Raiffeisen Bank S.A.

Directors' Report

31 December 2018

On Financial Statements prepared in accordance with International Financial Reporting Standards as endorsed by the European Union

FREE TRANSLATION

DIRECTORS' REPORT ON CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2018

1. GROUP DESCRIPTION

Raiffeisen Bank S.A. is a top universal bank on the Romanian market, offering a wide range of high quality products and services. Raiffeisen Bank Romania S.A. operates since 1 July 2002 following the merger by acquisition of Raiffeisen Bank Romania S.A. by Banca Agricola Raiffeisen S.A. through issue of shares. The merger between the two banks was performed as at 30 June 2002 in order to streamline the operations of the Raiffeisen Group in Romania.

In 1st of May 2014 took place the merger between Raiffeisen Bank and Raiffeisen Capital and Investment S.A., a brokerage company providing stock exchange brokerage services to local and foreign customers.

The Group holds:

- 99.99% investment in Raiffeisen Asset Management S.A., an asset management company with the purpose of administrating funds launched by the Group
- 99.99% interest in Raiffeisen Leasing IFN S.A.
- 99.99% interest in ICS Raiffeisen Leasing S.R.L. from the Republic of Moldova, a company held 100% by Raiffeisen Leasing IFN S.A.

In March 2017 the Bank gained control on Raiffeisen Leasing IFN S.A. and ICS Raiffeisen Leasing S.R.L. through the acquisition of 746,769 shares with a nominal value of 10 Ron, accounting for 49.99% from Raiffeisen Leasing IFN S.A. The decision was made in order to simplify the shareholder structure within the Raiffeisen Group.

The Bank has consolidated the financial statements of its subsidiaries in accordance with IFRS 10 "Consolidated Financial Statements".

The Group holds interests in the following joint ventures:

- 33.32% in Raiffeisen Banca pentru Locuinte S.A., which is an entity exclusively dedicated to saving and lending business.

The Group has consolidated the financial statements of its joint ventures on equity method, in accordance to IAS 28 "Investments in Associates and joint Ventures".

2. RAIFFEISEN BANK'S STRATEGY

As a leading bank, we help our customers to achieve their objectives through financial solutions that serve multiple financial needs and build profitable home banking relations. We seek to create customer value by offering customer-centric solutions that are simple, convenient and easy to use. We offer advice to our customer segments through advisory tools and consultancy and we deliver services in a convenient way through digital channels and our helpful staff. We are committed to providing quality banking solutions for our customers and to doing 'proper banking', by promoting a culture that relies on achievement, responsibility and competence.

3. ECONOMIC & BANKING ENVIRONMENT IN 2018

After peaking at 7.0% in 2017, the economic growth decelerated in 2018, while remaining at a solid level of 4.1%. Private consumption acted further as the main engine of GDP growth as the rapid increase of wages (by around 8% in real terms in 2018) fuelled the consumers' spending appetite. On the other hand, gross fixed investments recorded a modest performance in 2018. On the supply side, gross value-added increased in all major sectors of activity (industry, services and agriculture), with the exception of constructions.

Consumer prices increased by 3.3% in 2018. After peaking at 5.4% yoy in mid-2018, the inflation rate returned inside the Central Bank's inflation target band (2.5%±1 pp) towards end-2018. Also on the positive side, underlying inflationary pressures stabilized during 2018.

Public budget deficit target for 2018 (3% of GDP) was met as effective deficit was marginally below (2.9% of GDP). Public expenses outpaced targets set at the beginning of the year and additional revenues had to be raised (i.e. supplementary special dividends from majority state owned companies, extraordinary inflows from EU funds). At the end of 2018, the Government enforced an ample package of important fiscal changes, the most controversial being the tax on banks' financial assets.

The National Bank of Romania (NBR) hiked three times the key rate in H1 2018 to 2.5% from 1.75% in order to cope with rapid increase of inflation rate and with deterioration of inflation outlook. In addition, the Central Bank performed a tight control over liquidity conditions in the money market. Money market interest rates (ROBOR) were quoted above the level of the key interest rate, so the monetary policy stance was tighter than implied by the level of the key rate.

Banking loans granted to the private sector (households and companies) recorded in 2018 the fastest growth rate in the last 10 years. Total stock of banking loans increased by 7.9% in 2018 (dynamics assumes a constant EUR/RON exchange rate). Gains were recorded for all lending segments: housing loans (11.0%), loans for consumer and other purposes (6.9%) and loans granted to companies (6.1%). Also, similar to previous years, the advance was driven exclusively by RON denominated loans (+13.6%), while FCY denominated loans decreased by 1.3% in EUR equivalent. Still, FCY loans granted to companies showed evident signs of improvement in 2018. Share of FCY loans in total loans granted by banks to the private sector decreased further, to 34.6% in December 2018 down from 37.9% in December 2017.

4. GROUP'S BUSINESS PERFORMANCE IN 2018

a) Highlights

2018 was a very good year for Raiffeisen, the best in our history in Romania. The Group's foundations are rock-solid, with a sound L/D ratio of 0.79, strong capital position as depicted by the solvency ratio[1] of 16.7% and NPL ratio of 4.1% well below market average. Highly rewarding, yet unusually high RoE[2] of 26.7%, at the peak of the economic cycle.

Earning power in great shape. Revenues benefited from the fuel of our remarkable growth in business volumes, which was delivered in a balanced and sustainable way. Loans, deposits and transactional volumes grew strongly and, alongside the positive impact from the rise in market rates on local currency, contributed to the 20% growth in top line.

We financed the real economy through newly approved loans of Ron 15 billion, highest ever for the bank, of which 60% was granted to local entrepreneurs and big companies. We are proud to be partners in our clients' road to success, by offering them suitable and convenient financial solutions, in line with our strategy of doing ***'proper banking'***.

Digital transformation high on our agenda*,* as we aim to provide fast and quality services to our dynamic clients. The efforts we put in reinventing the customer journey are reflected in the digital customers[3] increase to 600 ths. (+30% vs. Dec'17) and we are very pleased to also note improved client satisfaction, as indicated by the 23% rise in Net Promoter Score[4].

Enabled and engaged employees. We acknowledge the critical importance of staff in reaching our strategic objectives and the degree of employee satisfaction, enablement and engagement are closely monitored. We strive to achieve improvements in the future and we are glad to see in 2018 a higher level of employee effectiveness and satisfaction.

[1] Before the GSM decision on 2018 profit incorporation
[2] Computed for the Bank: Net profit divided by the average value for Equity in the period, without the 2018 profit
[3] With login in the mobile or online application during the last month
[4] Net Promoter Score, a measure of the clients' overall satisfaction with the bank, computed as arithmetic average of the three target segments (PI, SME and Corporate)

b) Balance sheet developments

2018 was a highly successful year for the Group in Romania, one in which we achieved a strong, yet balanced business growth. We stayed true to our 'proper' way of doing banking and we financed the real economy in all major segments and products, thus sustaining a healthy development for our balance-sheet, as well as for the economy as a whole. We are still in a period where the main engine for economic growth in Romania lies in consumption, which makes it all the more important to strengthen the foundations for future sustainable growth; so we made concrete steps into this direction and further emphasized the lending to companies, both local entrepreneurs and corporate clients, while at the same time striving to remain a trustworthy partner for our individual customers in meeting their financial needs.

Main developments related to the asset side of the balance-sheet are seen below, followed by some comments regarding the notable drivers:

Condensed asset positions	Group			Bank		
amounts in RON million	**2018**	**2017**	Variation	**2018**	**2017**	Variation
Cash and cash with Central bank	7,197	8,472	-15%	7,197	8,472	-15%
Loans and advances to banks at amortized cost	438	89	>100%	435	86	>100%
Loans and advances to customers at amortized cost	26,144	22,161	18%	25,390	21,423	19%
Financial assets mandatorily at fair value through profit or loss	380	0	>100%	369	0	>100%
Investment securities	0	5,250	-	0	5,210	-
Investment securities at fair value through other comprehensive income	3,204	0	-	3,204	0	-
Investment securities at amortized cost	2,333	0	-	2,308	0	-
Sundry assets	1,099	834	32%	1,147	894	28%
Total assets	**40,795**	**36,806**	**11%**	**40,050**	**36,085**	**11%**

Loan production was in an excellent shape in 2018 with newly approved loans at the historical highest level, reaching Ron 15.2 billion, up by 12% compared to 2017.

We strongly believe that an economy at the peak of the cycle needs solid foundations to cope with future headwinds and in this context we see the financing of viable projects and business plans for SME and Corporate clients of paramount importance. More than 60% of the amounts granted to our clients went to companies and local entrepreneurs (up by 16% yoy), via an array of quality financial solutions for investments, working capital, trade finance, big projects or loans granted in favorable conditions in cooperation with the EIF.

New personal and housing loans disbursed to individuals during 2018 also hit new historical highs for the Bank, reaching Ron 4.8 billion. While mortgage originations rose only mildly vs. 2017, new personal loans increased with 9% yoy, in a context of strong demand fueled by the rising wages in the local economy.

All in all, we are very pleased with how we performed in 2018 on lending, fully aligned with our strategy of healthy growth on all our core business lines.

Concerning the net loans stock evolution, an excellent achievement for us is the growth of 23% on Corporate segment, followed by SME with 13% rise vs. 2017. We are particularly satisfied with this increase being achieved in a balanced manner, with project finance, overdrafts, investments, trade finance and supranational programs showing very good development. The fruitful partnerships with EIF continued in 2018, with the purpose to facilitate the access to bank funding for small & medium sized companies. The Cosme and SMEi programs are the newest success stories from a string of highly rewarding partnerships with supranational entities, materialized in loan agreements with advantageous terms both for the bank and the customers.

PI segment's development is also noteworthy with 10% yoy higher net loans. We still see strong demand for personal loans, in line with the evolution of consumption in the local economy, for which we seek to provide suitable, increasingly convenient and fast financial solutions, while at the same time moving towards a fully digitalized lending process.

Sell-buy-back transactions concluded with non-bank financial institutions increased significantly during 2018 vs. 2017, by Ron 1 billion. These deals have a short tenor and are low risk, highly liquid financial instruments.

The clients' preference towards local currency is visible also in the currency mix of the loan book, with the RON share advancing towards 65% weight in 2018:

Loans and advances to customers, before provisioning

	Group				Bank			
	2018		2017		2018		2017	
amounts in RON million	Non-Retail	Retail	Non-Retail	Retail	Non-Retail	Retail	Non-Retail	Retail
Total	12,119	15,029	9,194	14,039	11,711	14,652	8,760	13,705
LCY	7,105	11,741	4,683	10,427	7,053	11,640	4,640	10,327
FCY	5,014	3,288	4,511	3,612	4,658	3,012	4,120	3,378

Deposits from customers once again showed double-digit growth pace (+11%), as further confirmation of the trust we gained from our customers over the years.

During 2018, out of the total growth of Ron 3.4 billion, the most relevant drivers were the PI current accounts, which added Ron 2 billion net inflows to the stock (+23%), on the background of a labor market with increased wages by around 8% in real terms in 2018 and our offer of highly convenient current account packages.

Corporate expanded the deposits base by close to Ron 1 billion, while developments for the other products and segments were considerably smoother in 2018.

Main components related to the liability side of the balance-sheet are illustrated below:

Condensed liability positions	Group			Bank		
amounts in RON million	**2018**	**2017**	Variation	**2018**	**2017**	Variation
Deposits from banks and loans from banks and other financial institutions	1,346	1,440	-7%	644	749	-14%
Deposits from customers	33,051	29,696	11%	33,094	29,737	11%
Debt securities issued	512	512	0%	516	516	0%
Subordinated liabilities	856	849	1%	856	849	1%
Sundry liabilities	846	718	18%	836	711	18%
Equity	4,184	3,591	17%	4,104	3,523	16%
Total liabilities and equity	**40,795**	**36,806**	**11%**	**40,050**	**36,085**	**11%**

With regards to the liabilities denomination, the structure between RON and foreign currencies is moving slightly towards the latter and closed the year at 60/40. 2018 was the second year running with growth pace for FCY liabilities above 10%, especially fast for private individuals.

Deposits from customers

	Group				Bank			
	2018		2017		2018		2017	
amounts in RON million	Non-Retail	Retail	Non-Retail	Retail	Non-Retail	Retail	Non-Retail	Retail
Deposits from customers	9,900	23,151	8,935	20,761	9,943	23,151	8,976	20,761
LCY	6,265	14,631	6,089	12,597	6,284	14,631	6,105	12,597
FCY	3,635	8,520	2,846	8,163	3,659	8,520	2,871	8,163

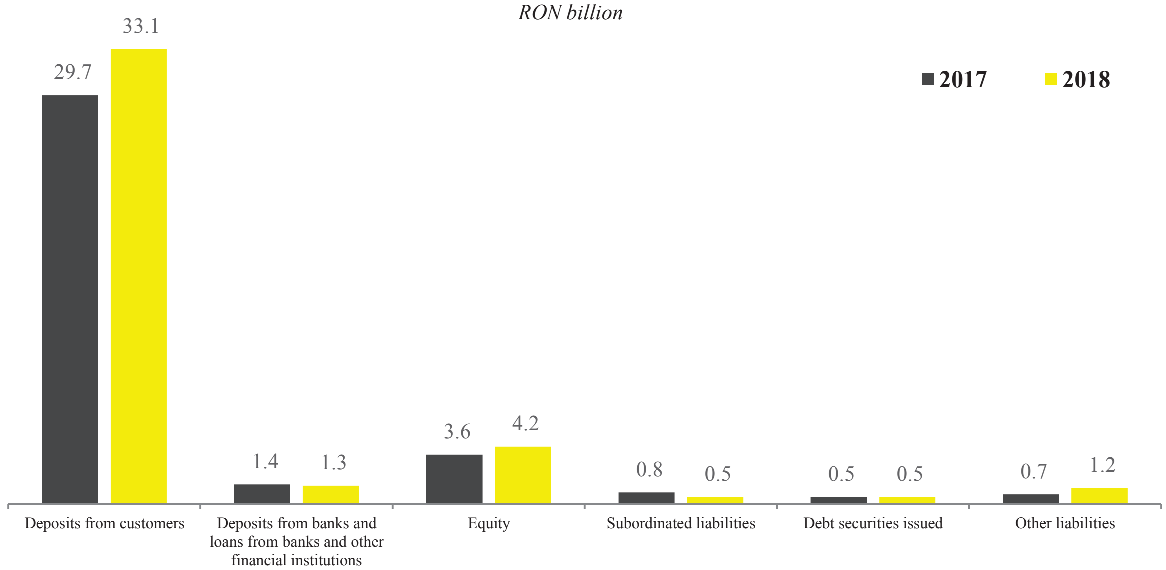
The Group's foundations are in excellent shape, with access to stable and diverse sources of funding. We continue to be highly liquid and primarily deposit funded, with Loans to Deposits ratio of 0.79 (moving up vs. the 2017 L/D ratio of 0.72).

We have a solid capital position, comfortably above regulatory requirements and we are well placed to meet future challenges and sustain our strategy of growth. The Group's remarkable revenue-generating capacity has been proven over the years, which gives us the confidence and the means to put into practice our ambitions for growth.

As seen in the chart below, the capital base keeps up the pace with the advance of the loan book and is the second-most significant element in our liability structure, thus strengthening the foundations of our balance-sheet.

Funding Sources

RON billion



c) Major Profit and Loss components

	Group			Bank		
amounts in RON million	**2018**	**2017**	Variation	**2018**	**2017**	Variation
Net interest income	1,533	1,178	30%	1,500	1,152	30%
Net fee and commission income	639	587	9%	616	568	8%
Net trading income	358	311	15%	358	311	15%
Net gain from other financial instruments carried at fair value through profit and loss	39	6	>100%	38	6	>100%
Other operating income	28	45	-40%	34	49	-33%
Operating and personnel expenses	-1,354	-1,283	6%	-1,320	-1,258	5%
Net provisioning for impairment losses on financial assets	-176	-246	-28%	-175	-244	-29%
Negative goodwill	0	5	<0%	0	0	-
Share of loss of associates and joint venture	1	1	-31%	0	0	-
Income tax (expense) / revenue	-174	-95	82%	-170	-93	84%
Net profit after taxes	**894**	**509**	**76%**	**881**	**491**	**79%**

The Group's earning power strengthened in 2018, fueled by our diversified income streams and the excellent organic growth, achieved on the background of increasing market rates.

Our net interest income grew substantially in 2018, by 30%. We can outline the main drivers behind this development as follows: the loan book dynamic (+15% in underlying[5] terms) was strong enough to offset the impact from decreasing margins, aided also in terms of P&L by the substantial inflows in PI current accounts; after several years of decline, market rates for local currency entered an upward trend starting 2017 Q4, with positive impact for our net interest income. This also prompted us to make the first steps in increasing the interest rates offered for customer deposits, thus aiming to build a strong term deposits base.

Net commission income marked a 9% increase yoy. We are happy to see higher volumes of transactions processed by the bank on behalf of our customers, which more than offset the impact of increasingly convenient and cheap payment solutions offered to our clients via electronic channels.

Transactional income was positively influenced by intensified FX trades by the clients. The main driver for growth was the higher traded volume by 15%, with especially good developments noticed for SME and Corporate clients via the online platform.

Risk costs decreased by half vs. 2017, as a reflection of the continued discipline in repayment behavior from our clients, on the background of significant increases of wages in the local market and an overall benign credit environment, with macro factors at the peak of the economic cycle. Both 2017 and 2018 were affected by some non-recurring events, while the underlying development in 2018 vs. 2017 (one-off events carved out) shows lower loan loss provisions by approx. 25%. The quality of our loan portfolio reflects this positive evolution: the NPL ratio dropped to levels close to 4%, down by 2pp vs the same period of 2017. This achievement emerged from a combination of favorable economic background, disciplined repayments from our clients and continued adherence to our prudent risk strategy.

Operating expenditures were reported on 6% year-over-year increase as a result of running the business in an economic environment characterized by growing costs, mainly labor-driven, on top of which inflationary pressures started to make their presence felt. We acknowledge the critical importance of skilled and satisfied workforce in reaching our strategic objectives and we also see the current investments in technology and digital capabilities as key success factors for the future. These factors are also outlined by the structure of the increase in operating expenses for the Group in 2018, thus proving our commitment to invest in the sustainable development of our business.

Net profit of the Group expanded by 76% year-over-year and got close to the level of Ron 900 mn in 2018. A combination of strong yet balanced business growth, benign risk environment typical for an economy at the peak of the cycle, close monitoring of operational expenses, all created the perfect context for value creation for all our main stakeholders, be they shareholders, clients, company staff and State.

[5] Underlying growth for loans carves out the impact from higher sell-buy-back transactions vs. 2017

d) Customers and distribution

The active customer base was on a slight 1% yearly increase in 2018 at approx. 2.0 million individuals, 91 ths SMEs and 5,700 corporate companies. At year-end 2018, Raiffeisen Bank's network numbered 419 units (451 in 2017), over 900 ATMs, 20,000 EPOS and 220 multifunctional machines.

5. OUTLOOK FOR 2019

a) Economic developments

The economic growth decelerated in 2018, while remaining at a solid level of 4.1%. The economic growth is expected by us to decelerate more visibly starting from 2019, respectively to 2.5%. Private consumption should act further as the main engine of GDP growth, fuelled by the rapid increases of wages and of pensions which continue in 2019. In addition, following the disappointing performance recorded in 2018, some rebound of gross fixed investments should be recorded in 2019 favored by the low base.

On the other hand, the key fiscal changes enforced unexpectedly at the end of 2018 - especially the tax on bank assets - should hamper the economic growth prospects. In addition, the deterioration of macroeconomic fundamentals (current account deficit and public budget deficit) would continue to generate concerns.

b) Developments in the banking industry

Growth rate of outstanding loans accelerated in 2018 to its highest level in the last 10 years, respectively 7.9%. Gains were recorded for all business segments (housing loans, consumer loans, and loans granted to the companies). The low GDP share of banking loans suggests an elevated growth potential in the long run, supported by the real convergence process. In addition, clear structural improvements were recorded at the level of banks' balance sheets in the last years: share of non-performing banking loans was on a downward trend, share of FCY loans declined substantially as the majority of loans were disbursed in RON, reliance of the banking system on external funding has decreased and loans are now fully funded by domestic deposits.

On the contrary, the new bank levy is likely to impede the lending growth. The elevated level of the tax on banking assets would have a negative impact on banks' profitability, most likely resulting in an adjustment of the business strategies.

c) Our perspectives

For the following period we remain committed to generating value for shareholders and improving the services we offer to our customers. In 2018 we surpassed the milestone of 10% market share for lending and we plan to consolidate this position. Furthermore, people and the digital agenda will continue to be in the spotlight. We will deliver growth from our areas of strength, investing in the business while keeping a strong grip on costs.

We expect the economic environment to be a challenging one in the near future, with regulatory and legislative restrictions in sight, foreseeable pressures from wages, inflation and the challenges inherent to a new phase of the economic cycle. Nevertheless, our strong foundations underpinned by a customer centric approach and prudent risk strategy give us the confidence to further expand our business in a responsible and profitable way, as we have proven througout our history of doing ‚proper banking’ in Romania.

In this context we plan for moderate and balanced growth of the loan book in 2019, with increased focus on maintaining a good quality portfolio. As in the past, we seek to accompany the higher portfolio of loans with comparable rises in customer sources for funding.

We expect the strong business growth from 2018 and our plans for further expand our business in 2019 to fuel our earning power in an increasingly competitive environment and once more put us in a position to deliver value-added for all our stakeholders.

6. SUBSIDIARIES

ASSET MANAGEMENT

Raiffeisen Asset Management, the asset management company of the group, increased its market share up to 28% having assets under management of approximately Eur 1.3 billion. In a tough market environment, marked by interest rates volatility and negative net sales across the industry, RAM performed better than most of its peers. During this year, in close collaboration with RBRO, RAM accelerated the distribution of SmartInvest(fund based saving plan) and Raiffeisen Acumulare(voluntary pillar pension fund).

In a challenging market, the sales force succeeded in presenting the investors the benefits of the investment funds, both in terms of yield generation and capacity to withstand the volatile market. RAM continued to be the beneficiary of their trust, together launching four “Managed solutions” funds, which proved to be one of the most successful product launches in RAM history. Starting from the clients’ expectations and risk profile, Raiffeisen Bank’s client advisors offered a wide range of products, the investment funds being an attraction not only for the individuals with saving and investing interests, but for the small and medium companies who wish to maximize the return of their liquidities as well. The wide range of products allowed the full satisfaction of the clients’ investment options not only in lei, but in euro and dollar as well. We put great emphasis on the adequate communication of the advantages of the funds and the flexibility offered by the different types of funds and tranches available to our investors.

FINANCIAL LEASING ACTIVITY

Raiffeisen Leasing IFN S.A. has been representing the Raiffeisen Group on the Romanian Leasing Market since 2002. The company share capital is Ron 14,935,400 and offers a wide range of products for SMEs, corporate clients and, in a small part, for individuals. The company provides customized financing solutions in Lei or Euro, offering fixed or variable interest finance for various types of projects and assets, such as vehicles, equipment. Raiffeisen Leasing offer is also available in over 400 RAIFFEISEN Bank agencies.

As of 31.12.2018 Raiffeisen Leasing IFN S.A.'s assets amounted to Eur 216 million and its active contracts database included about 9,000 contracts. The company has strengthened its business volumes in the past years, confirming in 2018 its established strategic directions, registering a balanced portfolio structure as regards customer segments and funded assets, as well as a decrease in non-performing loans. In 2018, Raiffeisen Leasing actively pursued achieving a sustainable business model, paying attention especially to the responsible deployment of capital. Raiffeisen Leasing's offer was kept in line with the market trends and general context.

In 2018 the leasing market registered a 15% increase compared to 2017, mainly sustained by the automotive segment - cars and commercial vehicles. Raiffeisen Leasing achieved 119 million Euro in 2018 in terms of new business.

SAVING AND LENDING BUSINESS

Raiffeisen Banca pentru Locuinte S.A. (RBL) offers a product denominated in RON that is based on the combination of the saving and the lending phase and offers to customers the financing of housing domain improvements by affordable RON denominated loans with fixed interest rates.

At the end of 2018, RBL registered a portfolio of 127 ths contracts with a total contractual amount of Ron 2 billion, deposits from customers amounting to Ron 383.1 million and total loans granted worth Ron 83 million. In 2018 RBL posted an operational profit of Ron 0.3 million.

7. RESEARCH AND DEVELOPMENT

R&D plays an important role in Raiffeisen Bank activities within IT, aiming to introduce innovative solutions and cutting edge technologies in our portfolio, even though research and development is not the core business of the organization.

During 2018, we continually focused on developing our IT tools and capabilities to address the increasing demand for digital banking services. As part of our Digital transformation program and working in the Agile methodology, we have set the technological foundation aimed at replacing our current Internet and Smart Mobile applications with modern digital apps. These will ensure valuable, lasting relationships with our clients by offering great user experience. Based on the best-of-breed technologies, the new platform will enable us to be adaptive and address faster the dynamic client expectations in a very competitive market.

In order to sustain the Digital Transformation program, we are reshaping development and deployment tooling portfolio in order to modernize, simplify and improve quality control over code delivery with additional benefits such as faster time to market and reduced operational overhead.

8. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS

The objective of financial reporting is to reflect the true and fair view of the statement of financial position, statement of comprehensive income and statement of cash flows, both consolidated and separate.

Compliance with all accounting and financial reporting requirements is a prerequisite.

The Management Board is responsible for defining and establishing a suitable internal control and risk management system that cover all financial reporting process.

The internal control system intended to provide the management all the needed information to ensure continuously improving internal control for accounting.

The internal control system is designed to comply with all relevant guidelines and regulations and to optimize the conditions for specific control measures.

The consolidated and separate financial statements are prepared in accordance with Order No. 27/2010 of the National Bank of Romania and subsequent amendments which require that these consolidated and separate financial statements to be prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

The consolidated and separate financial statements are published within first four months of the financial year following the reporting period.

Control environment

The internal control system in place includes:

- The hierarchical decision-making process for approving the Group and Bank directives and departments instructions.
- Process description for preparation process, quality control, approval, publication, implementation and monitoring the directives and instructions.
- Regulation for revision and repeal of directives and instructions.

The management of each Group member is responsible for implementing the Group directives. Compliance with regulations is monitored by the internal audit missions.

The Audit Committee monitors the accounting process and the effectiveness of internal control, audit and risk management system.

The task of the Audit Committee includes the supervision of the annual audit of the consolidated and separate financial statements, which is done at least annually. The Audit Committee is responsible for preparing the Supervisory Board recommendation for selecting the financial auditor. Moreover, the Audit Committee discusses the efficiency of the risk management system and internal control system. The internal audit must provide to the Audit Committee with quarterly reports in areas audited and with audit findings resulted from the audit performed.

The consolidated and separate financial statements are prepared within the Accounting Directorate, which reports to Chief Financial Officer.

Risk assessments

Significant risks relating to the Group accounting process are evaluated and monitored by the Management Board. Complex accounting standards can increase the risk of errors, as well as the use of inconsistent valuation standards. A difficult business environment can also increase the risk of significant financial reporting errors, also the estimation of the assets, especially of those affected by credit risk.

Control measures

All control measures constitute part of the day-to-day business processes and are used to prevent, detect and correct any potential errors or inconsistencies in the financial reporting. Control measures range from managerial reviews of the interim results, as well as the specific reconciliation of accounts, through to analyzing ongoing accounting processes.
The local management is responsible for ensuring implementation of mandatory internal control measures, such as the separation of functions and the principle of dual control.

Consolidation of the financial statements

The preparation of separate financial statements is carried out by each Group member. The Bank has consolidated the financial statements of its subsidiaries in accordance with IFRS 10 “Consolidated Financial Statements”.

Information and communication

Before publication, the consolidated and separate financial statements are presented to the Management Board for final approving, and then submitted for approval to the Supervisory Board.

The Supervisory Board is informed of the result of the audit by a statutory report regarding the audit of the consolidated financial statements by the auditor.

The consolidated and separate financial statements are presented to the Annual General Meeting which is informed about the result by the financial audit report provided by the external auditor.

The consolidated and separate financial statements are published on the company’s website.

9. RISKS

Raiffeisen Group approaches risk in a prudent manner, in line with its long-term development goals.

Risk management

The risk management function is independent from the business and it is focused on the administration and control of the credit risk, market risk, liquidity risk, operational risk, reputational risk. The management body has overall responsibility for the establishment and oversight of the Bank's risk management framework. In this respect, it established the Assets & Liabilities Committee (ALCO), Credit Committee, Problem Loans Committee and Risk Committee, which regularly report to the Management Board and are responsible for developing and monitoring the Bank's risk management policies in the specified areas.

Raiffeisen Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to risk limits. Risk management policies and systems are regularly reviewed to reflect changes in market conditions, products and services offered.

Starting January 2014 following the issuance and coming into force of the EU Directive and Regulation regarding Basel III implementation, the Bank reports to the National Bank of Romania (NBR) the Leverage Ratio, the Liquidity Cover Ratio (LCR) and Net Stable Funding Ratio (NSFR).

The Bank also completed in 2014 the implementation and reporting of the European Banking Authority (EBA) standards concerning forbearance and non-performing exposures. The NBR and EBA regulations on recovery and resolution are applied by the Bank starting from 2015.

Starting from 2018 the Bank applies the IFRS9 requirements.

In the context of the complex regulatory environment, the Bank continues the efforts to adapt its IT architecture and the risk policies and procedures to the new legislative requirements and to the market evolution.

Credit risk

Credit risk analysis and assessment functions for all activity segments are fully centralized and currently represent a single point of contact for the entire Bank. Credit risk activity is organized by industries and specialized by customer segments. This allows a quick reaction to any major change in the micro or macroeconomic environment of Raiffeisen Bank or its customers.

Starting with 2009, the Bank implemented a standardized early warning system in order to monitor certain categories of non-retail borrowing customers and retail borrowing customers.

This system monitors, on a monthly basis, the selected portfolio in order to identify early warning signs and explain them. Based on these signs, customer portfolio is split into risk groups and actions/ strategies are proposed for the customers considered problematical.

Raiffeisen Bank S.A. received NBR‘s approval to determine the capital requirement for credit risk according to internal rating models approach (IRB), starting with 2009, July 1st.

As regards the retail portfolio, Raiffeisen Bank received NBR’s approval to determine the capital requirement for credit risk according to advanced internal rating models approach (AIRB), starting with 2013, December 1st.

Market risk

Regarding market risk, the Bank currently uses the standard approach for capital requirement calculation. The market risk management is currently implemented through a market risk limits and warning levels structure applied to the Bank’s exposures towards interest rate risk both from trading book and from banking book, foreign exchange risk and other subtypes of market risks. The close monitoring process and the monitoring frequency of the established limits and warning levels assure a prudent market risk profile for Raiffeisen Bank.

Liquidity risk

Assets and Liabilities Committee (ALCO) defines the liquidity risk strategy based on recommendations made by Balance Sheet and Portfolio Management Directorate, which is responsible for liquidity and funding management in cooperation with Group Risk Control and Portfolio Management Directorate, the area responsible for monitoring and control of liquidity risk. ALCO approves each year the limits which are applied to measure and control liquidity risk as well as the Bank’s funding plan, which subsequently is approved by the Supervisory Board.

The risk tolerance represents the foundation of the liquidity risk management framework and is defined:

- for normal business conditions as a maximum allowed maturity mismatch between assets and liabilities, for different time buckets. This prevents the accumulation of significant liquidity risk from current activity.

- for stress conditions, as a minimum level of liquid assets held as reserve. This insures the Bank’s capacity to absorb liquidity shocks for an acceptable time without significant changes to the strategy or business model.

The liquidity management function ensures the Bank has the capacity to respond to client needs and meet payment obligations. To achieve this objective, a conservative liquidity management is performed, aimed at maintaining adequate long-term funding, within a stable deposit base to support the bank’s lending programs. In addition, on short term, an optimum level of readily available liquidity is maintained, which provides the ability to cover promptly the clients’ requests for payments.

For stress conditions the Bank holds a sufficient buffer of liquid assets that can be used to compensate the limited access to funding sources and liquidity outflows.

Liquidity management is performed in compliance with all regulatory requirements defined both at European and national levels.

The transfer pricing mechanism represents an important instrument for the management of liquidity risks. It covers the balance sheet and off balance sheet elements and is designed to allocate all costs and benefits to the business segments in a way that incentivizes the efficient use of liquidity.

Diversification of our funding profile in terms of investor types, products and instruments is an important element of the liquidity management framework. Our core funding resources come from retail clients while other customers' deposits, interbank deposits and borrowings are additional sources of funding. This improves the Bank's flexibility in funding and diminishes, generally speaking, the liquidity cost.

Operational risks

Staring with 2010, January 1st, Raiffeisen Bank determines and reports the capital requirement for operational risk, using the standard approach based on the National Bank of Romania's approval from November 2009.

This approval was based on the operational risk management framework developed throughout the Bank using the three lines of defence model and the advanced instruments such as: operational risk incidents database, operational risk indicators, risk scenarios, risk assessment matrix. Operational risk management framework is continuously improved being aligned with the operational risk management framework implemented at Group level. The Group received ECB approval for using the Advance Measurement Approach.

Reputational Risk

At bank level the management of reputational risk is structured on the following directions: defining the management framework and identification, evaluation, monitoring and management of the risk.

In order to implement the risk strategy for reputational risk, the bank defined and approved the Reputational Risk Policy which details the roles and responsibilities regarding reputational risk and also the tools used to insure a proper management and control of this risk.

Several tools specific for reputational risk are used:

- reputational risk indicators – indicators that measure the perception and behavior of the customers – number of complaints, indicators that measure the public perception in the mass-media, relationship with the state authorities.
- reporting of reputational risk events which are managed using specific flows and actions
- assessment of reputational risk using risk scenarios
- assessment of reputational risk as part of the bank risk profile.

Reputational risk is a priority for the bank and we have a continuously focus to improve the management process especially on the level of the awareness of all the employees using specialized training programs.

Compliance risks

Compliance risk is the current or future risk of impairment of profits and capital that may result in fines, damages and / or termination of contracts or that may affect the reputation of a credit institution as a result of breaches or non-compliance with the legal and regulation, agreements, recommended practices or ethical standards.

Compliance function ensures the management of compliance risk, and line business is responsible for establishing a control environment as part of the day-to-day operation which covers compliance risks. Management and Compliance have a close communication to ensure awareness of and adherence to Compliance policies and procedures. Major risks and findings are reported to the Management Board and the Supervisory Board.

Compliance roles and responsibilities are structured following the 3 Line of Defense model in line with standards & regulatory requirements:

- Line management identify and monitor risks inherent to the operation and also manage compliance risks and implement appropriate controls within their daily operations
- Compliance division provides standards and tools for management and take second look to ensure efficiency and coverage of line controls
- Internal audit perform an independent assessment on the execution of standards defined.

Compliance aim is to perform a proactive management of compliance risks and data-driven surveillance.

10. Corporate Governance

Corporate governance stands for the set of principles and mechanisms on the basis of which the company's management exerts its prerogatives of management and control on the purpose of reaching the envisaged objectives through implementing the adopted strategy having an ongoing fair behavior in relation to its clients, counterparts, shareholders, investors or supervisory authorities.

Raiffeisen Bank S.A. (The Bank) pays major importance to a responsible and transparent management in order to maintain fair information and confidence of different interested parties (not only of the participants' on the capital market). Therefore, the Bank applies the principles defined in the Corporate Governance Code (CGC) of the Bucharest Stock Exchange (BSE), which can be found on their web page – www.bvb.ro.

Raiffeisen Bank S.A. complies with the Corporate Governance Code (CGC) of the Bucharest Stock Exchange.

The non-financial report for the recently ended year, respectively 2018, is presented in the annex.

Raiffeisen Bank S.A. will prepare a non-financial report for the recently ended year, respectively 2018, which will be public communicated on the bank website www.raiffeisen.ro, under CSR section – www.raiffeisen.ro/About us/CorporateGovernance/Annual reports - CSR, until the date of June 30th, 2019.

General Meeting of Shareholders

The General Meeting of Shareholders ("GMS") is the supreme authority of the Bank. The General Meeting of Shareholders may be Ordinary or Extraordinary. In accordance with the Articles of Incorporations of the Bank and the legislation in force, the General Meeting of Shareholders has a series of main competences.

A. The Ordinary General Meeting of Shareholders:

- to discuss, to approve or to modify the annual financial statements of the Bank, upon the analysis of the Management Board and Supervisory Board report, as well as that of the report and the opinion issued by the financial auditor, and to establish the dividends, if any;
- to elect the members of the Supervisory Board and the financial auditor of the Bank;
- to revoke the members of the Supervisory Board and the financial auditor of the Bank, whenever considered necessary;
- to set the remuneration for the Supervisory Board members, as well as the general principles and limitations with respect to the additional remuneration of the Supervisory Board members, as well as the general principles and limitations with respect to the remuneration of the Management Board members;
- to consider the performance of the Management Board members, to discharge them of liability and to decide to sue them, as case may be;
- to approve the budget of revenues and expenses and the business plan for the following year.

B. The Extraordinary General Meeting of Shareholders

- the change of the legal form of the Bank;
- the merger of the Bank with other companies;
- the dissolution or the split of the Bank;
- the issuance of bonds or conversion of such bonds from a category into another or into shares;
- any amendment to the Articles of Incorporation of the Bank;

Conducting of the GMS as well as the regulations with respect to the rights and obligations of shareholders are regulated by Law no. 31/1990 on trading companies.

Administration structure

The administration of Raiffeisen Bank S.A. has been performed starting April 2007 by the dual management system consisting of the Management Board and Supervisory Board. The dual management system allows for the segregation of the company's management responsibilities – carried out by the Management Board – from the responsibilities of control/supervision which are fulfilled by the Supervisory Board. The dual management system ensures efficient operative decision-making process, while increasing control over decision makers.

The Management Board and the Supervisory Board make sure that the annual financial statements and the Management Board's Report are drawn up and published in compliance with the local legislation in force.

Updated details with respect to the Supervisory Board and its committees (Audit Committee, Nomination Committee, Remuneration Committee, Executive Credit Committee, the Supervisory Board Risk Committee) as well as to the Management Board and its committees (ALCO, Risk Committee, Credit Committee, Problem Loan Committee, Private Individuals Credit Committee, Project Portfolio Committee, Rules and Procedures Committee, Security Council, Investment & Product Governance Committee) are presented on the Bank's webpage www.raiffeisen.ro under section "Corporate Governance".

During 2018, the following events took place:

- 5 Supervisory Board meetings, their decisions being made by the unanimous votes of the members present; also, a number of 22 decisions were made by circulation.
- 4 Audit Committee meetings, their decisions being made by the unanimous votes of the members present.
- 3 Nomination Committee meetings, their decisions being made by the unanimous votes of the members present.
- 1 Remuneration Committee meeting, their decisions being made by the unanimous votes of the present members; also, 2 decisions were made by circulation.
- 34 decisions were made by the Executive Credit Committee by the unanimous votes of the present members.
- 2 SB Risk Committee meetings, their decisions being made by the unanimous votes of the present members; also, 1 decision was made by circulation.
- 95 Management Board meetings, their decisions being made by the unanimous votes of the present members. Also, a number of 7 decisions were made by circulation.

Elements of diversity in the management structures

In Raiffeisen Bank S.A., the recruitment policy for selecting the management structure members establishes the criteria and procedure according to which the compatibility of those proposed/ appointed as members of the management body should be assessed, and the assessment criteria of those holding key function, too.

The Fit & Proper Policy in Raiffeisen Bank S.A. establishes the applicable internal procedures and the criteria for assessing compatibility, in accordance with the local legal provisions (NBR Regulation no. 5/2013 on prudential requirements for the credit institutions, NBR Regulation no. 6/2008 on beginning the activity and modifications in the situation of the credit institutions, Romanian legal entities and the Romanian branches of third parties' credit institutions). Also, the policy defines the measures applicable in the situations whereby those persons are not compatible with the positions in question and how permanent compatibility is ensured.

As both the EBA guidelines and the NBR Regulation no. 5/2013 contain mentions with regard to the importance of diversity at the top level management, in addition to the standard set of compatibility criteria as regulated through the fit and proper policy, we are aware that the differences in gender, culture, education and experience of the top management members can only add more value to our organization.

Having in view the current structure of the management body, we precisely state that the principle of diversity from the gender point of view has been implemented by the appointment of Mrs. Ileana-Anca Ioan and Mrs. Ana Maria Mihăescu as independent members on the Supervisory Board of Raiffeisen Bank S.A.

This Report was analyzed and approved by the Management Board of Raiffeisen Bank S.A in the meeting of March 22, 2019.

Steven van Groningen

Board President

Raiffeisen Bank S.A.

ANNEX TO THE DIRECTORS' REPORT

NON-FINANCIAL STATEMENT

BUSINESS OVERVIEW

Raiffeisen Bank S.A. is part of the Raiffeisen Group, one of the leaders in financial and investment services in Austria and Central and Eastern Europe. In time, the Austrian Group developed a vast network of subsidiaries, leasing companies and many specialized financial services companies. The company is now present in 13 markets in Central and Eastern Europe, with more than 2,100 banking units and 47,000 employees.

Raiffeisen Bank is a top universal bank that operates as a banking institution in Romania since July 1st, 2002, following the merger between Raiffeisen Bank (Romania) and the Agricultural Bank Raiffeisen S.A., owned by the Raiffeisen Group at the time, after the Group took over the state-owned Agricultural Bank.

At the end of 2018, Raiffeisen Bank Romania (the Bank) served over 2 million indivdidual customers, 91,000 SMEs and 5,700 companies through 419 units, offering financial products and services as well as banking investment or financial advisory services, plus asset management services and leasing services.

Raiffeisen Bank's mission is to develop prosperous communities and provide security through easy-to-use financial services. To this end, the Bank is investing responsibly and making sustained efforts to improve its performance in all the aspects of its current activity, so that the products and services it offers address the needs of the community and the growing expectations of its customers.

The role of Raiffeisen Bank S.A. in the development of Romania's economy is defined by both the direct economic impact and the promotion of transparent and responsible business practices, supporting the communities where the company operates, and by its contribution to raising awareness of environmental issues.

The Romanian economy grew by 4.1% in 2018, mainly due to the increase of the private consumption. 2018 was a year of prosperity for Raiffeisen Bank, whose net profit grew by 79% compared to last year, from 491 million lei in 2017 to 881 million lei in 2018. Loans for investment, trade and working capital financing, large-scale projects financing and the collaboration with the European Investment Fund contributed to the constant positive evolution of the company's results.

The Bank ended 2018 with 5,021 active headcount employees (5,190 in 2017) and the bank's network consisted of 419 units, over 900 ATMs, almost 20,000 POSs and 220 MFMs (multifunction machines).

Raiffeisen Bank was one of the first companies in Romania to report its non-financial performance, starting 2009. The importance that the Bank gives to the transparency and clarity of decision-making processes has made the principles of sustainability an integral part of the business strategy and the way in which the Bank operates. Customers benefit from the financial products they need to grow their business, to harness opportunities and improve their life quality. The Bank plays an important role both for family or business aspects, individually or collectively, and the company's policies, procedures and their enforcement have the power to influence the overall economic situation.

The Bank systematically carries out stakeholder engagement and consultation processes to find out which are the topics of interest in the social area and environmental protection that matter most its stakeholders, in relation to the Bank's performance. These processes aim to improve the decision-making process and the company's responsibility. The stakeholder engagement process is a key element of the Corporate Social Responsibility (CSR) strategy. Stakeholder involvement is an interactive and continuous process consisting of interaction with all stakeholder categories - employees, customers (individuals, SMEs, corporations), suppliers and service providers (IT, non-IT and office space rental services providers) business partners, NGOs and community partners, supranational organizations, authorities, mass-media and bloggers, business associations and professional associations. The role of this process is to identify the significant (material) topics, those that have an impact on the stakeholders and the Bank's activity and which will underpin the materiality matrix.

For the development of the 2018 Non-Financial Report, at the beginning of 2019, the Bank carried out an extensive materiality process that included two distinct phases: an internal phase - consulting the management team, and an external phase – consulting (via survey) the Bank's stakeholders. Following the survey, 3,079 valid responses were received, a statistically significant number for each stakeholder category. The methodology used for this survey was the online questionnaire, developed in partnership with consultants from The CSR Agency team.

The areas of interest identified by the Bank's internal stakeholders (management team) were:

- Anticompetitive behavior
- Customer privacy
- Responsible financial activity and market opportunities
- Human rights
- Community investments and local communities development

The areas of interest indicated by the Bank's external stakeholders were:

- Human rights
- Socio-economic compliance
- Management – labor relations
- Non-discrimination
- Local communities development

After identifying significant (material) topics, the Bank prioritized five reporting pillars:

- **Workplace**: employment, occupational health&safety, diversity and equal opportunities, training and education, labor management relations, combating discrimination, assessing respect for human rights.
- **Responsible financing**: customer privacy, responsible products and services, marketing and labelling, responsible procurement practices;
- **Corporate Governance and Performance**: corporate governance and business ethics, anti-corruption, management & leadership, stakeholder engagement, innovation, public policies, anti-competitive behavior, economic performance, market presence, indirect economic impact;
- **Society**: volunteering and community development/ community investment, socio-economic compliance, local communities;
- **Environmental protection**: environmental performance, energy, waste, materials.

The Bank's non-financial statement is to detail the indicators in each of the five categories presented above - Corporate Governance, Responsible Financing, Work Place, Society and Environmental Protection, in accordance with the principles and guidelines set by the Global Reporting Initiative and the London Benchmarking Group methodology.

1. WORK PLACE

An important element underlying the long-term success and sustainable development of the bank is the effective communication with employees and their well-being. To ensure that people are permanently involved, motivated and connected to customer needs, the company focuses on maintaining a fair work environment based on respect for human rights and zero tolerance for discriminatory behavior. At the same time, the bank focuses on developing and implementing dedicated training programs that meet the needs identified through ongoing communication with employees, focusing on professional development, talent management, and personal development (through the RStyle program).

The strategic objectives of the company in the human resources area are:

- Develop and promote an approach based on support, reward, improvement and effective management, so that employees can achieve their targeted performance level
- Achieving a high level of employee engagement
- Creating the leadership skills needed at all levels of the company to support the bank's vision
- Building a solid organizational culture based on diversity by continuously promoting the the bank's values

In 2018, the Bank had 5,021 employees in 419 working points. 76% of all employees are women with the average age in the company being 37 years. Employees work either full-time or part-time and are all covered by the collective bargaining contract.

Employee clasification by gender:

- 1,216 men;
- 3,805 women;

Classification of employees by working hours:

Employees by working hours	2018		
	Men	Women	Total
Full time	1,180	3,709	4,889
Part time (from 1 h – 7 h)	36	96	132
Total employees	1,216	3,805	5,021

Classification of employees by employment contract:

Employees by employment contract	2018			
	Headquarters		Agencies	
	Men	Women	Men	Women
Permanent	684	1,327	422	2,096
Temporary	65	149	45	233
Total employees	749	1,476	467	2,329

Number of employees in headquarters:

Number of employees in headquarters	2017		2018	
	Number	% of total employees in headquarters	Number	% of total employees in headquarters
Sky Tower	487	25%	495	25%
Office Building	924	47%	952	48%
Brașov Operational Center	565	29%	522	27%

- **Employee turnover**

In 2018 employee turnover declined by approximately 3% compared to the previous reporting period, reaching 18.84%. As in previous years, the turnover rate for women is higher than for men (13.82% vs. 5.02% for men). At the same time, staff turnover in agencies also decreased, from 13.01% in 2017 to 10.14% in 2018.
Employees' turnover includes employees that left voluntary (resignation, retirement, end of employment contract). Women turnover also include cases where women choose not to return to the company after their maternity leave ended.

Category	2018			
	New employees		Employees who left the company	
Gender	Number	Proportion	Number	Proportion
Women	692	18.19%	694	13.82%
Men	258	21.22%	252	5.02%
Total	**950**	**18.92%**	**946**	**18.84%**
Age group				
< 30 years	619	12.33%	423	8.42%
Between 30 and 50 years	319	6.35%	477	9.50%
> 50 years	12	0.24%	46	0.92%
Total	**950**	**18.92%**	**946**	**18.84%**
Working point				
Headquarters	462	9.20%	437	8.70%
Network/Agencies	488	9.72%	509	10.14%
Total	**950**	**18.92%**	**946**	**18.84%**

- **Recruitment process**

In order to continuously improve the performance and efficiency of the business, Raiffeisen Bank takes responsibility to conduct a high quality recruitment and selection process, governed by the organization's values:

  - Integrity
  - Learning
  - Respect
  - Passion
  - Collaboration
  - Judgement
  - Simplicity

The company regards the employment decision as a long term contract between the bank and the future employee. That is why, the criteria taken into account during the recruitment and selection process are related to the compatibility of the candidate with the vacancy position profile, but also to the employee's development potential within the bank. The Recruitment Department is responsible for the recruitment process, focusing in the first stages of the process on internal recruitment.

- **Working environment**

Diversity and equall opportunities

In order to strengthen its commitment to ensuring a safe working environment based on the equal opportunities, encouraging diversity and discouraging discrimination and harassment at work, the company signed the Diversity Charta in 2018. The document is based on a set of general principles voluntarily assumed by the company in order to promote diversity, non-discrimination, inclusion and equal opportunities at work by which it publicly undertakes to support, protect and develop diversity within the organization.

Company management provides transparency in the human resource management process, such as salary and performance levels, training and development, employee selection and recruitment. Local legislation and international human rights standards are strictly respected. The bank complies with the existing Labor Code at national level and it does not pose any risk of being associated with forced labor or exploitation practices. As a result of the Bank's commitment to supporting and protecting fundamental human rights, both inside and outside the company, no incidents were reported during 2018 regarding human rights violations or forced labor or children exploitation.

Within the company, 56.88% of the top management positions (B1 and B2) were held by women, an increase of 2.48% over last year.

Employees by age and position in the company:

Category	2018							
	Men				Women			
	<30	30-50	>50	Total	<30	30-50	>50	Total
B-1*	0	15	3	18	0	15	7	22
B-2**	0	43	8	51	1	61	7	69
Other management positions	9	147	19	175	13	304	70	387
Specialists	262	614	96	972	934	2,030	363	3,327
Total	271	819	126	1,216	948	2,410	447	3,805

* Board-1 represents the first management level, after top-management/Directorate

** Board-2 represents the second management level, after top-management/Directorate

The Bank supports diversity and creates an environment where people with disabilities can explore their talents and develop professionally. In 2018, 18 people with disabilities were working in the company.

People with disabilities:

Number of employees with disabilities, by category	2017		2018	
	Men	Women	Men	Women
Specialists	5	12	4	14
Other category	0	0	0	0

Fighting discrimination

Raiffeisen Bank Romania does not tolerate discrimination in any way. All employees of the company benefit from equal chances, regardless of gender, nationality, age, family status, language, religion, political beliefs, disability or sexual orientation. Recruitment, employment and promotion within the company are based strictly on criteria that relate to the employee's competence and performance.

In 2018, two bank's employees considered they had been discriminated. A lawsuit was won by the bank, and in the second case the complaint was withdrawn.

Human rights

As human rights are key values for Raiffeisen Bank and its employees, the Bank has publicly assumed a national leader role in promoting responsible business principles and practices, and provides the business environment in Romania with an example of respect for human rights, employee rights, environmental protection and fight against corruption. The organization does not face risks of forced labor or exploitation of minors and is in compliance with the Labor Code. In addition to complying with existing human rights law, Raiffeisen Bank trains its employees on these issues, with 100% of employees trained on the Bank's human rights policies.

- **Remuneration system**

The remuneration system of the Bank is approved by the Supervisory Board through the Remuneration Committee.

Raiffeisen Bank Romania's remuneration system is governed by ten principles that refer, among others, to measures to avoid conflicts of interest, competitive, sustainable and reasonable compensation, defined in accordance with market conditions, performance-based compensation, etc.

Value of average wage, compared to the national wage level	2017 – average employees wages compared to average wage (%)	2017 – average employees wages compared to minimum wage (%)	2018 - medie salarii angajați comparată cu salariul mediu (%)	2018 - average employees wages compared to minimum wage (%)
Average wage of employees	192	355	147	361
Average wage of junior employees: Bucharest	177	326	204	500
Average wage of junior employees: outside Bucharest	96	177	107	261

Benefits

Regardless of the contract type, the bank offers its employees the same type of benefits, regulated at the organization level through the Remuneration Policy and the collective labor agreement concluded between the Raiffeisen Bank Union and Raiffeisen Bank management. All company employees are covered by the provisions of the collective bargaining agreement.

Value of the benefits package as % of the wage	2017			2018		
	Specialists	Management	Top Management	Specialists	Management	Top Management
	6,01	3,04	1,04	6.3	3.3	1.1

Other benefits offered by the Bank may include mobile phones, cars for management positions, psychological counseling services, special offers from partners, meal vouchers, or social benefits for employees with serious medical issues or for social cases.

Maternity and paternity leave

In 2018, 440 employees requested and received maternity (437 women) and paternity leave (3 men).

Maternity/ Paternity Leave	2017		2018	
	Men	Women	Men	Women
Total number of taken days*	542	64,509	3,236	22,853
No. of employees with right to maternity/ paternity leave	58	591	10	616
No. of employees that took maternity/ paternity leave	4	254	3	437
No. of employees that returned to work after the end of maternity/ paternity leave **	4	157	4	136
No. of employees that returned to work after the end of the maternity/ paternity leave and that were still employed 12 months after they returned to work	1	115	3	95
Return to work rate	100%	61.81%	100%	31.12%
Retention	25%	73,25%	75%	69.85%

* No. of maternity/ paternity leave days taken in 2018 by those who started leave in this year
** No. of employees who started maternity/ paternity leave (in 2018 or in the previous years) and returned to work in 2018

For employees returning early from maternity/ paternity leave, the company offers the option to have flexible working hours, reduced by two hours, until the child reaches the age of two. At the same time, they have the opportunity to enter unpaid leave for a longer period of time.

- **Employees development**

In order to maintain the products and services that the bank offers, at the highest standards, the bank needs a motivated and involved team, with adequate skills and abilities in line with the requirements of the environment in which they operate. That is why the company constantly invests in training programs for employees, but also in personal development programs to help them maintain a balance between personal and professional life.

Average number of professional training hours/ employee by gender and professional level

Average number of professional training hours/ employee by category	**2017**		**2018**	
	Men	**Women**	**Men**	**Women**
B-1	46	73	63.56	76.36
B-2	49	40	68.08	68.91
Other management positions	33	30	33.58	30.6
Specialistis	38	34	39.82	36.75
Total	38	34	40.28	36.87

Examples of offered professional training sessions, depending on the session topic (in h)	**2017**	**2018**
Training program for knowing operational activities	6,012	1,312
Easy mortgage	5,208	1,408
MIFID (Markets in Financial Instruments Directive)	4,628	472
Branch Management Academy	4,160	6,520
Compliance	3,232	1,234
Basic Sales	2,496	6,960
Total number of hours	**25,736**	**17,906**

Performance management

Performance management is an important aspect for the company, as it ensures business performance through integrated human resource management, focusing on identifying, encouraging, measuring, improving and rewarding employee performance. The performance management process consists of a dialogue between the employee and his/ her direct manager, which takes place annually. Emphasis is placed on feedback and increasing the feedback frequency, thus encouraging continuous and open communication between managers and employees.

The main components of the performance management process are:

- Establish objectives and standards to achieve the goals
- Support employees to achieve their goals (employee coaching)
- Informal and formalized monitoring of achievements (coaching and/ or performance improvement action plan)
- Two-way feedback (from both the manager and the employee)
- Assessment of professional performance
- Recognize and reward good performance
- Establish development plans for employees

Performance evaluation and carreeer development plan	Men		Women	
	Number	%	Number	%
B-1	18	100%	22	100%
B-2	51	100%	69	100%
Other management positions	175	100%	387	100%
Specialists	972	100%	3,327	100%
Total	1,216	100%	3,805	100%

* Board-1 represents first level of management, after top management/ Directorate

** Board-2 represents second level of management, after top management / Directorate

- **Occupational health&safety and employees well-being**

The Bank complies with national health and safety legislation for accident registration and reporting, in accordance with Law no. 319/2006 and the Government Decision no. 1425/2006 (revised version). There is a Health and Safety Committee in charge of monitoring and counseling on health and safety programs at work. The role of the Committee and its members is to ensure the implementation of health and safety decisions, to ensure optimum working conditions, to prevent accidents or occupational diseases and to ensure that all employees are informed about health and safety policies and procedures. The Health and Safety Committee is made up of 7 employees' representatives, 7 employers' representatives, 2 occupational physicians and the Collective for Prevention and Protection in Labor.

RStyle program

The RStyle program, launched by the company in 2013, is a program dedicated to the bank's employees. It is based on three pillars - physical health, psycho-emotional balance and the health of interpersonal relationships - and includes 6 action areas - RSport, DevelopR, RFood, Together, RParenting, and TravelR.
In 2018, the focus was on sport, health and nutrition and personal development. It is estimated that in 2018 there were approximately 150 events in the program, attended by more than 2,700 employees. Because the experience of previous years has shown us that the most sought-after events are those in the field of sports competitions, in 2018 the company provided the framework and infrastructure for the employees to be able to participate in domestic tennis, football and volleyball championships, but also in cycling competitions, virtual fitness sessions, etc.
In terms of personal development, the workshops and events within the program concerned self-esteem, stress management, fear management, and so on.

2. RESPONSIBLE FINANCING

- **Compliance with applicable laws and personal data protection**

All Raiffeisen Bank employees have the obligation to perform their duties at the highest standards of ethics and integrity and to follow the policies and procedures of the Bank governed by the principles of transparency and business responsibility.

Customer's rights must be respected. In May 2016, the General Rules for Personal Data were published for the purpose of standardize EU-wide rules on the protection of customers' personal data. These rules have been applied starting May 2018. Since 2017, the Bank has initiated a ample internal procedures evaluation process and identified the changes that the Bank has implemented in 2018 in the area of personal data management for both individual customers and legal entities and partners of the Bank. However, the principles of customer confidentiality and personal data management have already been taken into account in the Bank's policies and procedures. The financial products and services provided by the Bank comply with national legislation, strict rules and relevant standards in the financial and banking field.

In 2018, the National Authority for Consumer Protection issued 21 warnings and fines (incidents related to: attachments to customer accounts, failure to sign additional documents to the loan agreements when the contract terms changed, errors in applying the account administration fee, etc.). Out of these, the Bank received 13 fines with a total value of 27,000 lei. All fines were paid in 2018.

Despite the efforts made by the Bank to comply with the law on personal data protection, customers addressed 7 complaints regarding this issue to the National Authority for the Supervision of Personal Data Processing (ANSPDCP) in 2018. There were 7 investigations resulting in 7 warnings issued to the Bank.

These refer to:

- accessing personal data without customer's permission;
- infringement of legislation on the confidentiality of information and on the processing of personal data of customers
- incidents of non-compliance with the customer information communication regulations, in relation to the Credit Bureau.

INDICATOR	2018	2017
Total number of fines / warnings for non-compliance with regulations on the provision and use of financial products and services (National Authority for Consumer Protection)	21 fines	22 fines
Total number of fines / warnings for non-compliance with the laws or regulations on processing personal customer data	7 warnings	2 fines

In 2018, there are no records of:

- Legal actions for anti-competitive or monopoly practices
- Fines or warnings for non-compliance with environmental protection or sponsorship laws or regulations

Raiffeisen Bank has implemented an internal process for registering, centralizing and managing complaints or notifications coming from customers. Customer opinion is very important to the Bank, that is why the company ensures that all customers submitting a referral are treated in accordance with the internal policies. This way, the best solution is identified in the shortest possible time. The Bank is committed to continuously improving its relation with the customer and responding effectively to their demands in order to maintain and strengthen their trust.

- **Digital security**

Raiffeisen Bank S.A. aims to comply with best practices, standards and recommendations in the field of digital security, coming both from the group, as well as those implemented locally. At Raiffeisen Bank S.A., the activity is managed by the CSO - Bank Security Department Manager, reporting directly to the vice president of Operations and IT. To combat cybercrime, the Bank has implemented solutions to protect the assets and transactions of its customers (individual customers, small and medium businesses and corporations). The Bank is making constant efforts to adapt its security measures to enhance its customers' protection against the ever-increasing information security threats. In defining processes and controls, the Bank complies with the PCI-DSS, ISO27k security standards.

- **Solutions for individual customers in vulnerable situations and with financial difficulties**

Raiffeisen Bank S.A. understands that sometimes customers may face financial difficulties. In 2018, the Bank continued its effort to develop new solutions for individual customers who are experiencing financial difficulties or are in vulnerable situations. The solutions offered to customers in difficulty are: temporary reduction of interest and principal between 3 and 5 years, permanent reduction of the cost of credit, partial deletion of the principal on the basis of good payment behavior (after a certain period of time, depending on the restructuring offer) or the partial deletion of the principal when restructuring, the extension of the due date and consolidating the loans. In the case of Swiss franc loans (CHF), the Bank continued to provide a restructuring method to offer significant reductions along with changing the loan currency and debt rescheduling for customers with financial difficulties. Since 2010, the Bank offers all customers, free of charge and at their choice, the possibility to postpone up to 3 months the payment of monthly installments, during the loan term, in exchange for its extension with 3 months. This option stipulated in the contract allows the customers dealing with short-time special personal situations (1 or 2 months) to overcome them by submitting a simple request to the Bank. The Bank understands that unforeseen events, positive or negative, may appear in the life of every customer and therefore, it tries to offer this facility.
For clients experiencing long-term impact situations such as death or serious health problems, special attention is paid to developing customer support solutions.

Also, the Bank takes steps to have a constructive dialogue with clients who are experiencing financial difficulties, but who do not have yet delays in paying installments, educating them about the available solutions. The bank proactively promotes friendly collection, restructuring or partial liquidation solutions to avoid forced execution procedures.

The measures taken prior to the commencement of forced execution procedures are:

- amicable debt recovery, by phone calls, SMS, letters, house visits, made by specialized teams of the Bank or by recovery agencies
- loan restructuring offer
- offer for partial liquidation of debts on unsecured loans or loans secured through the voluntary asset sale

The criteria taken into account in solving social cases include: the death of a debtor or spouse, serious health problems, unemployment, low income below the minimum wage and real estate destroyed by accidents, not covered by insurance. The intention of the Bank is to avoid foreclosure as much as possible. Even in the case of starting foreclosure procedures, the Bank continues to offer friendly debt recovery solutions in parallel, such as the option of the voluntary asset sale option, reducing the remaining value or repositioning. These options are still offered to avoid foreclosure and additional costs to be paid by the client to the bailiff. Unfortunately, there are situations where customers react too late and contact the Bank to reach an agreement only after the bailiff has been notified. In this situation, the costs of execution must be paid in advance to the bailiff, by the client. The Bank has initiated an internal program that monitors the calls directly, but also through perceptions surveys of people with payment delays, paying attention to the quality of the call and a friendly approach, listening carefully to the opinions of the clients contacted and identifying the most appropriate problem-solving solution/ plan, together with transparent and clear information

Customer surveys are a useful tool for measuring their perception and satisfaction in relation to Bank employees and the services provided. The Bank contacts a large number of clients monthly in order to strengthen its relation with them and to monitor the perceptions and the level of satisfaction with the services received.

Transparent, clear and accurate communication helps interested parties to monitor the Bank's activity. Any changes to the terms and conditions regarding credit facilities, interest rates or fees and commissions are constantly communicated on the Bank's website.

- **Investments risks from a social and environmental protection perspective**

The purpose of the Bank is to grant loans responsibly. Thus, the Bank has introduced several risk assessment criteria in corporate crediting policies. In 2014, the Bank introduced a policy on social and environmental risk management that became part of the Social and Environmental Management System (SESM). The policy applies to all areas of activity and is used to evaluate all potential corporate clients.

The main goals are:

- financing projects that have acceptable social and environmental protection risks, sustainable on the long term

- minimizing social and environmental risks for the Bank
- minimizing social and environmental protection risks for the Bank's partners (customers and / or suppliers)
- compliance with national and international legal requirements and social and environmental protection standards

Through this policy, the company wishes to reduce social and environmental risks for the Bank and its clients and partners in three key areas:

- Financial (monetary sanctions, failure to repay loans, loss of assets value as a result of failure to fulfill obligations)
- Legal (court actions against the Bank, clients or partners due to non-compliance with laws or contractual agreements)
- Reputational (reputational damage by association with clients who do not follow business ethics and responsibility principles)

The risk level is classified into three categories (low, medium and high). The main criteria refer to environmental risks (environmental protection, health and safety) and social risks (social and labor) associated with financing a certain project (loan / investment), and the assessment includes: activity field, loan period, size of the loan and offered collateral guarantees. The social and environmental risk assessment process is implemented through integrated working instructions in the lending process of legal entities.

- **Responsible supply chain**

The basis of the relation between the company and its suppliers is the Raiffeisen Group's Public Procurement Policy. In 2018, the bank had 1,270 local and international service providers and suooliers, categorized into three distinct categories: IT, non-IT, and rental service providers. For the first two categories (IT and NON-IT), the selection of suppliers of goods and services is made in accordance with the Bank's Procurement Procedure for goods and services, updated at the beginning of the previous reporting cycle, in accordance with group policy.
When selecting new suppliers, social or environmental criteria are not taken into account, but all company suppliers are required to comply with the Bank's Code of Conduct, which also includes issues that are based on the ethical principles of zero tolerance for fraud, bribery and corruption, and aims to discourage and eliminate any act of discrimination or non-compliance with fundamental human rights.

Although the total number of suppliers and, therefore of Romanian suppliers, slightly declined in 2018 compared to the previous year, the total value of local suppliers' expenses increased by over 40%.

YEAR	LOCAL SUPPLIERS AND SERVICE PROVIDERS (RON/ EUR)	OTHER SUPPLIERS AND SERVICE PROVIDERS (RON/ EUR)	TOTAL RON/ EUR
2017	583,309,242/ 126,806,357	162,867,145/ 35,405,901	746,176,387/ 162,212,258
2018	838,905,442/ 180,022,627	187,752,397/ 40,290,214	1.026,657,839/ 220,312,841

YEAR	LOCAL SUPPLIERS AND SERVICE PROVIDERS	OTHER SUPPLIERS AND SERVICE PROVIDERS	TOTAL	Out of which new suppliers
2017	1,177	118	1,295	314
2018	1,154	116	1,270	76

3. **CORPORATE GOVERNANCE**

Corporate governance is essential for the economy and for the efficiency of the banking system in Romania. Raiffesen Bank has taken a leading role in promoting national corporate governance practices that have the capacity to significantly improve the evolution and performance for companies and institutions.

Raiffeisen Bank S.A. gives a great importance to responsible and transparent management, with the goal of properly informing and maintaining the trust of stakeholders. Corporate governance is the set of principles and mechanisms under which Bank exercises its management and control prerogatives, in order to achieve its objectives by implementing its strategy, always maintaining a correct conduct towards its clients, business partners, shareholders or regulation authorities.

The internal rules, policies, procedures and guidelines that come from the group ensure that all the Bank’s operations are conducted in a transparent and sustainable manner. Operational and financial risks are monitored under predefined procedures and reduced by organizing online and offline training courses or sessions to ensure compliance with internal policies and procedures, especially those in the area of fighting bribery, fraud and corruption . The most significant financial risks to which the Bank is exposed include crediting, liquidity, operational and market risks (currency, interest rate and share price). The bank respects principles and follows transparent mechanisms to respond to financial risks and to maintain the behavior that customers, employees, partners, shareholders and supervisory authorities expect from the company.

- **Corporate Governance Code**

The Bank complies with the standards, rules and practices set out in the Corporate Governance Code (CGC) issued by the Bucharest Stock Exchange. The Bank also applies the provisions of the RBI Group Code of Conduct, which serves as a basis for a responsible corporate culture and takes the form of a mandatory set of rules governing the Bank's day-to-day business. The Code of Conduct is based on the principles of business ethics and reconfirms values such as integrity, professionalism, service quality, customer orientation, mutual respect, proactivity and teamwork. The Code of Conduct must be respected by all Bank employees, irrespective of their role or professional experience, as well as by all suppliers and business partners acting on behalf of the Bank. The Code of Conduct is based on the ethical principles of zero tolerance towards fraud, bribery and corruption and aims to discourage or eliminate any act of discrimination or harassment in the work place. It also addresses issues such as conflict of interest, protection of personal data and confidentiality of information.

- **Ethics and anticorruption policies**

The customers and all the Bank's stakeholders expect the organization to adhere to strong business ethics standards and to act with integrity, beyond professional competence. The Bank adopted values like integrity and transparency in business, values that govern the way it operates, both inside and outside the company. In order to identify, prevent and combat corruption, the Bank assesses its operations annually to identify potential risks associated to corruption. These risks are monitored and managed by updating and constantly communicating policies and procedures through training and working sessions. In addition, Bank employees are annualy informated on topics like bribery and corruption in order to increase awareness, prevent and discourage potential risks of inappropriate behavior. Also, the company introduced on employment, a compliance, fraud and corruption course, part of the Induction session, which each new employee must attend. New employees receive guidelines with information on how to prevent fraud and corruption and how to report violations of the internal regulatory framework. Additionally, the Bank has a partnership with Expolink, an independent UK company that provides whistleblowing reporting services, enabling all Bank employees to report anonymously any violation of the Code of Conduct. In addition, on an annual basis, all employees follow online courses followed by an accumulated knowledge test so as to establish a common level of understanding and awareness of fraud and corruption.

The management's approach to identifying incorrect practices is strict. Employees are encouraged to report violations of fraud, bribery and corruption whenever they happen. The identification of frauds and corruption acts and their reporting by the bank's employees are compulsory and were encouraged and promoted by members of the management team, especially after the implementation of the Common Reporting Standards for the automatic exchange of information in 2016. Within the Bank, a special department is in charge of monitoring compliance with internal policies and procedures in the fight against fraud, bribery and corruption. Special emphasis was given to the "Know Your Customer" (KYC) process for identifying and verifying customer identity, combating money laundering, possible terrorist financing activities, and stock market manipulation.

These standards comply with national law and international standards and are in line with the Bank's requirements. In 2011, the Bank has introduced in all contracts with suppliers, consultants and business partners a compliance clause that requires them to comply with the Bank's Code of Conduct and standards for combating bribery and corruption. If the contractual clause stipulating compliance with the Bank Code of Conduct is breached in the course of contractual obligations, the Bank reserves the right to terminate the contract and to report the situation to the authorities. During the reporting year there were no recorded corruption incidents, there were no corruption incidents among employees or partners, and no contract was terminated as a result of non-compliance or violation of the anti-corruption principles.

4. SOCIETY

Investing in the community is an important aspect of the Bank's sustainability strategy. The community programs that the Bank develops are aimed at increasing the positive impact that the company has on the Romanian society. In order to ensure the long-term success of the community investment strategy, the organization's policy requires the programs supported by the company, to be aligned with the needs and wishes of the stakeholders, but at the same time to be closely linked to the strategic development directions defined by the company. The three principles that the programs have to respect, are:

- to be smart investments (SMART): specific, measurable, achievable, relevant, time-based
- to be exemplary projects
- to make a long-term difference in the life-quality for the beneficiaries

At the same time, community investment projects must fit into one of the five strategic directions defined by the Bank's policy:

- urban ecology: projects that improve the quality of the urban environment
- sports: healthy lifestyle, projects that prevent and combat sedentary life
- education: financial and entrepreneurial; facilitating access to education for all children
- social assistance: health, people with disabilities, social services
- Romanian art and culture

Annually, besides reporting its non-financial performance and impact on the three areas (social, economic and environmental), the Bank transparently communicates its results by publishing the sustainability report developed based on the methodology proposed by the Global Reporting Initiative standards. Each reporting cycle, the Bank measures the impact that its actions had on the community, based on the London Benchmarking Group methodology.

The main 2018 information on community involvement:

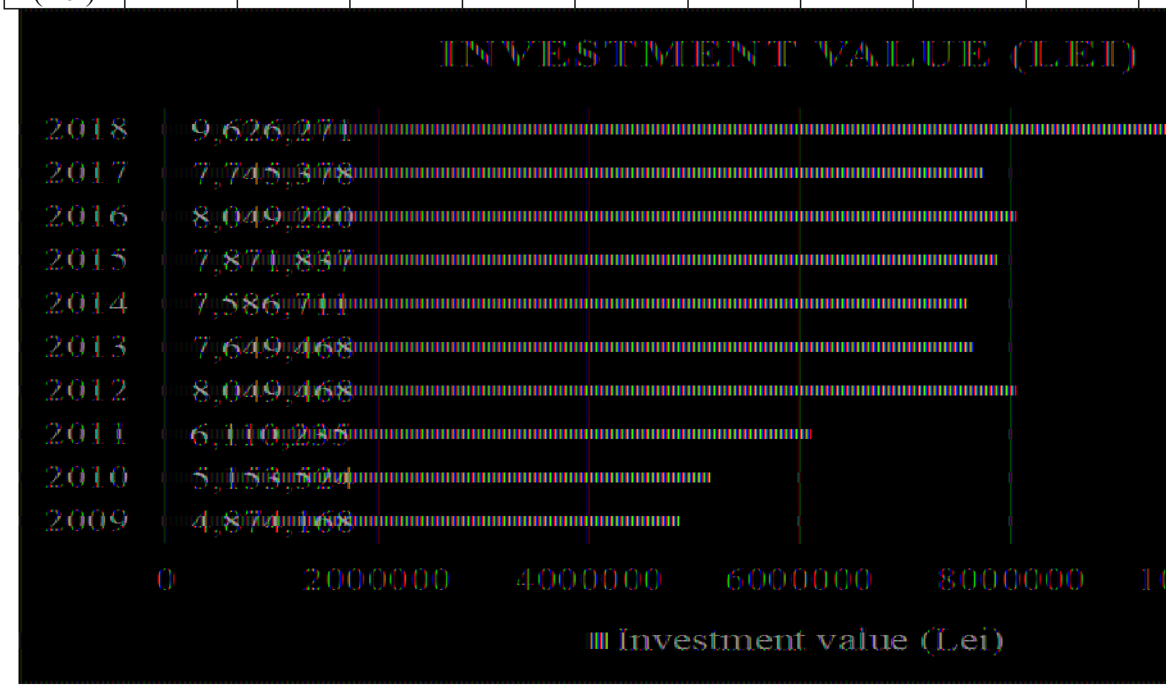
- 12,753,022 lei (EUR 2,736,700) was the total amount of the sponsorship contracts the bank signed in 2018, out of which over 9,626,000 lei (EUR 2,068,000) were investments which fall within the LBG coverage area, 24% more than in 2017 (RON 7,745,378);
- 29% of the budget was allocated to investments in urban ecology, 23% to access to basic education or financial education, while 22% of the budget went to art and culture; community development and sport as a healthy lifestyle represent 16% and 8% of the total portfolio, and social and health initiatives have benefited 1% of the total community investment budget;
- the eighth edition of the Raiffeisen Communities Grants program attracted 185 projects; the best ten projects were supported by the Bank with 45,000 lei (around 10,000 euro) and the total budget of the program was 450,000 lei.
- 235 of the bank's employees chose to devote time to volunteering projects in 2018, dedicating around 900 hours of working time for these activities, and 147 other colleagues attended volunteering activities on their free time, allocating over 1053 hours;
- because it supports long-term investments and the sustainable development of its communities, the company strengthened its strategic partnerships developed over the years and investments in cultural and sports programs in 2018: the International Theater Festival in Sibiu, SoNoRo, the Bucharest International Marathon or the Marathon Via Maria Theresia, but also initiated new partnerships such as the one with the National Theater of Cluj-Napoca;

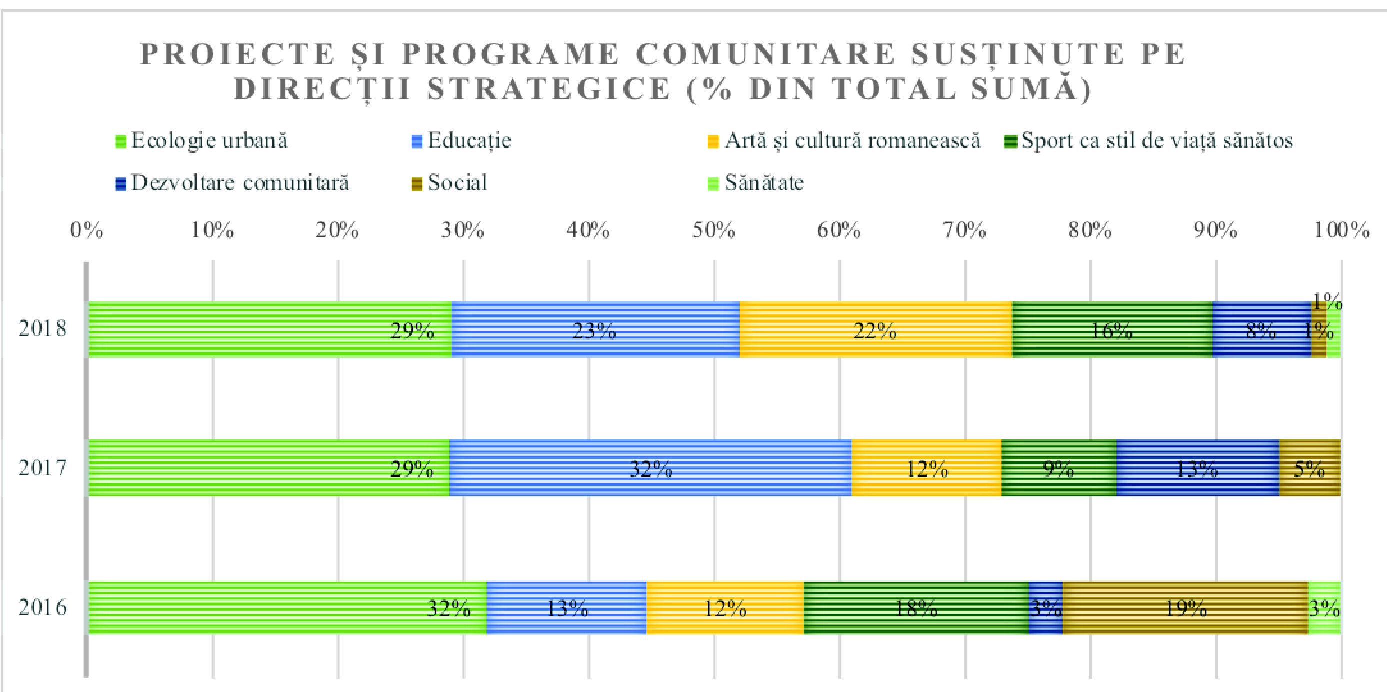
List of non-profit partners organizations in 2018:

- Junior Achievement Romania
- Leaders Foundation
- Young Leaders Club
- Romanian Business Leaders Foundation
- Akcees Education Association
- Teach for Romania Association
- United Way Romania
- Princess Margareta of Romania Foundation
- Habitat for Humanity Romania
- OvidiuRo Association
- Green Revolution Association
- Running Club Association
- Sport Arena Streetball Association
- SoNoRo Association
- Fanzin Cultural Association
- Artexim
- Transylvania Beyond Association
- Goong Association
- Conexio Association
- Grivita 53 Cultural Association
- Tășuleasa Social Association
- Foundation Democracy through Culture
- Calea Griviței Foundation
- Regina Maria Theatre
- Fapte Association
- Foundation for the Development of Civil Society
- Association for Community Relations
- The Mentoring Project Association
- Responsible Business Association
- Romanian Theatrical Union
- ACS Ciclism Marghita Association
- Friends of the National Museum Association
- AGORA Employers' Organization
- Forum for International Communication
- Smart Athletic Sports Clun
- Ivan Patzaichin - Mila 23 Association
- “Laparoscopy, Endoscopic Urology and Urological robotics Club” Foundation
- People for Sport Association
- Romanian Foundation for Democracy
- Aspen Institute in Romania
- ACT Cultural Association
- CMU Regina Maria Foundation
- Light into Europe Foundation
- Hațegan Foundation
- Foreign Investors Council
- VOLUM Federation
- Romanian Business Leaders
- Austrian Embassy / Austrian Cultural Forum
- VIP Association
- Austrian Embassy – comercial section
- ASE Foundation
- Pro Vita Association
- Radu Stanca Theater, Sibiu
- Students of the Bucharest University Association
- Transylvania University Brașov
- Michael Schmidt Foundation
- Colțea Clinical Hospital

Community investment evolution (according to LGB):

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Investment value (Lei)	4,874,168	5,153,524	6,110,235	8,049,468	7,649,468	7,586,711	7,871,837	8,049,220	7,745,378	9,626,271



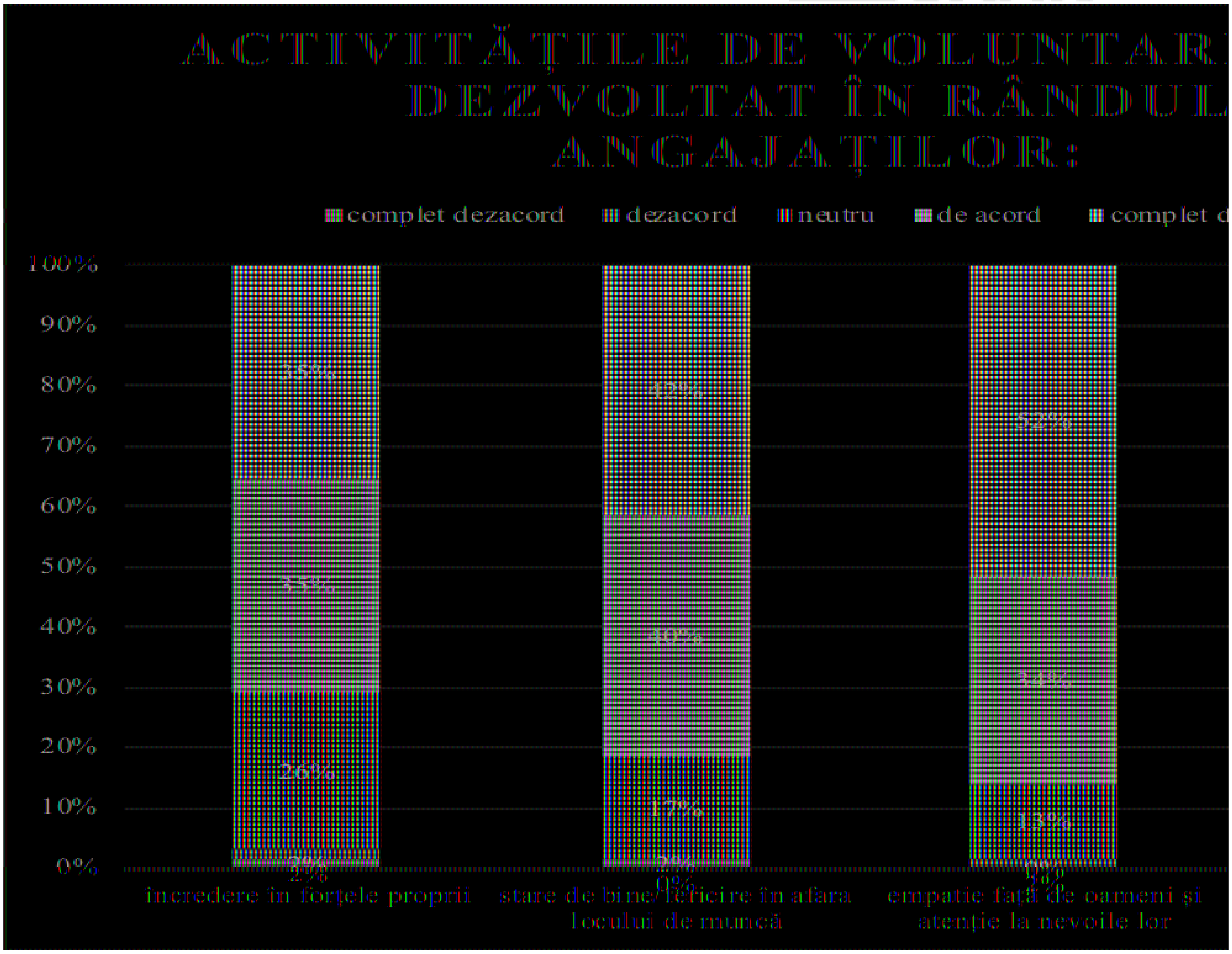


The company is aware of its important role in the sustainable development of the Romanian society, both economically, but also socially and environmentally, with a focus on financial education.

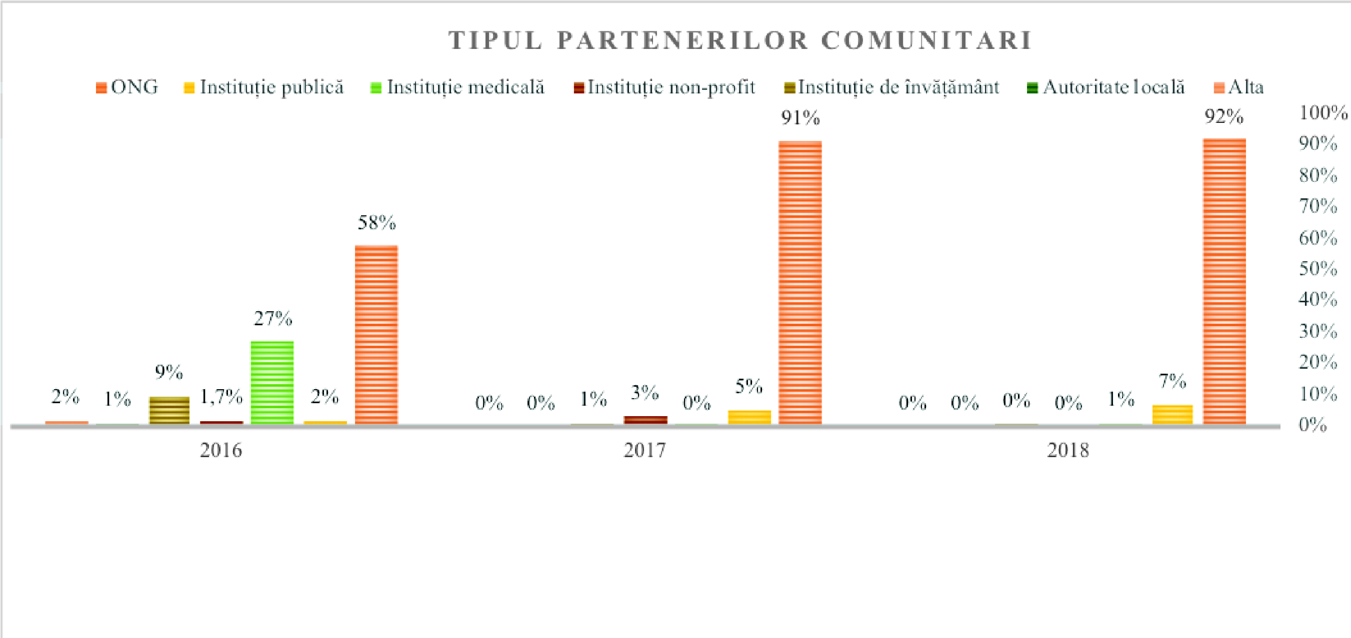
Community investments key figures 2017 vs. 2018

2017	2018
242 of the bank's employees participated in volunteering actions in community projects supported by the company Bank employees allocated 842 hours of volunteering for community projects supported by the company On average, the community partners managed funds of 122,409 lei The bank's contribution to its community portfolio represents 1.3% of the gross profit Raiffeisen Bank S.A. contribution per employee = 1,465 lei.	235 of the bank's employees participated in volunteering actions in community projects supported by the company Bank employees allocated 902 hours of volunteering for community projects supported by the company On average, the community partners managed funds of 151,883 lei The bank's contribution to its community portfolio represents 1.08% of the gross profit Raiffeisen Bank S.A. contribution per employee = 1,904 lei.

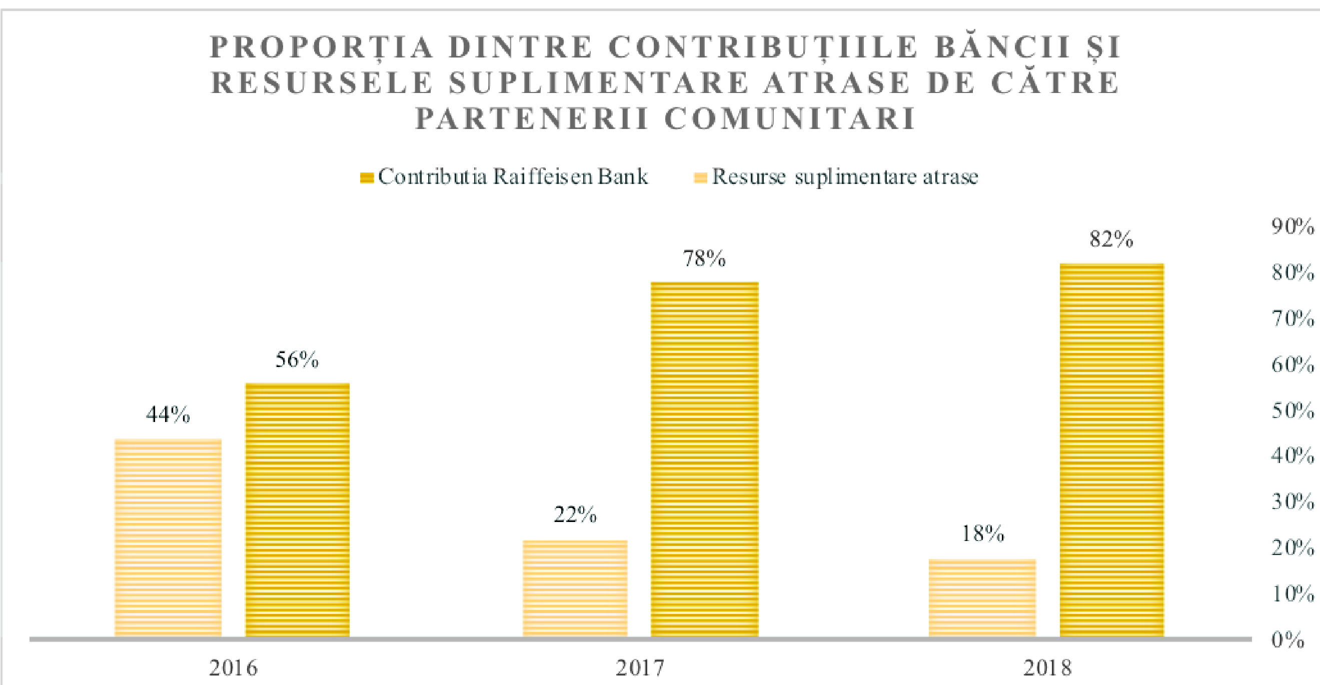
All bank employees are encouraged to engage in volunteering actitivities as they have a positive impact on the community and at the same time contribute to improving the relationships between them. At the same time, volunteering leads to increased involvement and personal satisfaction among volunteers, while helping employees to develop new skills. In 2018 also, employees were involved in evaluating and selecting projects in the Bank’s financing competitions, financial education for children, or building houses for people with a low income.

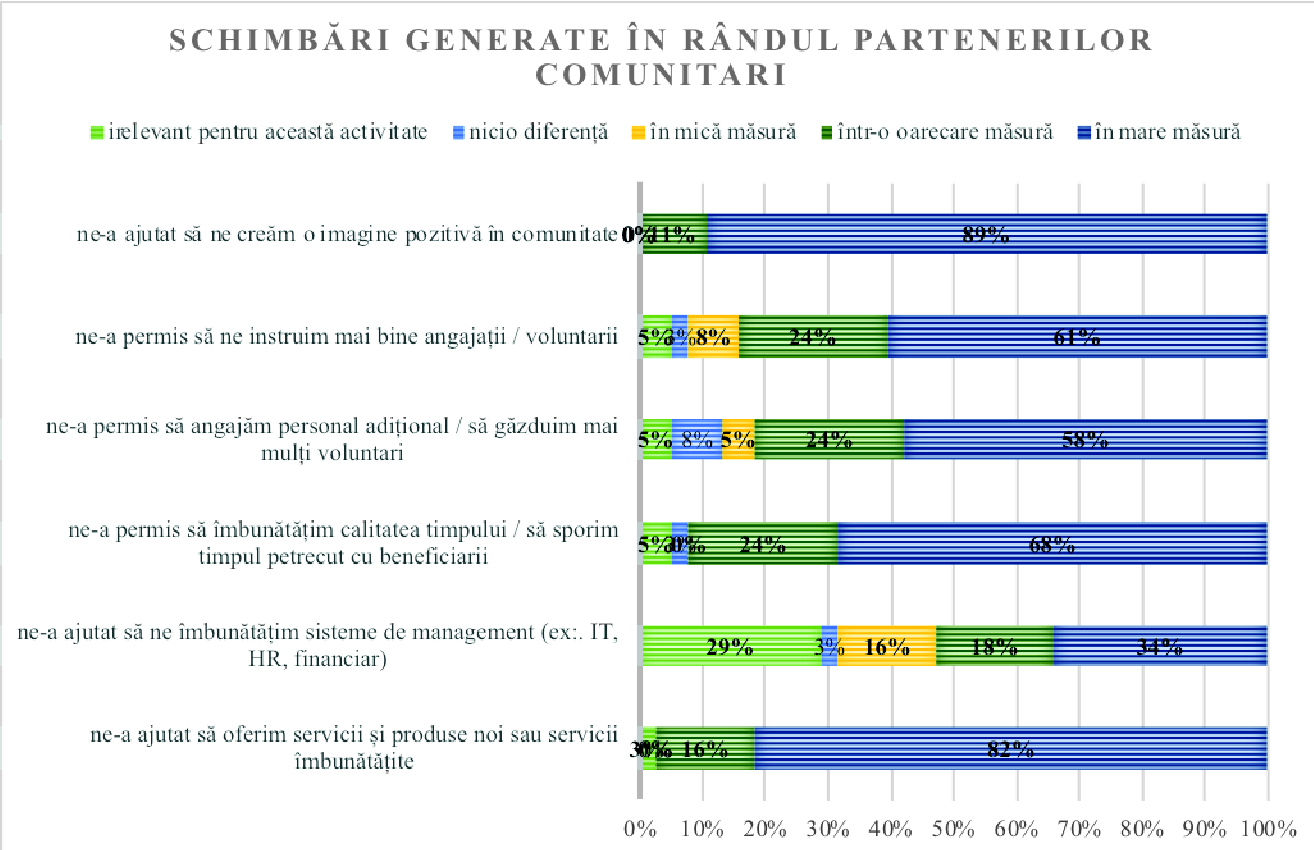


Type of community partners	NGO-s	Educational institutions	Medical institutions	Non-profit institutions	Local authorities	Public institutions
2016	59.5%	26.7%	9.5%	1,7%	0.9%	1.7%
2017	91%	1%	0.00%	3%	0.00%	5%
2018	92%	0	1%	0	0	7%

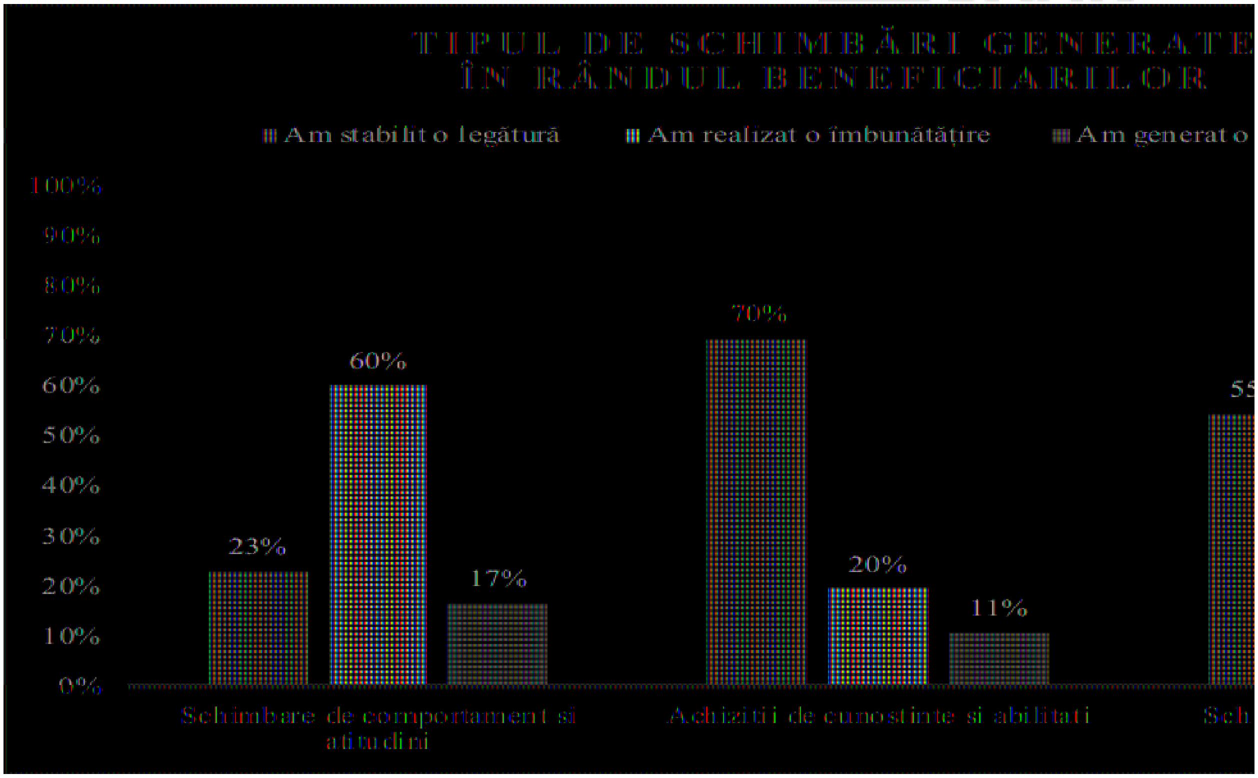


The Bank's contribution alongside the additional resources attracted by the community partners greatly contributes to the development of their organizational capacity, but also to the improvement of the performance indicators that measure the success of the implemented projects.





271,546 was the number of people who benefited in 2018 from the projects supported by the company and implemented by community partners. The improvements they reported reffered to behavioral and attitude changes, improved quality of life, and skills development. The average contribution of the bank per beneficiary, in 2018, was of 37 lei.



5. ENVIRONMENTAL PROTECTION

The activities that the bank carries out involve a high consumption of resources, whether we are talking about materials or energy. The company's commitment to sustainable development requires, in addition to analyzing the social and economic impacts, the analysis of the environmental factors the bank influences and has a direct or indirect impact on.
Locally, the Directorate is responsible for overseeing the activities to identify the exposure to environmental risks of the existing Risk Management Committee within the Bank.
The Compliance Division closely monitors the activity at all Bank's work points and assesses the risks of non-compliance with environmental legislation. Where appropriate, the Compliance Division recommends to the Risk Committee the necessary measures in order to minimize the risk of non-compliance with current legislation.
Environmental policy is regularly updated in line with the Group's directives, with national legislation and best international practices.
The Human Resources Department is responsible for informing and training Bank staff on adopting an environmental friendly behavior (including environmental policy training), while the Procurement and Infrastructure Management Department monitors and reports on resource consumption within the company, and provides the entire necessary infrastructure for the selective collection and disposal of waste.

- **Paper and electrical, electronic and electric appliance wastes (WEEE-s)**

Type of consumed resources	Volume in 2017	Volume in 2018
Paper (kg)* * non-recycled paper	294,425	300,488
Printer cartridge and toners (pieces)	6,400	6,568
Cardboard used for storing documents (kg)	N/A	N/A

- **Waste**

Recycled waste	2017	2018
Packaging materials (paper) (kg)	98,521	**86,194**
Glass (kg)	0	**8**
Lighting objects (kg)	1,044	**2,072**
Batteries (kg)	3,869	**0**
Plastic (kg)	2,533	**14,605**
WEEE (kg)	70,294	**96,488**
Domestic waste (kg)	6,477,317	**593,642**

- **Energy**

Total energy consumption	2017	2018
Electricity and energy for cooling (KWh)	22,385,000	21,530,000
Energy for heating (gas) (KWh)	14,480,000	12,520,000

- **Transport**

Fuel consumption	Volume 2017	Volume 2018
Diesel fuel (liters)	480,444	503,202
Petrol fuel (liters)	92,270	36,432
Diesel for generators (liters)	5,396	3,493

- **Water consumption**

Water consumption (m3)	Volume in 2017	Volume in 2018
Total volume of water consumption	55,000	50,300

Measures to reduce the environmental impact:

- The company is in the process of replacing neon lighting with LED lighting to reduce its energy consumption. In 2018, three light boxes were replaced.
- In 2018, the company began to identify waste collectors in the cities where it operates to contract selective waste collection services
- In administrative offices, the infrastructure for the selective collection of plastic, glass, metal and paper is in place. In order to inform and educate employees about the importance of recycling of reusable materials, the company has conducted information campaigns
- To make water consumptionmore efficient, sensors have been installed to the water evacuation mechanisms of the toilets in the administrative offices
- Around 38% of the electricity used by the company comes from renewable energy sources (according to the invoices issued by the electricity supplier)
- 29% of the community investment budget was allocated to urban ecology projects.

The non-financial performance indicators of Raiffeisen Bank SA will be detailed in the Raiffeisen Bank Romania 2018 Sustainability Report, to be published in June this year. The Raiffeisen Bank 2018 Sustainability Report is the 10th report published by the Bank, being the only company in Romania to publish its non-financial indicators for ten consecutive years.