians to look beyond their borders at the then accession states.

1 The name of this initiative — literally, “edge of plate” — comes from the German expression “looking further than the edge of your plate”, which means “looking beyond the end of your nose”.

---

1 "Tellerrand" is a German word that means "edge of plate", derived from the German expression "looking further than the edge of your plate" or "looking beyond the end of your nose".
In 2008 we financed a study entitled “Austria and the new EU member states”, which was used as a basis for public relations activities aimed at raising awareness of the opportunities presented by the new EU member states and countering ingrained prejudices. A representative survey and workshops investigated the Austrian public’s knowledge of the new Central and Eastern European member states and attitudes to them.

**6.5 Objectives and actions**

The principle and challenges discussed above yield the following goals:
- Increase the proportion of female executives in the RZB Group.
- Promote Group-wide staff mobility.
- Take a strong stand against all forms of discrimination.
- Take on an active advocacy role in favour of a united Europe by educating public opinion.
- Advocate the integration of marginalised social groups.

**Actions scheduled by RZB for 2009:**
- Help staff return to work after maternity leave
  Continuation of measures such as information events, flextime and part-time working and alternating teleworking.

**Actions scheduled by RZB Group for 2009:**
- Social integration project
  Funding of at least one project designed to promote the integration of an economically marginalised group (“Help for self-help”).
- International Acceleration Pool
  Continued development of, and action to alert staff to, the International Acceleration Pool for Group-wide development and career opportunities in a multicultural framework.
# Chapter 7

## 7 Annex

### 7.1 Summary of key data as at 31 Dec. 2008

<table>
<thead>
<tr>
<th>RZB Group, Monetary values are in m</th>
<th>2008</th>
<th>Change</th>
<th>2007</th>
<th>2006*</th>
<th>2005</th>
<th>2004</th>
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</thead>
<tbody>
<tr>
<td><strong>Income Statement</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net interest income after impairment losses</td>
<td>2,860</td>
<td>8.5%</td>
<td>2,635</td>
<td>1,840</td>
<td>1,400</td>
<td>928</td>
</tr>
<tr>
<td>Net commission income</td>
<td>1,768</td>
<td>16.6%</td>
<td>1,516</td>
<td>1,177</td>
<td>819</td>
<td>625</td>
</tr>
<tr>
<td>Net trading income</td>
<td>19</td>
<td>-79.5%</td>
<td>94</td>
<td>257</td>
<td>172</td>
<td>170</td>
</tr>
<tr>
<td>General administrative expenses</td>
<td>-3,117</td>
<td>17.8%</td>
<td>-2,645</td>
<td>-2,113</td>
<td>-1,574</td>
<td>-1,196</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>597</td>
<td>-59.8%</td>
<td>1,485</td>
<td>1,882</td>
<td>930</td>
<td>692</td>
</tr>
<tr>
<td>Profit after tax</td>
<td>432</td>
<td>-63.7%</td>
<td>1,190</td>
<td>1,631</td>
<td>705</td>
<td>566</td>
</tr>
<tr>
<td>Consolidated profit</td>
<td>48</td>
<td>-93.8%</td>
<td>778</td>
<td>1,169</td>
<td>451</td>
<td>446</td>
</tr>
<tr>
<td>Earnings per share, €</td>
<td>6.4</td>
<td>-144.3%</td>
<td>150.7</td>
<td>239.9</td>
<td>92.6</td>
<td>102.3</td>
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<tr>
<td><strong>Balance Sheet</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>29,115</td>
<td>-5.8%</td>
<td>30,910</td>
<td>32,066</td>
<td>29,647</td>
<td>22,229</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>84,918</td>
<td>16.2%</td>
<td>73,071</td>
<td>53,106</td>
<td>39,613</td>
<td>27,957</td>
</tr>
<tr>
<td>Deposits from banks</td>
<td>54,148</td>
<td>10.7%</td>
<td>48,899</td>
<td>44,129</td>
<td>43,416</td>
<td>32,270</td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>59,120</td>
<td>6.8%</td>
<td>55,369</td>
<td>44,727</td>
<td>32,158</td>
<td>23,386</td>
</tr>
<tr>
<td>Equity (including minorities and profit)</td>
<td>7,837</td>
<td>-7.0%</td>
<td>8,422</td>
<td>6,637</td>
<td>4,950</td>
<td>3,343</td>
</tr>
<tr>
<td>Balance sheet total</td>
<td>156,921</td>
<td>14.2%</td>
<td>137,402</td>
<td>115,629</td>
<td>93,863</td>
<td>67,864</td>
</tr>
<tr>
<td><strong>Regulatory Information</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basis of assessment (credit risk)</td>
<td>89,040</td>
<td>7.2%</td>
<td>83,091</td>
<td>62,908</td>
<td>47,968</td>
<td>34,149</td>
</tr>
<tr>
<td>Total own funds</td>
<td>10,801</td>
<td>49%</td>
<td>10,297</td>
<td>7,614</td>
<td>5,199</td>
<td>4,120</td>
</tr>
<tr>
<td>Total own funds requirement</td>
<td>8,505</td>
<td>13.5%</td>
<td>7,491</td>
<td>5,652</td>
<td>4,463</td>
<td>3,079</td>
</tr>
<tr>
<td>Tier 1 ratio (credit risk)</td>
<td>8.4%</td>
<td>-0.4 PP</td>
<td>8.8%</td>
<td>9.0%</td>
<td>8.3%</td>
<td>9.2%</td>
</tr>
<tr>
<td>Own funds ratio</td>
<td>10.2%</td>
<td>-0.8 PP</td>
<td>11.0%</td>
<td>10.8%</td>
<td>9.3%</td>
<td>10.7%</td>
</tr>
<tr>
<td><strong>Performance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on equity before tax</td>
<td>7.3%</td>
<td>-14.9 PP</td>
<td>22.2%</td>
<td>39.1%</td>
<td>23.9%</td>
<td>29.9%</td>
</tr>
<tr>
<td>Return on equity after tax</td>
<td>5.3%</td>
<td>-12.5 PP</td>
<td>17.8%</td>
<td>33.9%</td>
<td>18.1%</td>
<td>24.4%</td>
</tr>
<tr>
<td>Consolidated return on equity</td>
<td>0.9%</td>
<td>-15.6 PP</td>
<td>16.5%</td>
<td>34.0%</td>
<td>15.5%</td>
<td>22.8%</td>
</tr>
<tr>
<td>Return on assets before tax</td>
<td>52.8%</td>
<td>-4.1 PP</td>
<td>56.9%</td>
<td>56.7%</td>
<td>58.9%</td>
<td>59.8%</td>
</tr>
<tr>
<td>Return on Assets vor Steuern</td>
<td>0.40%</td>
<td>-0.78 PP</td>
<td>1.17%</td>
<td>1.83%</td>
<td>1.17%</td>
<td>1.11%</td>
</tr>
<tr>
<td>Impairment allowance ratio (average credit risk-weighted assets)</td>
<td>1.19%</td>
<td>0.78 PP</td>
<td>0.41%</td>
<td>0.63%</td>
<td>0.52%</td>
<td>0.64%</td>
</tr>
<tr>
<td>Risk/earnings ratio</td>
<td>28.7%</td>
<td>18.2 PP</td>
<td>10.5%</td>
<td>15.8%</td>
<td>12.9%</td>
<td>17.4%</td>
</tr>
<tr>
<td><strong>Resources</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of staff on the balance sheet date</td>
<td>66,651</td>
<td>8.6%</td>
<td>61,351</td>
<td>55,434</td>
<td>46,243</td>
<td>25,323</td>
</tr>
<tr>
<td>Of which in Austria</td>
<td>3,179</td>
<td>11.2%</td>
<td>2,858</td>
<td>2,577</td>
<td>2,529</td>
<td>2,373</td>
</tr>
<tr>
<td>Of which in the CEE region</td>
<td>63,029</td>
<td>8.5%</td>
<td>58,111</td>
<td>52,528</td>
<td>43,430</td>
<td>22,707</td>
</tr>
<tr>
<td>Business outlets</td>
<td>3,251</td>
<td>7.1%</td>
<td>3,036</td>
<td>2,866</td>
<td>2,461</td>
<td>932</td>
</tr>
</tbody>
</table>

* Without the one-off effects of the sale of Raiffeisenbank Ukraine and of a minority stake in Bank TuranAlem in the amount of $96 million.

<table>
<thead>
<tr>
<th>Ratings (July 2009)</th>
<th>Long-term</th>
<th>Short-term</th>
<th>Fin. strength</th>
<th>Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moody’s Investors Service</td>
<td>A1</td>
<td>P-1</td>
<td>D+</td>
<td>Stable</td>
</tr>
<tr>
<td>Standard &amp; Poor’s</td>
<td>A</td>
<td>A-1</td>
<td>–</td>
<td>Negative</td>
</tr>
</tbody>
</table>
Table 30: Principal investments (at year end 2008)

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full name</th>
<th>Domicile</th>
<th>Registered address</th>
<th>Total RZB interest in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>KATHREIN</td>
<td>Kathrein &amp; Co. Privatgeschäftsbank Aktiengesellschaft</td>
<td>1010 Vienna</td>
<td>Wippingerstrasse 25</td>
<td>100.0%</td>
</tr>
<tr>
<td>RBSKP</td>
<td>Raiffeisen Bausparkasse Gesellschaft m.b.H.</td>
<td>1050 Vienna</td>
<td>Wiedner Hauptstrasse 94</td>
<td>37.0%</td>
</tr>
<tr>
<td>CENTRO</td>
<td>Raiffeisen Centrobank AG</td>
<td>1010 Vienna</td>
<td>Tegethofferstrasse 1</td>
<td>100.0%</td>
</tr>
<tr>
<td>REV</td>
<td>Raiffeisen evolution project development GmbH</td>
<td>1020 Vienna</td>
<td>Ernst-Melchior-Gasse 22</td>
<td>40.0%</td>
</tr>
<tr>
<td>RI</td>
<td>Raiffeisen International Bank-Holding AG</td>
<td>1030 Vienna</td>
<td>Am Stadtpark 9</td>
<td>approx. 69%</td>
</tr>
<tr>
<td>RlAG</td>
<td>Raiffeisen Investment Aktiengesellschaft</td>
<td>1015 Vienna</td>
<td>Krugerstraße 13</td>
<td>100.0%</td>
</tr>
<tr>
<td>RKAG</td>
<td>Raiffeisen Kapitalanlage-Gesellschaft mit beschränkter Haftung</td>
<td>1010 Vienna</td>
<td>Schwarzenbergplatz 3</td>
<td>50.0%</td>
</tr>
<tr>
<td>RVG</td>
<td>Raiffeisen Vermögensverwaltungsbank AG</td>
<td>1010 Vienna</td>
<td>Schwarzenbergplatz 3</td>
<td>50.0%</td>
</tr>
<tr>
<td>RWBB</td>
<td>Raiffeisen Wohnbaubank Aktiengesellschaft</td>
<td>1030 Vienna</td>
<td>Am Stadtpark 9</td>
<td>25.0%</td>
</tr>
<tr>
<td>RLGMBH</td>
<td>Raiffeisen-Leasing Gesellschaft m.b.H.</td>
<td>1020 Vienna</td>
<td>Hollandstrasse 11-13</td>
<td>51.0%</td>
</tr>
<tr>
<td>UNIQA</td>
<td>UNIQA Versicherungen AG</td>
<td>1029 Vienna</td>
<td>Untere Donaustrasse 21</td>
<td>44.5%</td>
</tr>
<tr>
<td>ZHS</td>
<td>ZHS Office- &amp; Facilitymanagement GmbH</td>
<td>1030 Vienna</td>
<td>Am Stadtpark 9</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

7.2 RZB Group investments

See Table 30.

NB: Please refer to the RI 2008 Annual Report for RI’s percentage holdings in network banks.

7.3 Sustainability programme

A future always needs a past

Goals:

– Active preservation of our history, traditions and origins.
– Active protection of the Raiffeisen brand.
– Active solidarity with our main stakeholders.
– Active consolidation of our common Group identity.

Actions in 2009:

– “We are Raiffeisen”
  Continuation of the “We are Raiffeisen” campaign to communicate Raiffeisen’s history, values and CR approach to our people.
– Stakeholder dialogue
  Organisation of a dialogue on “CR at Raiffeisen” involving the CR committee.

– Critical self-assessment
  Implementation of CR audit mechanisms across all divisions.

We are here to stay

Goals:

– Support for voluntary social service by employees.
– Environmental protection in our banking operations:
  Reduction of costs and direct environmental impacts, as well as awareness raising among employees.

Actions in 2009:

– Helping employees to help:
  Time off for employees to act as volunteer helpers after natural disasters or accidents.
– Training focus on corruption prevention:
  Increased inclusion of corruption prevention in employee training courses.
– Internal environmental actions:
  Implementation as part of the Raiffeisen Climate Initiative.
– European Energy Service Initiative:
  Entry of the RZB headquarters building for the European Energy Service Award
− Solar energy:
  Installation of PV arrays and solar collectors at the headquarters building.
− Environmental indicator system:
  Improvements to the RZB Group environmental reporting system.

Our client’s success defines our own success

Goals:
− Extend our CR leadership in our core operations:
  Improve external ratings (e.g. by Oekom-Research).
− Leverage CR to improve our business performance:
  Take opportunities and mitigate risks.
− Support sustainable business practices via our products, and feature a flagship “CR product” in each product area by the end of 2010.

Actions in 2009:
− Inclusion of eco-social issues in the Code of Conduct and formulation of additional CR guidelines.
− CR focus in projects
  Annual priorities for CR related project finance. 2009 focus: Raiffeisen Climate Initiative.
− CR in contracts
  Incorporation of CR related clauses in our standard contracts.
− Membership of voluntary initiatives
  Commitment to the UN Global Compact and participation in the Carbon Disclosure Project.

The best become better with us

RZB’s objectives:
− Step up staff training and development.
− Make further improvements to the performance management process.
− Raise management awareness of corporate responsibility processes.

Actions scheduled in the RZB Group for 2009:
− Focus on staff training and development
  At least one training or development activity for 70% of all staff.

Actions scheduled by RZB for 2009:
− Regular employee surveys
  Regular surveys starting in 2009.
− More performance reviews
  Target agreement and performance appraisal discussions for 90% of our staff.
− More staff development discussions
  Development discussions for 80% of employees.
− Personal CR objectives
  At least one CR objective for each of our senior executives.
− Initiation of a generation management system
  Development of a blueprint for our generation management system and implementation of the first important actions.
− CR in training courses
  Incorporation of CR aspects in our human relations training courses; increased attention to CR in staff training.

A strong cultural mix

Objectives:
− Increase the proportion of female executives in the RZB Group.
− Promote Group-wide staff mobility.
− Take a strong stand against all forms of discrimination.
− Take on an active advocacy role in favour of a united Europe by educating public opinion.
− Advocate the integration of marginalised social groups.

Actions scheduled by RZB for 2009:
− Help staff return to work after maternity leave
  Continuation of measures such as information events, flextime and part-time working and alternating teleworking.

Actions scheduled by RZB Group for 2009:
− Social integration project
  Funding of at least one project designed to promote the integration of an economically marginalised group (“Help for self-help”).
− International Acceleration Pool
  Continued development of the International Acceleration Pool for Group-wide development and career opportunities in a multicultural framework.
7.4 GRI index

This report has been drawn up in accordance with GRI G3 Application Level B.

In line with the option offered by the GRI guidelines, a different structure has been used for the disclosure of management approaches, including goals and actions, with respect to the aspects defined under the various indicator categories — in the case of this report, according to the Raiffeisen Principles. The report has not been externally audited.

GRI Applications Level grid

<table>
<thead>
<tr>
<th>G3 code</th>
<th>GRI content</th>
<th>Performance</th>
<th>Chapter</th>
<th>Page</th>
</tr>
</thead>
<tbody>
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<td>Strategy and Analysis</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>1.1.</td>
<td>Statement from the most senior decision maker.</td>
<td>Fully disclosed</td>
<td>Foreword</td>
<td>8, 9</td>
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<tr>
<td>1.2.</td>
<td>Description of key impacts, risks, and opportunities.</td>
<td>Fully disclosed</td>
<td>1.2, 7.3</td>
<td>15-19, 70-71</td>
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<td>Profile</td>
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<td>2.1.-2.10.</td>
<td>Organisational profile</td>
<td>Fully disclosed</td>
<td>1.1, 2.1</td>
<td>11-15, 23-26</td>
</tr>
<tr>
<td>3.1.-3.4.</td>
<td>Report profile</td>
<td>Fully disclosed</td>
<td>Summary, credits</td>
<td>6-7, 79</td>
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<tr>
<td>3.5.-3.11</td>
<td>Report scope and boundary.</td>
<td>Fully disclosed</td>
<td>Summary</td>
<td>6-7</td>
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<tr>
<td>3.12.</td>
<td>GRI content index.</td>
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<td>7.4</td>
<td>72-76</td>
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<td>3.13.</td>
<td>Assurance</td>
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<td>72-76</td>
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<td>Governance, Commitments, and Engagement</td>
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<tr>
<td>4.1.-4.10.</td>
<td>Governance</td>
<td>Fully disclosed</td>
<td>1.1</td>
<td>11-15</td>
</tr>
<tr>
<td>4.11.-4.13.</td>
<td>Commitments to external initiatives.</td>
<td>Fully disclosed</td>
<td>1.2</td>
<td>15-19</td>
</tr>
<tr>
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<td>4.14.4.17</td>
<td>List of stakeholder groups engaged by the organisation.</td>
<td>Fully disclosed</td>
<td>1.2</td>
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<tr>
<td><strong>Stakeholder Engagement</strong></td>
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<tr>
<td><strong>Sector Specific Disclosure on Management Approach to Products and Services</strong></td>
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<tr>
<td>D1</td>
<td>Policies with specific environmental and social components applied to business lines.</td>
<td>Partially disclosed</td>
<td>1.2.1.3</td>
<td>15-21</td>
</tr>
<tr>
<td>D2</td>
<td>Procedures for assessing and screening environmental and social risks in business lines.</td>
<td>Partially disclosed</td>
<td>4.2</td>
<td>46-49</td>
</tr>
<tr>
<td>D3</td>
<td>Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions.</td>
<td>Partially disclosed</td>
<td>4.2</td>
<td>46-49</td>
</tr>
<tr>
<td>D4</td>
<td>Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines.</td>
<td>Partially disclosed</td>
<td>1.2.3</td>
<td>17</td>
</tr>
<tr>
<td>D5</td>
<td>Interactions with clients/investees/business partners regarding environmental and social risks and opportunities.</td>
<td>Partially disclosed</td>
<td>4.4, 1.2.6</td>
<td>51-53, 19</td>
</tr>
<tr>
<td><strong>ECONOMIC</strong></td>
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<tr>
<td><strong>Economic Performance</strong></td>
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<tr>
<td>EC1</td>
<td>Direct economic value generated and distributed.</td>
<td>Fully disclosed</td>
<td>3.2</td>
<td>33-35</td>
</tr>
<tr>
<td>EC2</td>
<td>Financial implications and other risks and opportunities due to climate change.</td>
<td>Not disclosed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EC3</td>
<td>Coverage of the organisation’s defined benefit plan obligations.</td>
<td>Not disclosed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EC4</td>
<td>Significant financial assistance received from government.</td>
<td>Not disclosed</td>
<td></td>
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</tr>
<tr>
<td><strong>Market Presence</strong></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>EC6</td>
<td>Policy, practices, and proportion of spending on locally-based suppliers.</td>
<td>Irrelevant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EC7</td>
<td>Procedures for local hiring.</td>
<td>Fully disclosed</td>
<td>6.4</td>
<td>66-68</td>
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<tr>
<td><strong>Indirect Economic Impacts</strong></td>
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<tr>
<td>EC8</td>
<td>Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind, or pro bono engagement.</td>
<td>Partially disclosed</td>
<td>3.2</td>
<td>35-38</td>
</tr>
<tr>
<td><strong>IMPACTS OF PRODUCTS AND SERVICES</strong></td>
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</tr>
<tr>
<td><strong>Audit</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>FSSS 1</td>
<td>Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.</td>
<td>Partially disclosed</td>
<td>1.2.3, 4.2</td>
<td>17, 46-49</td>
</tr>
<tr>
<td><strong>Active Ownership</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>FSSS 2</td>
<td>Percentage and number of companies held in the institution’s portfolio with which the reporting organisation has interacted on environmental or social issues.</td>
<td>Partially disclosed</td>
<td>4.2</td>
<td>46-49</td>
</tr>
<tr>
<td>FSSS 3</td>
<td>Percentage of assets subject to positive and negative environmental or social screening.</td>
<td>Not disclosed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FSSS 4</td>
<td>Voting policy(ies) applied to environmental or social issues for shares over which the reporting organisation holds the right to vote shares or advise on voting.</td>
<td>Not disclosed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FSSS 5</td>
<td>Additional quantitative information on Indicator FSSS 4.</td>
<td>Not disclosed</td>
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<tr>
<td>G3 code</td>
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<td>---------</td>
<td>-----------------------------------------------------------------------------</td>
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</tr>
<tr>
<td><strong>Product Portfolio</strong></td>
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<tr>
<td>FSSS 6</td>
<td>Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.</td>
<td>Not disclosed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FSSS 7</td>
<td>Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.</td>
<td>Partially disclosed</td>
<td>4.2</td>
<td>46-49</td>
</tr>
<tr>
<td>FSSS 8</td>
<td>Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector.</td>
<td>Not disclosed</td>
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<tr>
<td><strong>Product Responsibility</strong></td>
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<tr>
<td>FSSS 11</td>
<td>Policies for the fair design and sale of financial products and services.</td>
<td>Partially disclosed</td>
<td>4.3</td>
<td>49-51</td>
</tr>
<tr>
<td>FSSS 12</td>
<td>Initiatives to enhance financial literacy by type of beneficiary.</td>
<td>Not disclosed</td>
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<td></td>
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<tr>
<td><strong>ENVIRONMENT</strong></td>
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</tr>
<tr>
<td>EN1</td>
<td>Materials used by weight or volume.</td>
<td>Partially disclosed</td>
<td>3.3.3</td>
<td>40,41</td>
</tr>
<tr>
<td>EN2</td>
<td>Percentage of materials used that are recycled input materials.</td>
<td>Partially disclosed</td>
<td>3.3.3</td>
<td>40,41</td>
</tr>
<tr>
<td><strong>Energy</strong></td>
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<tr>
<td>EN3</td>
<td>Direct energy consumption by primary energy source.</td>
<td>Irrelevant</td>
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</tr>
<tr>
<td>EN4</td>
<td>Indirect energy consumption by primary energy source.</td>
<td>Partially disclosed</td>
<td>3.3.1</td>
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<td><strong>Water</strong></td>
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<tr>
<td>EN8</td>
<td>Total water withdrawal by source.</td>
<td>Fully disclosed</td>
<td>3.3.3</td>
<td>40</td>
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<tr>
<td><strong>Biodiversity</strong></td>
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<tr>
<td>EN11</td>
<td>Location and size of land in or adjacent to protected areas.</td>
<td>Irrelevant</td>
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<tr>
<td>EN12</td>
<td>Impacts on biodiversity in protected areas and areas of high biodiversity value.</td>
<td>Irrelevant</td>
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<tr>
<td><strong>Emissions, Effluents and Waste</strong></td>
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<tr>
<td>EN16</td>
<td>Total direct and indirect greenhouse gas emissions.</td>
<td>Partially disclosed</td>
<td>3.3.3</td>
<td>41</td>
</tr>
<tr>
<td>EN17</td>
<td>Other relevant indirect greenhouse gas emissions.</td>
<td>Irrelevant</td>
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<tr>
<td>EN19</td>
<td>Emissions of ozone-depleting substances.</td>
<td>Irrelevant</td>
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<tr>
<td>EN20</td>
<td>NO, SO, and other significant air emissions.</td>
<td>Irrelevant</td>
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<tr>
<td>EN21</td>
<td>Total wastewater discharge (equal to water withdrawn [see EN8]).</td>
<td>Fully disclosed</td>
<td>3.3.3</td>
<td>40</td>
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<td>EN22</td>
<td>Total waste.</td>
<td>Fully disclosed</td>
<td>3.3.3</td>
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<td>EN23</td>
<td>Significant spills.</td>
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<td>Products and Services</td>
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<tr>
<td>EN26 Initiatives to mitigate environmental impacts of products and services.</td>
<td>Partially disclosed 3.4, 4.2 42, 46-49</td>
<td></td>
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<tr>
<td>EN27 Percentage of packaging materials that are reused or reclaimed.</td>
<td>Irrelevant</td>
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</tbody>
</table>

**Compliance**

| EN28 Significant fines and non-monetary sanctions for noncompliance with environmental laws and regulations. | Fully disclosed 3.3 39 |

**SOCIAL PERFORMANCE INDICATORS**

**Labor Practices and Decent Work**

**Employment**

| LA1 Total workforce. | Fully disclosed 5.1, 5.6.1 55, 60 |
| LA2 Employee turnover. | Fully disclosed 5.3 56 |
| LA4 Collective bargaining agreements. | Not disclosed |
| LA5 Minimum notice period(s) regarding operational changes. | Not disclosed |

**Occupational Health and Safety**

| LA7 Injuries, occupational diseases, lost days, absenteeism, and fatalities. | Partially disclosed 5.6.1 59 |
| LA8 Programs in place to assist workforce members and their families regarding serious diseases. | Not disclosed |

**Training and Education**

| LA10 Average hours of training. | Fully disclosed 5.4.1 57 |

**Diversity and Equal Opportunity**

| LA13 Composition of governance bodies and breakdown of employees. | Fully disclosed 6.2, 6.4 64-66, 66-68 |
| LA14 Ratio of basic salary of men to women. | Fully disclosed 6.2.1 65 |

**Human Rights**

**Investment and Procurement Practices**

| HR1 Human rights screening in connection with investment decisions. | Partially disclosed 1.3.2, 4.2 20, 46 |
| HR2 Screening of suppliers and contractors regarding respect for human rights. | Not disclosed |

**Non-discrimination**

| HR4 Total number of incidents of discrimination. | Fully disclosed 6.2.4 66 |

**Freedom of Association and Collective Bargaining**

| HR5 Right to exercise freedom of association and collective bargaining. | Not disclosed |

**Child Labor**

| HR6 Measures taken to contribute to the elimination of child labor. | Not disclosed |

**Forced and Compulsory Labor**

<p>| HR7 Measures to contribute to the elimination of forced or compulsory labor. | Not disclosed |</p>
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<td><strong>Society</strong></td>
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<tr>
<td>SO1</td>
<td>Programs and practices that manage the impacts of operations on communities.</td>
<td>Partially disclosed</td>
<td>4.2</td>
<td>46-49</td>
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<tr>
<td>FSSS 9</td>
<td>Access to financial services in low-populated or economically disadvantaged areas by product and service type.</td>
<td>Not disclosed</td>
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<td>FSSS 10</td>
<td>Initiatives to improve access to financial services for the handicapped and invalids.</td>
<td>Not disclosed</td>
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<tr>
<td><strong>Bribery and Corruption</strong></td>
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<td>SO2</td>
<td>Analysis of business units for risks related to corruption.</td>
<td>Fully disclosed</td>
<td>3.2.5</td>
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<tr>
<td>SO3</td>
<td>Employee training in the organization’s anti-corruption policies and procedures.</td>
<td>Fully disclosed</td>
<td>3.2.5</td>
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</tr>
<tr>
<td>SO4</td>
<td>Actions taken in response to incidents of corruption.</td>
<td>Fully disclosed</td>
<td>3.2.5</td>
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<td><strong>Public Policy</strong></td>
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<td>SO5</td>
<td>Public policy positions and participation in public policy development and lobbying.</td>
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<td><strong>Compliance</strong></td>
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<tr>
<td>SO8</td>
<td>Fines and number of non-monetary sanctions for noncompliance with laws and regulations.</td>
<td>Not disclosed</td>
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<td><strong>Product Responsibility</strong></td>
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<tr>
<td>PR1</td>
<td>Assessment of the impacts of products and services on customer health and safety.</td>
<td>Irrelevant</td>
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<tr>
<td><strong>Product and Service Labeling</strong></td>
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<td>PR3</td>
<td>Product and service information required by law.</td>
<td>Irrelevant</td>
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<td><strong>Marketing Communications</strong></td>
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<tr>
<td>PR6</td>
<td>Adherence to laws, standards, and voluntary codes related to marketing communications.</td>
<td>Fully disclosed</td>
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<td>50-51</td>
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<td><strong>Compliance</strong></td>
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<tr>
<td>PR9</td>
<td>Fines for noncompliance with laws and regulations concerning the provision and use of products and services.</td>
<td>Not disclosed</td>
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### 7.5 Glossary

<table>
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<tr>
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<tr>
<td>Basel II</td>
<td>International accord governing capital requirements for banks.</td>
</tr>
<tr>
<td>CDM</td>
<td>The Clean Development Mechanism is a flexible arrangement under the Kyoto Protocol intended to support the attainment of the Kyoto targets at low cost. The CDM relates to emission reduction projects in developing countries.</td>
</tr>
<tr>
<td>Clearing</td>
<td>The central offsetting of mutual obligations.</td>
</tr>
<tr>
<td>CO₂ allowances</td>
<td>CO₂ emission allowances entitle the holders to emit a given amount of CO₂ or other greenhouse gases such as methane which are treated as equivalents. These allowances are internationally tradable.</td>
</tr>
<tr>
<td>Compliance</td>
<td>Compliance concerns legal and ethical conduct in banking. It relates to issues such as the avoidance of conflicts of interest, the treatment of market sensitive information, and the fulfilment of duties of care with regard to the prevention of fraud, money laundering and the financing of terrorism, as well as environmental and social aspects of corporate behaviour. New staff members are required to sign a compliance declaration. A compliance officer is in charge of the compliance system.</td>
</tr>
<tr>
<td>Corporate governance</td>
<td>Corporate governance comprises internationally accepted rules and values that make for good and responsible business leadership. A useful source on this subject is the Austrian Code of Corporate Governance <a href="http://www.wienerborse.at/corporate/index.htm">www.wienerborse.at/corporate/index.htm</a>.</td>
</tr>
<tr>
<td>Corporate responsibility (CR)</td>
<td>Corporate responsibility (CR), in the sense of sustainable business ethics, has economic, environmental and social dimensions. Good corporate governance is an aspect of CR. CR is increasingly replacing the term “corporate social responsibility” (CSR), since the former is widely viewed as a more all-embracing concept.</td>
</tr>
<tr>
<td>Debt Investor Office</td>
<td>A unit of the RZB Investor Relations Department that serves debt investors.</td>
</tr>
<tr>
<td>Due diligence</td>
<td>The comprehensive duty of care of banks when valuing potential acquisition targets ahead of the actual acquisitions.</td>
</tr>
<tr>
<td>Global Compact</td>
<td>An initiative supported by the UN and business stakeholders. Membership is voluntary. Companies join by sending a letter of commitment to the Secretary General of the United Nations in which they undertake to comply with minimum environmental and social standards.</td>
</tr>
<tr>
<td>Global Reporting Initiative (GRI)</td>
<td>The Global Reporting Initiative publishes sustainability reporting guidelines. The current version G3, which was published in 2006, contains over 120 indicators which are intended to provide companies with guidance on the preparation of sustainability reports. The Financial Services Sector Supplement contains additional reporting requirements for banks.</td>
</tr>
<tr>
<td>Green IT</td>
<td>The environmentally friendly use of corporate information and communication technology. Apart from the utilisation phase, this approach also takes in the production and disposal life cycle stages.</td>
</tr>
<tr>
<td>ICAAP</td>
<td>The Internal Capital Adequacy Assessment Process. The ICAAP is the comprehensive process and related strategy by which banks ensure that the amount, composition and distribution of their internal capital is adequate to cover all the main banking and operational risks to which they are exposed.</td>
</tr>
<tr>
<td>Investment bank</td>
<td>A bank that specialises in investment transactions.</td>
</tr>
<tr>
<td>Commercial bank</td>
<td>A bank that focuses on serving business customers.</td>
</tr>
<tr>
<td>Loan portfolio</td>
<td>The entire stock of loans extended by a bank.</td>
</tr>
<tr>
<td>Syndicated loan agreement</td>
<td>A joint loan agreement between two or more banks and a borrower.</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
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<tr>
<td>Leasing company</td>
<td>A company that offers its customers an alternative form of finance under which the right to use leased assets is transferred from the lessor to the lessee in return for agreed lease payments.</td>
</tr>
<tr>
<td>Microloans</td>
<td>Very small loans (up to a maximum of 1,000) that offer an affordable and socially just form of finance for socially disadvantaged people (small businesses and tradesmen).</td>
</tr>
<tr>
<td>Microleasing</td>
<td>A refinement of microcredit that helps farmers to buy seed and machines at low cost, for example. In this form of finance the bank remains the owner of the leased assets, which serve as collateral.</td>
</tr>
<tr>
<td>Murabaha loans</td>
<td>A form of finance that is acceptable under Sharia law. A bank purchases an asset and sells it on to a borrower at a higher price. This means that the transaction is not subject to the prohibition of interest (riba) under Sharia.</td>
</tr>
<tr>
<td>Proprietary trading</td>
<td>Securities, money market or foreign exchange trading by a bank on its own behalf and for its own account.</td>
</tr>
<tr>
<td>Raiffeisen Climate Initiative</td>
<td>The Raiffeisen-Klimaschutz-Initiative (Raiffeisen Climate Initiative) brings together all the activities planned and implemented by Raiffeisen organisations relating to sustainability, climate change, energy efficiency and renewable resources. Its purpose is to exploit synergies, make a significant contribution to combating climate change and raise public awareness of the problem.</td>
</tr>
<tr>
<td>Raiffeisen idea</td>
<td>A socially responsible way of doing business named after its founder, F. W. Raiffeisen (1818–1888).</td>
</tr>
<tr>
<td>Rating agencies</td>
<td>Rating agencies such as Standard &amp; Poor’s, Moody’s and Fitch Ratings assess the creditworthiness of companies, banks and countries.</td>
</tr>
<tr>
<td>S-BOX</td>
<td>An index platform that offers investors a wide range of opportunities for portfolio diversification. The S-BOX indices currently include environmental investments.</td>
</tr>
<tr>
<td>Stakeholders</td>
<td>External and internal groups that have a stake in an organisation, e.g. employees, customers, the government and NGOs.</td>
</tr>
<tr>
<td>Transparency International</td>
<td>Transparency International (TI) is an international non-governmental organisation that combats corruption.</td>
</tr>
</tbody>
</table>