



Raiffeisen Bank S.A.

Directors' Report

31 December 2019

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 2019****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 1st of 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.

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.
- 99.99% interest in Aedificium Banca pentru Locuinte S.A., an entity exclusively dedicated to saving and lending business.

In May 1st 2014 Raiffeisen Bank merged with Raiffeisen Capital and Investment S.A., a brokerage company providing stock exchange brokerage services to local and foreign customers.

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.

Raiffeisen Bank gained control over Aedificium Bank, as of Jul 2019 (at that time called Raiffeisen Banca pentru Locuinte) by acquiring 45,000 shares for Eur 1 mn from Bausparkasse Schwäbisch Hall AG and 45,535 shares for some Eur 1 mn from Raiffeisen Bausparkasse Gesellschaft m.b.H., reaching the 99.99% holding percentage. As of Oct 2019 Raiffeisen Banca pentru Locuinte changed the name into Aedificium Banca pentru Locuinte S.A.

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

2. RAIFFEISEN BANK'S STRATEGY

As a top universal bank in Romania, RBRO aims to help its customers achieve their objectives through financial solutions that cover diverse needs and build enduring home banking relations. We seek to create value by offering customer-centric solutions that are effective, convenient and user-friendly. We provide customized solutions to our client segments and we deliver services through digital channels and our helpful staff. We are committed to provide sustainable and qualitative banking solutions for our customers by promoting a culture of 'proper banking', that relies on responsibility, trust and competence.

Continued digitalization is highly important in RBRO's priorities list of investment projects and we are aiming to provide fast, reliable and effective services to our dynamic clients and ultimately reinvent the customer journey in a changing market environment.

From a business perspective, RBRO brings to the market innovative products and rewarding partnerships to the best interest of our clients. RBRO pushes for continued education, development and strengthening of the business ties within the real market economy with programs such as 'Elevator Lab', which aims to design the future banking model and had a welcoming feedback throughout 2018 and 2019, the "factory by Raiffeisen Bank" program that gives great support to start-up companies, while COSME and SMEi products offer convenient lending terms for legal entities.

3. ECONOMIC & BANKING ENVIRONMENT IN 2019

Economic activity continued on an upward trend in 2019, as real Gross Domestic Product (GDP) increased by 4.1% from 2018. So, economy showed a good performance in 2019 as well. Similar to the previous years, increase in households consumption remained strong, acting as the key driver of economic growth. Households consumption growth was supported by rapid advance of disposable income (for instance, net wage earnings in the economy increased by 10.7% in real terms in 2019) and by the elevated consumer confidence. A positive surprise was provided in 2019 by the unexpected jump in fixed capital investments. Adverse developments on the external markets were triggered mainly by the trade war between US and China and curbed the foreign trade with goods; this resulted in a deceleration of the global economic growth and had a negative impact on the Romanian economy too. So, growth of exports of goods stalled and performance of industry deteriorated visibly.

Consolidated public budget deficit recorded a large increase in 2019, to a level of 4.6% of GDP, from a level of 2.8% of GDP recorded in 2018. Public budget deficit recorded in 2019 outpaced by a large amount the target that had been set at the beginning of the year (2.8% of GDP), while coming also above the revised target assumed in November by the new Cabinet.

Consumer prices increased by 4.0% in 2019, the gain outpacing the dynamics recorded in the previous year (3.3%) and also the upper limit of 3.5% of the variation band associated to the central inflation target of 2.5%. Acceleration of inflation rate in 2019 was the result of both the materialization of several adverse supply side shocks (increase of excises, increase of food prices, local currency depreciation) and of the strengthening of underlying inflationary pressures fuelled by the excess of domestic demand.

Facing a rapid dynamics of the inflation rate, at the beginning of 2019 the National Bank of Romania (NBR) started to fully sterilize the liquidity surplus prevailing in the money market. However, the NBR kept the monetary policy rate unchanged throughout 2019.

Lending activity continued to improve in 2019, but the pace of growth of outstanding loans granted by the banks to the private sector (households and companies) slowed down to 5.5% from 7.9%

in 2018 (dynamics are computed by assuming a constant Eur/Ron rate for assessing the change in value of FCY loans). Gains were further recorded for all lending segments: housing loans (+9.7%), loans for consumer and other purposes (3.6%), and loans granted to the companies (+4.7%). Structural improvements were further recorded in 2019 at the level of the aggregated balance sheet of the banking system: share of non-performing banking loans remained a downward trend (4.3% in November 2019), share of FCY loans continued to decline (to 32.8% in December 2019), and reliance of banking system on external funding reduced. Loans granted by the banks to the private sector accounted only for 70.1% of outstanding deposits of the private sector, revealing a healthy funding structure of the banks' balance sheets.

4. GROUP'S BUSINESS PERFORMANCE IN 2019

a) Highlights

We are very pleased with our 2019 performance especially on customer business development. The group's foundations improved (sound L/D ratio of 0.76, solid capital adequacy at 19%) and NPLs receded to 4.1%. We strengthened and optimized our capital structure in the past year, while achieving once more an excellent RoE¹ above 20%, at the high of the economic cycle.

Newly approved loan limits increased by 8% vs. 2018, with two thirds of the growth coming from lending facilities granted to local entrepreneurs and large companies. We are proud to be side by side with our clients on their road to success and to provide them with suitable and convenient financial solutions, in line with our core principles of 'proper banking' and supporting the local economy.

We grew our business volumes at double the speed of the market: loans stock grew by almost 11% vs. 2018² and customer deposits by 9%. This was a strong driver for the 3% increase in revenues vs. prior year, on the background of relatively high market rates on local currency, but mounting pressures on the fee business, in a competitive and increasingly digitalized environment.

The digital agenda was at the forefront of our efforts in 2019: the PI customers actively³ using our digital channels exceeded 650,000 (>20% increase YoY), we transferred cash operations with increased celerity to multifunction machines, reaching a total of 47 cashless agencies. We are happy to also see good client response to these changes, as indicated by the 15% rise in Net Promoter Score.

In December 2019, in a 'first' for the Romanian market, Raiffeisen Bank Romania issued Ron 240mn **Additional Tier 1 capital instrument** (AT1, perpetual bond format). This is an important milestone also for the local banking system and outlines once again our efforts to build a solid

¹ Computed for the Bank: Net profit divided by the average value for Equity in the period, not including the 2019 profit

² Calculated after carving out reverse repo transactions with non-banking clientele

³ Personal Individual clients that logged into digital channels in the last three months

capital position, optimized in structure and cost-effective, setting the grounds for the execution of our growth strategy.

b) Balance sheet developments

Raiffeisen Bank Romania's success resides in the balanced and sustainable business growth. We stayed true to our 'proper banking' principles, maintaining a robust development of our balance-sheet while providing much-needed funding for the real economy. For several years now, we operate in an economy where the main engine for economic growth is the consumption, which makes it all the more important to strengthen the foundations for future sustainable growth. We acknowledge this fact and we paid special attention to the lending activity for companies, both local entrepreneurs and corporate clients, while at the same time remaining a trustworthy partner for our individual customers in meeting their financial needs. The main developments related to the asset side of the balance-sheet are seen below:

Condensed assets positions

	Group			Bank		
<i>amounts in Ron million</i>	2019	2018	Variation	2019	2018	Variation
Cash and cash with Central bank	6,507	7,197	-10%	6,506	7,197	-10%
Loans and advances to banks at amortized cost	207	438	-53%	201	435	-54%
Loans and advances to customers at amortized cost	27,594	26,144	6%	26,961	25,390	6%
Financial assets mandatorily at fair value through P&L	364	381	-4%	344	369	-7%
Investment securities at fair value through OCI	2,398	3,204	-25%	2,326	3,204	-27%
Investment securities at amortized cost	4,953	2,333	>100%	4,674	2,308	>100%
Sundry assets	1,833	1,097	67%	1,866	1,147	63%
Total assets	43,856	40,794	8%	42,878	40,050	7%

In 2019, the loan production had a good evolution for Raiffeisen Bank, with +8% increase in new approved limits while new drawdowns exceeded Ron 9.6 billion (+13% yearly advance). We are proud with our active role in supporting the local economy growth through our wide offer of products tailored to clients' needs. Worth mentioning the acceleration on originations of housing loans granted to individuals with 30% year-over-year and for term loans granted to corporate clients with 20% year-over-year.

Looking at the net loans stock evolution vs. 2018, the reported year-over-year growth of 6% was negatively influenced by the drop in volatile balances of reverse-repo transactions with non-bank financial institutions with some Ron 1.1 bn. If we carve out this variation, the underlying growth in loans granted to customers is around 11%. We are particularly satisfied with this increase being achieved in a balanced manner, on all business segments and for the most relevant products in our portfolio. Notable positive outcomes for the investment loans for corporate customers (+22%) and for SME (+13%), while on Private Individuals' segment the development was also noteworthy with 10% higher net loans year-over-year. We seek to provide suitable, increasingly convenient and fast financial solutions and move towards a fully digitalized lending process. The housing loans performed especially

well last year (+13% in stock), while demand in the market for personal loans was still significant, fueled by the double-digit wage increases in the local economy; our personal loans stock moved forward in 2019 by 7% as compared with 2018.

Regulatory changes in reporting standards became effective starting with January 2019. IFRS 16 implementation brought an increase in fixed assets vs. 2018, more specifically Property, Plant, Equipment and right-of-use assets, and on liabilities in Other liabilities, as the rent expenses were set up as present value of future contractual obligations in the form of right-of-use assets. On the P&L side the effect remains mainly in operating expenses, with a switch from rental to depreciation and interest expense.

The clients' preference towards local currency is visible in the currency mix of the loan book, with the Ron share advancing towards 70% weight in 2019, mostly influenced by Retail lending:

Loans and advances to customers, before provisioning

amounts in Ron million	Group				Bank			
	2019		2018		2019		2018	
	Non-Retail	Retail	Non-Retail	Retail	Non-Retail	Retail	Non-Retail	Retail
Total	11,941	16,781	12,119	15,029	11,787	16,268	11,711	14,652
LCY	6,113	13,591	6,087	11,498	6,092	13,516	6,034	11,397
FCY	5,828	3,190	6,032	3,531	5,695	2,752	5,677	3,255

Customer liabilities showed strong growth in 2019, by just below 10% year-over-year, further confirming the close home-banking relations with our clients and our commitment to build solid foundations for the development of our balance-sheet.

During 2019, most significant growth vs. 2018 was on individual clients' current accounts, by 26%. This development was achieved on the background of a 10% average real wage increase in the local economy in 2019, the highly convenient and appreciated current account packages with 'zero' fees in our offer and also the trust we gained in time from our clients, as a trustworthy business partner.

Small and medium entities also had a notable positive development of 11% against prior year, mostly coming from current account balances that grew year-over-year by 15%. On corporate clients we dropped by 10% in liabilities, mainly from negotiated deposits, as a result of adequate liquidity in the bank.

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

Condensed liability positions

amounts in Ron million	Group			Bank		
	2019	2018	Variation	2019	2018	Variation
Deposits from banks, loans from banks and other FIs	821	1,347	-39%	352	644	-46%
Deposits from customers	36,109	33,051	9%	35,802	33,094	8%
Debt securities issued	480	512	-6%	480	516	-7%
Subordinated liabilities	409	856	-52%	409	856	-52%
Sundry liabilities	1,206	845	43%	1,141	836	37%
Equity	4,831	4,184	15%	4,695	4,104	14%

Total liabilities and equity	43,856	40,795	8%	42,879	40,050	7%
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The YoY decrease in subordinated liabilities is only a consequence of the bond format of the Ron 480 mn Tier 2 capital in Ron issued in December 2019 (included in 'Debt securities issued' in the table above); at the same time, Ron 480 mn subordinated loan was closed. In May 2019, Ron 500 mn bond issue reached maturity.

With regards to the liabilities denomination, the structure between Ron and foreign currencies has moved towards the latter and closed the year around 60/40:

Deposits from customers

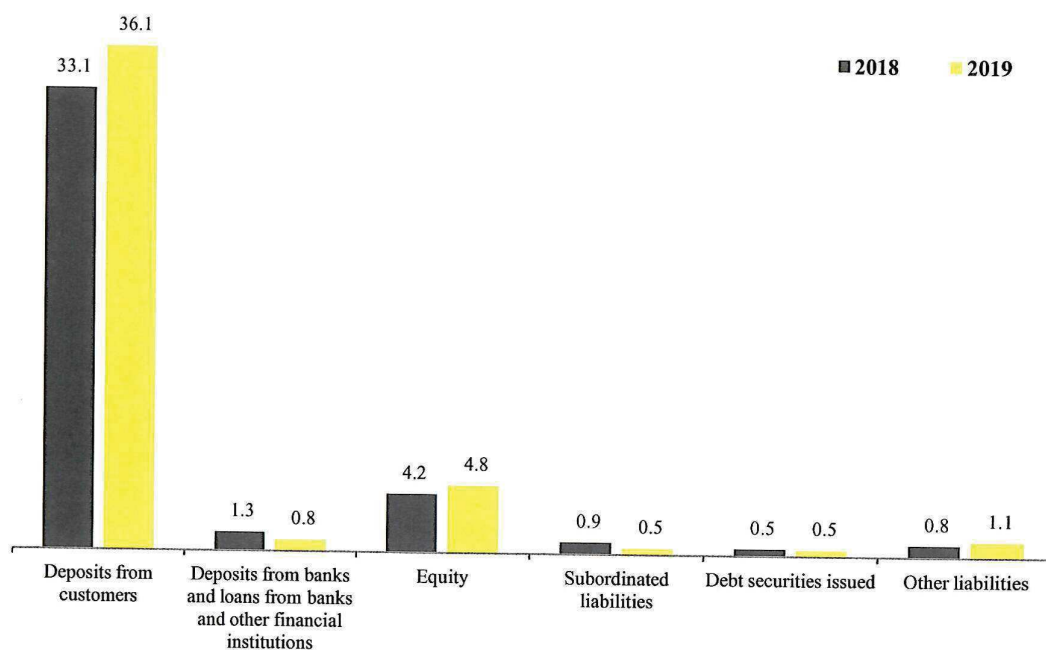
<i>amounts in Ron million</i>	Group				Bank			
	2019		2018		2019		2018	
	Non-Retail	Retail	Non-Retail	Retail	Non-Retail	Retail	Non-Retail	Retail
Deposits from customers	9,863	26,246	9,900	23,151	9,880	25,922	9,942	23,151
LCY	4,514	16,382	6,135	14,759	6,244	16,382	6,152	14,759
FCY	2,615	9,540	3,765	8,392	3,636	9,540	3,790	8,392

The Group's foundations are in excellent shape, with access to stable and diverse funding sources. We continue to be highly liquid and primarily deposit funded, with a Loans/Deposits ratio of 0.76 (0.78 in 2018). The solid capital position has been further improved in 2019, when for the first time on the Romanian market, Raiffeisen Bank issued Ron 240 mn AT1 capital, in perpetual bond format.

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, strengthening the foundations of our balance-sheet. 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 ambitious plans for growth.

Funding Sources

Ron billion



c) Major Profit and Loss components

amounts in Ron million	Group			Bank		
	2019	2018	Variation	2019	2018	Variation
Net interest income	1,759	1,533	15%	1,719	1,500	15%
Net fee and commission income	584	640	-9%	534	616	-13%
Net trading income	333	358	-7%	333	358	-7%
Net gain from other fin. instr. at fair value through P&L	40	39	4%	40	38	3%
Other operating income	30	27	10%	34	32	4%
Operating and personnel expenses	-1,556	-1,353	15%	-1,512	-1,320	15%
Net provisioning for impairment losses on financial assets	-176	-176	0%	-187	-175	7%
Goodwill	7	0	n/m	0	0	-
Share of gain from associates and joint ventures	2	1	86%	0	0	-
Income tax (expense) / revenue	-188	-174	8%	-180	-170	6%
Net profit after taxes	835	894	-7%	779	881	-12%

Net profit of the group stood at a solid Ron 835 mn in 2019, second-best in our history. The reported year-over-year variation in profit shows a negative 7%, but this decrease came on the

background of several non-recurring events, as outlined below (e.g., banking tax, provisions related to litigations for presumably abusive clauses, methodological changes in credit risk provisioning).

The earning power is in excellent shape, underpinned by diversity in revenue streams, very good speed and structure for the loan growth in an expanding economy, with positive consumer sentiment and double-digit wage increases in the country. Since late 2017, we also felt the impact in our revenues from the higher market rates for LCY, not enough however to bring a depreciation of the risk profile; we since then also started to adapt the interest rates offered to the clients for their savings in Ron term deposits.

Net interest income grew substantially in 2019, by 15% against prior year. This evolution was mainly triggered by the loan book dynamic, which covered for the impact of contracting margins, being also supported by strong inflows in individuals' current accounts. Upward moving market rates for the local currency positively impacted our net interest income, and this evolution also prompted us to increase the interest rates offered for customer deposits, in line with our efforts to strengthen the term deposits base.

Net commission income had a downward trend year-over-year in 2019, by 9%. This decrease came mainly as an effect of increasingly convenient and low-priced payment solutions provided to our clients through digital channels and higher penetration for 'zero fees' current account packages provided to individuals. We see this trend as an integral part of our efforts to tighten the relationship with our clients and make concrete steps towards a transactional activity that is cost-effective for the bank and clients.

Trading income was slightly lower year-over-year, in a challenging environment dominated by low volatility and new entrants in the market pushing for lower spreads and fighting to attract volumes. Our goal here remains to offer our clients quick, easy-to-use and price-advantageous services, and promote the digital channels as a preferred way of transacting foreign currency.

2019 was the first year in which 'Tax on assets' has been applied to Romanian banks, as per OUG 114/2018, which brought a cost of around Ron 50 mn in our operating expenses. Another noteworthy development with a regulatory background was the Ron 30 mn higher expenses year-over-year related to deposit insurance and single resolution framework. Further non-recurring events in 2019 had approx. Ron 85 mn negative impact in 2019 (higher operating costs mainly due to prudent provisioning for possible future losses arising from litigations concerning allegedly abusive clauses in PI loan contracts). The underlying cost base (the three elements above carved out) shows Ron 40 mn increase year-over-year in 2019 (+3% vs. 2018), with main areas of growth identified in IT depreciation and gross salaries; these developments are fully aligned with our goals of delivering fast, easy-to-use and increasingly digitalized services to our clients, while keeping the pace with the market trends in terms of salaries and retaining the talented staff. In the same vein, worth noting that over the past year we optimized the branch network from 419 to 351 units (-16%), while keeping a constant focus on big items like rent or cash-related costs.

The Group's risk costs were affected 2019 by methodological changes in the calculation of provisions, while the underlying risk profile continued to improve year-over-year.

d) Customers and distribution

The customer base increased by 2% in 2019, reaching approximately 2.2 million clients. At year-end 2019, Raiffeisen Bank's network numbered 351 units (419 in 2018), approx. 22,000 EPOS and over 1,100 ATMs, out of which 327 MFMs (multifunction machines).

5. OUTLOOK FOR 2020

a) Economic developments

Economy recorded a good performance in 2019 as real Gross Domestic Product (GDP) increased by 4.1% from 2018. Moreover, at the beginning of the year, we had expected the economy to continue expanding in 2020, but at a slower pace than in 2019 (3.0% gain in real GDP in 2020). Moderate growth of activity on foreign markets and elevated domestic uncertainty related to the politics and to the fiscal outlook were foreseen to weigh on the economic advance in 2020. Similar to the previous years, private consumption should have continued to increase in 2020 on the back of a sustained advance in real disposable income of households, remaining the main engine of economic growth. Economic sectors relying the most on the domestic demand should have further recorded a good performance, while industry and export oriented sectors should have continued to face a challenging outlook.

However, recent Coronavirus outbreak changed the macroeconomic outlook for 2020 in a substantial way. Severe disruption of supply chains in the global and local economy and plunge in consumption demand of individuals due to social distancing measures and sharply deteriorating sentiment should have a strong negative impact on the activity of many sectors in the economy (transport, hospitality services, recreational services, and export oriented companies being among the most severely affected). For the time being, the negative impact is expected to be temporary, triggering a large contraction in economic activity only in the second quarter of the year. A gradual rebound is expected in the second half of the year. Under this scenario, real GDP, consumption and investments would very likely decrease in 2020 compared to 2019. Our current projection shows a contraction of 2.5% in real GDP this year.

Public budget deficit stood at 4.6% of GDP in 2019 and we forecasted a deficit of 4.0% of GDP in 2020 (with balance of risks tilted on the upside, i.e. suggesting a larger public budget deficit). In this context, we think that there is almost no space for Government to implement a major fiscal stimulus package in order to limit in a substantial way the negative social and economic consequences of the Coronavirus outbreak. Deferring tax payments and providing state guaranties in different kind of contracts are among the main measures intended to be implemented by Government in order to provide support to the economy. The Central Bank has cut the monetary policy rate by 50 bps and narrowed the symmetrical corridor for the lending and borrowing facilities by 50 bps, thus providing liquidity in the economy. Also they approved the acquisition of sovereign bonds from the secondary market. In the near future it is possible to see new measures such as reduction in minimum reserve requirements and revisiting the prudential regulations, especially in case of capital buffers and provisioning.

b) Developments in the banking industry

The very low GDP share of banking loans (25.6% of GDP in 2019, the lowest level among the EU member countries) suggests a large room for lending activity to expand in the long-run, supported by the real convergence process. At the beginning of 2020, an increase in terms of outstanding amounts was expected to materialize during the year for all lending segments (housing loans, consumer loans, and loans granted to companies). Gains should have been supported by the expected favorable economic environment (solid advance of economy and of real disposable income).

By substantially altering the macroeconomic outlook and the social conditions, Coronavirus outbreak could trigger a decrease in demand for loans stemming from companies and from individuals

and of banking transactions. Accordingly, the activity of the banking sector would be negatively impacted in 2020, underperforming as compared with the positive expectations prevailing at the beginning of the year.

On the positive side, the banking sector has buffers that should allow it to better navigate the new adverse business environment: capital adequacy and liquidity ratios are at elevated levels, loans to the private sector are fully funded from deposits of private sector, and reliance of foreign borrowings is low.

c) Our perspectives

The macro assumptions and perspectives changed dramatically to the worse after the recent Covid-19 pandemic. RBRO will also be affected by these developments and the bank's prospects for 2020 point towards a shrinkage in lending and transactional activity due to negative consumer sentiment and severely deteriorated macro environment, leading to lower gross income than originally anticipated. In addition to the negative impact in operational revenues, we also expect a worsening of the risk profile in a hard-tested economy, at a magnitude that is still difficult to be grasped. However, the bank's proven financial strength built on healthy foundations and a prudent risk strategy, our excellent earning power and solid capital base point towards an optimistic view of our medium-long term perspectives.

We acknowledge two major factors at the foundation of a resilient and highly performing earning power on the long-run: our people and enhancing our digital capabilities; we continue to maintain focus on both and thus secure our strong position in the market.

In spite of current difficulties due to the unexpected Covid-19 outbreak and its effects on the economy, we still see good perspective for growth on the long run, in an economy where financial intermediation is at the lowest level in EU; supplier's credit was up-until now the preferred mean of financing operations for small companies, ahead of bank lending, but this may soon change and lead to a significant opportunity of healthy growth for the local banking system. We will continue to stay faithful to our "proper banking" motto and we are committed to provide much-needed funding for the real economy and be a trustworthy partner for our clients during hard times and in the better ones to come.

6. SUBSIDIARIES

ASSET MANAGEMENT

In a challenging market environment, marked by interest rates volatility and a tougher competition across the industry, Raiffeisen Asset Management, the asset management company of the group, consolidated its market share slightly above 24%. Value of the total assets under management increased in 2019 to approximately Eur 1.3 billion, as we managed to post the first annual increase in AUM in the last three years.

During 2019, in close cooperation with RBRO, the asset management company focused the efforts towards investment diversification among RBRO's clients and improved the distribution flows of our fund based saving plans (Smart Invest). Bestselling fund of the year was the Eur denominated fixed income fund (Euro Plus), with net subscriptions exceeding Eur 31 million. Our managed solutions were the main contributors in the mix funds category, totaling net subscriptions of more than Eur 20 million.

Our sales team has been involved in preparing and delivering training programs for RBRO's salesforce. We have successfully conducted more than 50 workshops all around the country, mainly for

Premium and Mass employees and assisted them in meetings with their most important clients. Starting from the clients' expectations and risk profile, RBRO's 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 Ron, but in Eur and Usd 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, corporations 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. The leasing services offer is also available in over 350 of the Bank's agencies.

As of 31.12.2019 Raiffeisen Leasing IFN S.A.'s assets amounted to Eur 235 million and its active contracts database included about 10.300 contracts. The company has strengthened its business volumes in the past years, confirming in 2019 its established strategic directions, registering a balanced portfolio structure as regards customer segments and funded assets, as well as a proper risk management. Raiffeisen Leasing actively pursued achieving a responsible business model, paying attention especially to the clients' needs. Raiffeisen Leasing's offer was kept in line with the market trends and general context. In the past year, the leasing market registered about 15% increase compared to 2018, mainly sustained by the automotive segment - cars and commercial vehicles. Raiffeisen Leasing achieved 137 million Euro in 2019 in terms of new business volumes.

Raiffeisen Leasing's vision translates into "proper Leasing" slogan, which means integrity, transparency and a sense of responsibility towards the clients. Through all its guiding principles and fundamental beliefs the company aims for a balanced and healthy growth for its clients, sustaining viable businesses in a responsible way, by avoiding over-indebtedness, providing easy access to finance, through process efficiency and innovative leasing products.

SAVING AND LENDING BUSINESS

Aedificium Banca pentru Locuinte S.A. (ABL) 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.

In 2016, as a result of the report from the Court of Accounts of Romania and of the parliamentary initiative aimed at modifying the legal framework for the functioning of the saving-lending system, the sales of new savings-lending contracts and the sale of loans to clients outside the existing portfolio have been temporarily suspended, because all these uncertainties did not allow for quality advice in the sale process.

In 2019, the decision to suspend the sale of new savings-lending contracts and the sale of loans to customers outside the existing portfolio was maintained.

At the end of 2019, ABL registered a portfolio of 101 thousand contracts from the saving and lending activity, having a total contractual amount of Ron 1.5 billion, savings deposits from customers amounting to Ron 265.4 million and total loans granted worth Ron 66.3 million. In 2019, ABL posted an operational negative result of Ron 44.5 million, significantly impacted by the provision booked related to the litigation with the Court of Accounts (Ron 40.7 million).

RESEARCH AND DEVELOPMENT

Research and development continued to be a main strategic direction IT in 2019. The main areas of focus this year were digital experience, new technologies and tools to support digital readiness and Agile methodology and data analytics and machine learning.

Digital experience improved by creating a unified customer digital identity in a secure environment though enhancing our identity and access management solution for customers. New digital payments experiences were made accessible to customers by means of digital wallets on smart-devices.

New technologies and tools to support digital readiness and Agile methodology refer to scale continuous integration or continuous delivery practice in order to shorten the systems development life cycle and provide high software quality. Implementation of new tools for code review and automated testing and deployment practices. We created solutions based on micro services for digital applications and also introduced distributed data streaming technologies, as well as a company-wide Chat Bot platform.

In the data analytics and machine learning field, we explored with a Big Data infrastructure and implemented an advanced analytics sandbox for machine learning.

7. 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 Board of Directors for approval and submitted 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 published on the company's website.

The annual consolidated and separate financial statements are presented for the approval to the Annual General Meeting, according to legislation in place and based on the Director's and financial audit reports issued for the respective financial year.

8. 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 received NBR approval to determine the capital requirement for credit risk according to internal rating models approach (IRB), starting with 2009, July 1st. Regarding the retail portfolio, Raiffeisen Bank received NBR 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.

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

Starting 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

As per the provisions of NBR Regulation no. 5/2013, 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, within Raiffeisen Bank S.A. is a permanent and independent function, being carried out by the Compliance Directorate, which is an independent structure directly subordinated to the President of the Management Board.

In Raiffeisen Bank Romania, compliance risk is assessed following the three line of defence model, as follows: first line of defence area (operations) is responsible for the daily management of compliance risk. F.L.o.D. has to implement and adhere to all applicable compliance rules and is responsible for establishing a control environment as part of the day-to-day operation which covers compliance risks. Compliance directorate represents one of the control functions in RBRO, part of the second line of

defence. Main compliance directorate responsibilities are to advise, assess, monitor and report on compliance risks.

Internal Audit performs an independent assessment regarding compliance with internal policies and procedures. Compliance ensures an ongoing monitoring of the regulatory environment regarding topics which fall under the responsibility of Compliance (Financial Crime, Anti Money Laundering and Counter Terrorist Financing, Financial Sanction) for changes in legislation, standards, guidelines or their application.

Reporting lines for Compliance.

Compliance Directorate has a solid reporting line towards Management body, i.e. the local Management Board and the local Supervisory Board. Compliance Directorate has a (functional) reporting line towards the RBI Group Compliance.

9. Corporate governance

Corporate governance stands for the set of principles and mechanisms based on which the company's management exerts its prerogatives of management and control with the purpose of reaching the envisaged objectives through implementing the adopted strategy, having an ongoing fair behaviour towards 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.

The general meeting of shareholders (GMS)

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.

The Ordinary General Meeting of Shareholders' main competences:

- To discuss, to approve or to modify the annual financial statements of the Bank, upon the analysis of the Management Board's and Supervisory Board's reports, 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 fiscal year.

The Extraordinary General Meeting of Shareholders' main competences:

- 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 and conversion of such bonds from a category into another or into shares
- Decrease the bank's share capital
- Any amendments to the Articles of Incorporation of the Bank.

The conducting of the General Meetings of Shareholders, as well as the regulations with respect to the shareholders' rights and obligations, are regulated by Law no. 31/1990 on trading companies.

Administration structure

The administration of Raiffeisen Bank S.A. is performed by the dual management system consisting of the Management Board and the 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 that are fulfilled by the Supervisory Board. The dual management system ensures the operational decision-making process to become efficient, while increasing control over the decision makers.

The Supervisory Board

The Supervisory Board exercises an ongoing control over the Bank's current management activity conducted by the Management Board. The Supervisory Board consists of 9 members appointed by the General Meeting of Shareholders within four-year mandates, being possible to be re-elected for additional mandates.

As at 31.12.2019, the Supervisory Board structure and the professional background of its members were as follows:

Johann Strobl – Chairman

Ph.D. in Economics at the University of Economics and Business Administration, Vienna, Austria

Martin Gruell – Vice-president

BA from the University of Economics and Business Administration, Vienna, Austria

Peter Lennkh – Member

Master in Economics and Business Administration at the University of Economics and Business Administration, Vienna, Austria

Andreas Gschwenter – Member

MBA at the University of Innsbruck, Austria

Ileana-Anca Ioan – Independent member

Graduate of the Romanian-Canadian MBA Program and the Faculty of Automation of the Bucharest Polytechnic Institute

Ana Maria Mihăescu – Independent member

Graduate of the Faculty of International Economic Relations, Academy of Economic Studies, Bucharest
Hannes Mösenbacher – Member

Ph.D. in Economics at the University of Economics and Business Administration, Vienna, Austria
Andrii Stepanenko – Member

Ph.D. in Finance, Kiev National University of Economics, Ukraine

Lukasz Janusz Januszewski – Member

Master Degree of Economics, University of Warsaw, Poland

The main competences of the Supervisory Board:

- To set the exact number of Management Board members, as well as their competences;
- To appoint and revoke the Management Board members;
- To verify the Bank's managerial operations are compliant with the law, with the Articles of Incorporation and with the resolutions of the General Meeting of Shareholders;
- To provide the General Meeting of Shareholders with at least a yearly report with regard to the supervision activity undertaken;
- To convene the General Meeting of Shareholders on an exceptional basis, should this be required in the best interest of the Bank;
- To establish advisory committees as required by law, but not only, as these will be considered necessary in order to develop the Bank's activities. The committees will consist of Supervisory Board members;
- To approve and to periodically review the general principles of the remuneration policy as well as its implementation. To directly oversee the remuneration of the senior officers in the risk management and in compliance functions.

During 2019, 4 Supervisory Board meetings took place and their decisions were made by the unanimous votes of the attending members. Also, a number of 17 decisions were made by circulation.

The Supervisory Board has set up a number of 5 committees from among its members, namely: the Audit Committee, the Nomination Committee, the Remuneration Committee, the Executive Credit Committee and the Supervisory Board Risk Committee.

The 5 committees set up by the Supervisory Board:

Audit Committee

The objectives of the Audit Committee are to contribute to the improvement of the Bank activity (in developing and maintaining a good management practice) and to assist the Management Board and the Supervisory Board in their missions. Audit Committee acts as the interface between the bank and the statutory auditor or audit firm, and has an important contribution to keep a transparent relationship with the Bank's shareholders. The statutory auditor or audit firm shall report to the Audit Committee on the essential issues arising from the statutory audit and, in particular, on the significant internal control deficiencies in the financial reporting process.

Audit Directorate regularly provides the Audit Committee with reliable information about its activity carried out. The Audit Committee acknowledge the synthesis of the audit reports concluded by the internal audit and informs the Management Board about the decisions considered appropriate for the improvement of the Bank's activity and of the internal control, based on the internal audit recommendations included in audit reports. The responsibilities, organization and way of operation are defined by the Rules of Organization and Operations of Raiffeisen Bank S.A.

The Audit Committee is made up of 3 Supervisory Board members, namely:
Ana Maria Mihaescu – Chairman (Independent member on the Supervisory Board)
Martin Gruell – Member
Ileana-Anca Ioan – Member (Independent member on the Supervisory Board)

During 2019, 4 Audit Committee meetings took place, the Committee's decisions being made by the unanimous votes of the attending members.
Also, it was one decision made by circulation.

Nomination Committee

The Nomination Committee identifies and recommends to the Supervisory Board or the Bank's GMS to approve of the candidates who will fill in the vacancies on the Management Board, and the Supervisory Board, respectively, and it regularly assesses the balance of knowledge, skills, diversity and experience within the Supervisory Board and Management Board as well as the knowledge, skills and experience of each member of the Supervisory Board and of the Management Board and of the management bodies (Supervisory Board and respectively Management Board) as a whole.
The responsibilities, the organization and way of operation are defined in the Rules of Organization and Operations of Raiffeisen Bank S.A.

The Nomination Committee is made up of 3 Supervisory Board members, namely:
Johann Strobl – Chairman
Martin Gruell – Member
Ileana – Anca Ioan – Member (independent member on the Supervisory Board)

During 2019, the Nomination Committee held one meeting, their decisions being made by the unanimous votes of the attending members.

Remuneration Committee

The Remuneration Committee assists the Supervisory Board in so far as remuneration is concerned, in particular that of the Management Board's and Supervisory Board's members in compliance with the principles and limits approved by GMS and taking into consideration the long-term interests of the shareholders, investors and other interest holders in the Bank. The responsibilities, organization and way of operation are defined in the Rules of Organization and Operations of Raiffeisen Bank S.A.
The Remuneration Committee is made up of 3 Supervisory Board members, namely:

Johann Strobl – Chairman
Martin Gruell – Member
Ileana – Anca Ioan – Member (independent member on the Supervisory Board)

During 2019, the Remuneration Committee held one meeting, its decisions being made by the unanimous votes of the attending members. Also, it was one decision made by circulation.

Executive Credit Committee

The Executive Credit Committee is empowered to approve the granting of loans including credit lines and contingent liabilities to a single borrower (or to one of more borrowers of an “economic entity”) and country risk decisions which require the approval of the Supervisory Board according to the Bylaws of the Credit Committee approved by the Supervisory Board.

Also, the Executive Credit Committee is empowered to approve the restructuring, setting aside or releasing provisions and write-off of a problematic exposure and other matters in connection with handling of problem loan exposures of a single borrower (or one of more borrowers of an “economic entity”) which require the approval of the Supervisory Board according to the Bylaws of the Problem Loan Committee approved by the Supervisory Board

The responsibilities, organization and way of operation are defined in the Rules of Organisation and Operations of Raiffeisen Bank S.A.

The Executive Credit Committee is made up of 2 Supervisory Board members, namely:

Hannes Mösenbacher – Chairman

Peter Lennkh – Member

During 2019, the Executive Credit Committee made 64 decisions by the unanimous votes of its attending members.

The Supervisory Board Risk Committee

The Supervisory Board Risk Committee provides consultancy to the Supervisory Board and Management Board on the Bank’s strategy and risk appetite, and it assists the Supervisory Board and Management Board with supervising the implementation of the respective strategy. The responsibilities, organization and way of operation are defined in the Rules of Organization and Operations of Raiffeisen Bank. The Supervisory Board Risk Committee is made up of 3 Supervisory Board members, namely:

Hannes Mösenbacher– Chairman

Johann Strobl – Member

Peter Lennkh – Member

During 2019, the Supervisory Board Risk Committee held 2 meetings, its decisions being made by the unanimous votes of the attending members. Also, it was one decision made by circulation.

Management Board

The Management Board ensures the managing of the Bank’s current business and it consists of 7 members appointed by the Supervisory Board for mandates of up to 4 years, with the possibility of being re-appointed for additional time periods. As at 31.12.2019, the Management Board structure and the professional background of its members were:

Steven van Groningen– President, Master in the Corporate Law, University of Leiden, The Netherlands
James Daniel Stewart, Jr. – Vice-president, Graduate of Finances and International Relations, University Lehigh-Bethlehem, BA USA

Vladimir Kalinov– Vice-president, Graduate of the Marketing and Management Institute, New Delhi, and of the Faculty of Commerce, University of New Delhi, India

Cristian Sporiş– Vice-president, Graduate of the Faculty of Finances, Insurance, Banks and Stock Exchanges, Bucharest University of Economic Studies, Romania

Mircea Busuioceanu– Vice-president, Graduate of the Executive MBA Program, University of Sheffield, and the Faculty of Finances, Banks and Accounting, Bucharest University of Economic Studies, Romania

Bogdan Popa – Vice-president, MBA in Financial-Banking Management, “Alexandru Ioan Cuza” University of Iași, Romania

Mihail Ion - Vice-president, Ph.D. in Economics at the Academy of Economic Studies, Bucharest and graduate of the Faculty of Finances, Insurance, Banks and Stock Exchanges, Finance and Banks specialization, Academy of Economic Studies, Bucharest

The Duties of MB

- Convening the GSM according to the legal requirements and the Articles of Incorporation of the Bank
- Establishing the reference date for the shareholders entitled to vote in GSM
- Making proposals for changes to the Articles of Incorporation of the Bank
- Preparing and submitting to SB, at least every 3 months, a written report regarding the management of the Bank, its activity and its possible evolution as well as information regarding any other matters that could significantly influence the Bank;
- Preparing and providing SB periodically a report regarding the quality of the compliance management, including the assessment of compliance risks;
- Providing SB with the yearly financial situations and its performance report as soon as they have been issued, together with its proposal regarding the distribution of any profit before presenting the said proposal for the GSM’ approval.
- Elaborating and periodically, at least once a year, revising the business plan and overall policies and strategies related to the credit institution activity
- Forecasting the investment plan and income statement and submitting it to the GSM’ approval.

With regard to the recovery activity, the duties of the Management Board are the following:

- assessment of the actual financial situation of the bank and of the potential threats;
- decision to initiate a recovery measure;
- nomination of the recovery team responsible to implement the initiated measure;
- monitoring of the execution of the initiated recovery measure and decision on further actions to be taken.

According to the Articles of Incorporation the following duties have been delegated by GSM to the MB:

- Relocation of headquarters to another address
- Modification to the bank’s object of activity except for the change to the main field of activity and of the main object of activity
- Increase in the bank’s share capital, except for the case when this is made through an increase in the nominal value of the shares (on condition that the increase is not achieved through the incorporations of reserves, benefits and issuance premiums), in which case the decision regarding the share capital increase will be made by the Extra-ordinary GSM unanimously.
- Establishment and closing down of any territorial bank units with no legal personality.
- The main competences of the Management Board:

- The Management Board has all the powers of management and disposal and of authorization of all transactions falling within the Bank's scope and has competences in the field of monitoring the appropriate and productive functioning of the internal control system, except for the competences expressly granted by law or by other Bank's regulations to the Supervisory Board's and/or the GSM's competence(s);
- Take measures to adopt all business decisions for the implementation of the provisions of the business plan and the budget of Bank;
- Approve the Rules of Organisation and Operation (ROO) - in Romanian called ROF;
- Approve the Organisational Chart and internal structure of the directorates;
- Approve the Collective Bargaining Contract – in Romanian called CCM;
- Appoint and revoke the Directors in the HQ and network and decide their remuneration. For territorial units, no matter the type, these competences are delegated to the Vice President, coordinator of Retail Banking Division;
- Approve the acquisition/sale/disposal of assets;
- Approve the set-up/closure of new subsidiaries;
- Approve capital increase/decrease of subsidiaries;
- Approve Bank investments/divestment in other companies or financial institutions;
- Establish competencies regarding credit granting (Credit Committee);
- Approve the credit terms for 3rd parties in special relationship with the bank;
- Approve the number of personnel and establish the remuneration policy in the Bank;
- Approve the credit norms for bank's employees;
- Establish the various committees under its supervision provided by the law, may establish other committees and ratifies their decisions;
- The Management Board approves/reviews the Bank's strategies and policies (including those risk-related) and reviews and submits to Supervisory Board Risk Committee for approval the risk strategy, the risk profile and the Bank's risk manual as well as the results of the yearly risk assessment;
- Any other competences pursuant to mandatory legal provisions (that cannot be legally delegated).

The Management Board set up a number of 9 committees, namely: Asset and Liabilities Committee, Risk Committee, Credit Committee, Problem Loan Committee, Private Individuals Credit Committee, Project Portfolio Committee, Rules and Procedures Committee, Security Council and Investment & Product Governance Committee.

Also, mention should be made that the Management Board has delegated a series of competences as follows:

- To the Credit Committee – the implementation of the credit policies within the limit of the competences granted and the administration of the credit risk;
- To the Risk Committee – the supervision of the implementation and observation of the “General Principles of Risk Management” in Raiffeisen Bank S.A., except for the liquidity risk and market risk (delegated to the Asset and Liabilities Committee) and the lending risk (delegated to the Credit Committee);
- To the Asset and Liabilities Committee – the management of the Bank's balance-sheet and the drawing up of the overall financial policy of Raiffeisen Bank S.A.; the monitoring and

- establishing of the limits for the liquidity risk and the market risk; the approval of the pricing strategy (interest rates, commissions and fees, and taxes);
- To the Rules and Procedures Committee – the approval of the rules and procedures to be applied in the Bank.

During 2019, the Management Board held 91 meetings, and its decisions were made by the unanimous votes of the attending members. Also, 4 decisions were made by circulation.

The 9 committees set up by the Management Board:

Asset and Liabilities Committee (ALCO)

ALCO is responsible for managing the bank's Balance Sheet aiming at achieving sustained growth, profitability and solvency. The main goal is to manage assets and allocate funding sources by aligning growth and profitability targets as well as funding mix and capital constraints in order to meet return and risk objectives. From within the Risk Framework, the ALCO: sets the strategies for the management funding, liquidity, interest rate risk and market risk as well as capital planning establishes guidelines to meet various applicable regulatory rules and statutes forms a consistent co-policy with other policies of the Bank therefore aligning the management of various risks facing the bank approves the pricing strategy (interest rates, commissions and fees)

Risk Committee (RC)

Risk Committee approves the bank's Risk and Internal Control System Frameworks and ensures, through proper policies, standards and methods of Risk Management, that these risks are controlled, with defined boundaries. Supervising the policies, standards and methods implementation, RC ensures risk is within the risk appetite accepted by the Bank.

Credit Committee (CC)

The Credit Committee is authorized to review and decide on all the limit exposures additional to the existing individual approval competences and it is responsible for observing the rules and regulations, as they are mentioned in the Credit/Lending Manual and the Bank's endorsed lending procedures.

Problem Loan Committee (PLC)

The Problem Loan Committee is established and operates as a decision-making body with regard to the problem exposures and it has the authority to approve the first applications immediately after being transferred to the Credit Restructuring and Recovery Directorate, applications for restructuring/recovery strategies, credit reviews, debt write-offs, IFRS provision build-up and release for all types of clients.

Private Individuals Credit Committee

The Private Individuals Credit Committee has the authority to decide non-standard PI Credit Applications and post disbursement requests. The PICC is structured on two different decision levels and has the power to decide on credit applications up to Eur 2 Mio.

Project Portfolio Committee (PPC)

The Project Portfolio Committee (PPC) is the decision body which reviews the performance of the existing Project Portfolio, examines and selects new Projects, prioritizes selected Projects, examines the viability of the Project Portfolio based on the bank's strategy and reshapes the Project Portfolio, in its quality of product owner of projects backlog. In special cases the PPC also conducts individual Project reviews. PPC also decides on wallets structures per divisions for small initiatives.

Rules and Procedures Committee

The Rules and Procedures Committee approves the rules, procedures and other regulations within the Bank and makes sure that they are compliant with the operational requirements and compatible with the other internal and external regulations.

Security Council

The Security Council proposes the strategy of security to the Management Board, it decides on the security policies and it confirms the management's commitment to granting an active support to security within the organization.

Investment & Product Governance Committee

The Investment & Product Governance Committee acts on two distinct areas of competence: The Investment Advisory competence is aimed at endorsing and monitoring the investment strategy supporting the «Investment Advisory Services». The Product Governance competence manages the bank's «Product Governance Process» for financial instruments offered to specific target markets regardless if they are distributed for execution only, advisory free or advisory. A PGP needs to be done for all in-scope products manufactured and distributed (including third-party products) and has the purpose:

- to fulfil the legal and compliance requirements to offer this specific product to the defined end client and
- to provide strategic decisions if and via which a product should be offered.

Conflicts of interest

The applicable internal regulations require both the Management Board and the Supervisory Board of Raiffeisen Bank S.A. to declare any potential interest conflicts. Therefore, the Management Board members should declare to the Supervisory Board all the personal interests significant for the transactions involving both the Bank and the Group companies, as well as any other conflicts of interest. They must inform the other Management Board members, too. The Management Board members also filling in management positions within other companies should ensure a fair balance between the interests of the companies in question.

The Supervisory Board members should immediately report to the President of the Supervisory Board all the potential conflicts of interest. In the event the President himself is faced with a conflict of interest, he should immediately report it to his Vice-president. The company contracts concluded with the Supervisory Board members that compel them to render a service in favour of the company or a subsidiary, outside their obligations as Supervisory Board members, in exchange of a compensation at all insignificant, requires the approval of the Supervisory Board. This also applies to contracts concluded with companies in which a Supervisory Board member has a significant financial interest.

Practices of remuneration, selection and elements of diversity

The system of remuneration of Raiffeisen Bank S.A. promotes a fair and efficient risk management and does not encourage assuming risks over the tolerated levels. This is in line with the Bank's and Raiffeisen Bank International (RBI) Group's long-term business strategy, objectives, values and interests and it incorporates measures to avoid conflict of interest. The remuneration policies of Raiffeisen Bank S.A. are approved by the RBRO Supervisory Board through the Remuneration Committee.

The compensation system in Raiffeisen Bank S.A. is governed by the following principles:

- 1 The Compensation system supports the company's long-term business strategy and objectives, its interests and values by using the set of key performance indicators (KPI) of RBI and the key cultural competences.
 - 2 The principles of compensation incorporate measures to avoid the conflict of interest.
 - 3 The compensation policy and principles are in accordance with and promote solid and efficient risk management practices and avoid variable payment for assuming risks over the tolerant level for the institution through KPIs and process management (eg: the process of Assessing Performance, risk committees).
 - 4 Compensation is based on a functional structure and it is linked to performance. Besides, special rules are applied to the personnel whose professional activity has a material impact on the risk profile.
 - 5 Compensation is competitive, sustainable and reasonable and it is defined in accordance with the relative value of work, market and practice.
 - 6 The fixed compensation is defined in principle in accordance with the market conditions.
 - 7 The compensation structure (the variable payment proportion relative to the fixed compensation) is balanced, which allows each employee to have an adequate level of remuneration based on the fixed salary.
 - 8 All variable payment programmes include minimum levels of performance and a maximum payment threshold.
 - 9 Results obtained and of the competences based on both quantitative and qualitative measures, valued within the process of performance assessment and considering financial and non-financial criteria.
 - 10 The personnel employed in controlling functions is compensated independently from the business unit they supervise, has the appropriate authority and their remuneration is determined on the basis of achieving their own objectives without taking into consideration the results of the area they monitor. The fixed and variable remuneration structure should be in favour of the fixed remuneration.
- If an employee is paid a variable compensation, this is done for the measured performance. Performance is translated into results and behaviour: "what" and "how", according to the system of performance management. Therefore, all the variable compensation schemes are linked to the management of performance or a comparative system of setting the targets.

Measuring the performance for the employees holding control functions (e.g. risk, audit, compliance) reflects the specific requirements of the respective positions. Compensating the employees holding control functions is in accordance with touching the objectives related to the respective functions and, in an independent manner, by the business areas they supervise, but in proportion with their role in the Bank.

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 analysed and approved by the Management Board of Raiffeisen Bank S.A in the meeting of March 23, 2020.

Mihail Ion
Vice-president of the Board of Directors
Raiffeisen Bank S.A.



APPENDIX TO DIRECTORS' REPORT

Non-financial statement of Raiffeisen Bank S.A. 2019

1. Business overview

Being part of a group operating in 13 other markets – Austria, Central and Eastern Europe – Raiffeisen Bank Romania is one of the top companies in the Romanian banking ecosystem. Present on the local market for almost 28 years now, at the end of 2019 the Bank had a portfolio of over 2 million individual clients, 92,000 SMEs and 5,700 companies. With over 650,000 clients using the Raiffeisen Smart Mobile and Raiffeisen online digital apps, the Bank's network counts 351 units, 785 ATMs, 334 self-service multifunctional machines and over 21,000 POSs.

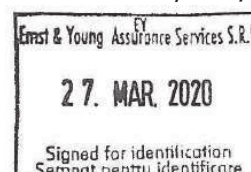
For the past few years, our efforts have focused on offering our clients digital solutions that provide access to safe, fast and simple banking. Since 2019, Raiffeisen Bank clients are able to make payments using their mobile phones, via RaiPay or Apple Pay and their Garmin devices, through Garmin Pay. At the end of the year, 45,000 clients were using RaiPay and over 38,000 Apple Pay.

The Bank offers its clients a diverse portfolio of financial products and services, available to individual clients, SMEs and companies.

Our mission is to contribute to the development of sustainable and thriving communities, to understand our clients' needs and to offer them security, consultancy and financial services that are easy to use. Sustainability and responsibility are at the core of our business model, so together with our employees, clients and partners, we strive to develop long-term relations and to mobilize those resources that create value for everyone. Collaboration, responsibility, constant learning and proactivity are the fundamental values that are present throughout all our operations.

As a provider of financial products and services, we are aware of the role we play and the major impact we have on the communities and the economic environment where we operate. We want to be a responsible banker and a trusted partner for all of our stakeholders. That is why for the past eleven years, we have been transparently communicating information regarding our non-financial performance by publishing annual sustainability reports.

The non-financial reporting process takes place every year and it begins with an analysis of the areas where the Bank has an important economic, social and environmental impact, while also taking into account the topics our partners are interested in. These topics are identified through a consultation process, commissioned every two years. The process follows the *Global Reporting Initiative* standards methodology and meets the requirements of the National Bank of Romania Order no. 7/2016 and of the Ministry of Public Finance Order 3,456/2018.



The results of the impact analysis and stakeholder consultation processes conducted during January - February 2019 represent the foundation of the non-financial declaration and of the sustainability report that will be published in June 2020.

The areas of interest identified by the impact analysis involving the Bank's board were:

- Anticompetitive Behavior
- Customer privacy
- Responsible finance and market opportunities
- Human rights
- Community investments and local communities development

The areas of interest revealed through the external stakeholders consultation were:

- Human rights
- Socio-economic compliance
- Labor – management relations
- Non-discrimination
- Local communities development

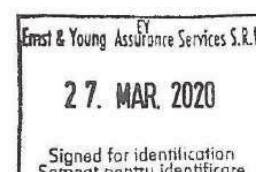
The significant (material) topics were prioritized and grouped into five categories:

- *Workplace*: employment, occupational health & safety, diversity and equal opportunity, training and education, labor – management relations, non-discrimination, assessing human rights.
- *Responsible finance*: customer privacy, responsible products and services, marketing and labeling, responsible procurement practices.
- *Corporate Governance and Performance*: corporate governance and business ethics, anti-corruption, management & leadership, stakeholder engagement, innovation, public policies, anticompetitive behavior, economic performance, market presence, indirect economic impacts.
- *Society*: volunteering and community development/ investments, socio-economic compliance, local communities.
- *Environmental protection*: environmental protection, energy, waste, materials.

Affiliations

In order to stay permanently connected to the best practices in the industry, the Bank is affiliated with the most important associations, councils and institutions:

- *Employers' associations*: The Council of Banking Employers in Romania (CPBR), Employers' Confederation "Concordia"
- *Professional associations*: Romanian Association of Banks (RAB), Romanian Association for Electronic Payments (APERRO), Romanian Factoring Association (ARF), International Factoring Group
- *Business associations*: The Coalition for the Development of Romania, Foreign Investors Council (FIC), German Economic Club Braşov Association (DWK)



- *Chambers of commerce:* American Chamber of Commerce in Romania (AmCham), Chamber of Commerce Switzerland – Romania, German-Romanian Chamber of Commerce (AHK), Netherlands-Romanian Chamber of Commerce (NRCC), The Chamber of Commerce and Industry Romania (CCIR)
- *Others:* Aspen Institute Romania (ASPEN), Junior Achievement Romania, Romania Green Building Council (RoGBC)

Moreover, through the Group's affiliation to the United Nations Global Compact (UNGC) Network, we have committed to respecting and promoting the 10 UNGC principles:

HUMAN RIGHTS

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2: Businesses should make sure that they are not complicit in human rights abuses.

LABOR

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labor.

Principle 5: Businesses should uphold the effective abolition of child labor.

Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

Principle 7: Businesses should support a precautionary approach to environmental challenges.

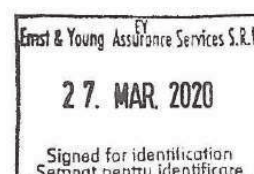
Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

At Group Level, we have also committed to support and contribute to the implementation of the 17 Sustainable Development Goals launched by the United Nations, coming into force on January 1st 2016. The Bank's contribution to reaching these goals will be presented in more detail in the sustainability report.



Awards and recognition

We believe that competition drives innovation and performance, so we are glad to see our and Raiffeisen Bank's activity being rewarded with awards and recognition.

In February 2019, Euromoney Private Banking and Wealth Management awarded Raiffeisen Bank Romania six distinctions:

- Best International Clients services
- Best Philanthropic Advice services
- Best ESG/ Social Impact Investing services
- Best Asset Management Services
- Best services for clients with assets between 1 and 5 million dollars
- Best services for clients with assets between 5 and 30 million dollars

Also in February 2019, at the Stock Exchange Inauguration Gala, the company received the award for the *Most active brokerage company for shares on the Bucharest Stock Exchange in 2019*, for having listed Purcari Winery, the first Moldavian company listed on the Bucharest Stock Exchange and the award for *Best performing private pension fund Tier III in the last 10 years*.

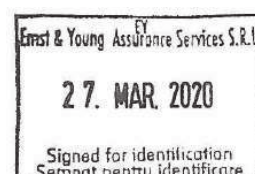
March brought us the *Award for retail product of the year 2019*, received for Flexicard during "Bank of the year" Mastercard Gala. At the same time, our colleague Irina Kubinschi received the "Women who are changing Romania" trophy.

April brought us awards for *Best Bank* and *Best Investment Bank* at EMEA Finance's "Europe Banking Awards 2018", *Best Telesales Department, Internal, Best Collection Team Leader* for our colleague Mariana Radoslav at the "Romanian Contact Center Awards Gala 2019" and *Best performance in Mobile Banking* at the Online Banking Gala.

In May, we were *PR & Communication Executive of the Year* at the Business Arena "Most Admired Business Women" Gala, through our colleague Corina Vasile, for promoting the professional international association Global Women in PR. In September, Raiffeisen Bank's financial education program "Money Bistro" was named *The best digital communication project* in the Finance category at the Digital Communication Awards in Berlin. Also in September, we received the award for *Best Private Bank in Romania* from The Banker&PWN magazine.

At the "Financial Leaders' Hall of Fame" Gala in October, we were awarded *Best Use of Technology in Banking* for digital transformation, strategic thinking and innovation in supplying cutting edge products and services, reflected in launching mobile payments – RaiPay and Apple Pay.

During the PR Awards Gala in November, we were awarded in the Website, Internet, Blog, Facebook, Instagram category for season one of Money Bistro, while the Factory by Raiffeisen project brought us the Silver Award for Excellence – Communication in the Financial Sector. Also in November, the National Heritage



Institute gave us the award for Culture and Education Ambassador in the year 2019.

2019 ended with the Financial Market Awards in December, where we received the title for *Bank of the year for start-ups* and the award for *Permanent support of the entrepreneurial sector in Romania* at the DeBizz Awards Gala.

2. Corporate governance

Ethics and responsibility are essential parts of the way Raiffeisen Bank operates, thus we closely follow the rules and regulations established by the Code of Corporate Governance of the Bucharest Stock Exchange.

At the same time, internally, policies, procedures and the Group's Code of Conduct regulation, as well as national and international laws in force form the foundation of our business model and guide our day-to-day activity.

The Bank's Code of conduct (updated in January 2020) represents the core of a corporate culture that is built on integrity. The Bank expects from all its employees to act in a responsible way, to avoid engaging in inadequate behavior, especially ignoring, breaching or asking other people to breach the Code of conduct.

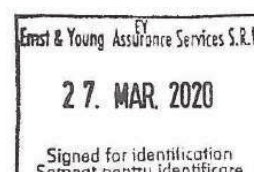
Employees are advised to express their concerns and promptly report any fraudulent attempts or possible violations of laws or regulations to their managers. Any violations of the Code of conduct can have consequences (as per the Labor Law in place), including early termination of the employment contract.

Conflict of interest

We strive to identify and avoid potential conflicts of interest and to offer clear guidance in this sense. Company employees must ensure that their own interests do not conflict with their obligations towards the Bank or with the Bank's obligations towards its customers. To this end, Raiffeisen Bank has implemented a policy aiming to identify, evaluate, manage, minimize and prevent actual or potential conflicts of interest of our employees or their close family members.

Anti-corruption policy

Raiffeisen Bank Romania undertakes the responsibility of preventing and fighting corruption and bribery, applying a strict series of internal rules that follow the highest international standards. Raiffeisen Bank follows Romanian legislation regarding anti-corruption, as well as Raiffeisen Bank International Group's standards. If Romanian legislation and the group's standards differ, Raiffeisen Bank always applies the most restrictive rules.



Corruption and bribery can take many forms, including the offer or acceptance of direct or indirect payments, services, excessive gifts, charitable donations, sponsorships, preferential treatment, and facilitation payments or making certain services more easily available. Employees are only authorized to receive presents and invitations that are adequate in certain circumstances, subject to limitations, approval and registration requests, as described in the Bank's internal regulations, but it is strictly forbidden to offer or receive gifts in money or equivalent.

Acts of corruption perpetrated by employees, suppliers, partners and others with whom we do business or act on our behalf are not acceptable.

Risks regarding corruption are evaluated and closely monitored by the Anti-fraud and Anti-corruption Department, responsible for elaborating and implementing policies to eliminate risks regarding acts that do not comply with the Bank's ethical standards:

- An anti-corruption policy implemented within the whole company, revised in March 2019
- A policy in regards to managing and preventing conflict of interest, revised in September 2019
- A policy regarding conflict of interest, regarding the Directorate members and the Supervisory Board of Raiffeisen Bank S.A., revised in April 2019

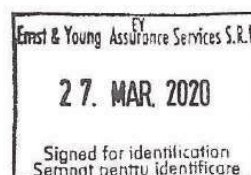
The Anti-fraud and Anti-corruption Department evaluates and monitors corruption risks arising within the company, as well as externally, checking the relations with services and products suppliers, as well as sponsorship and charitable actions.

In 2019, all employees were informed regarding the company's anti-corruption policies and procedures. No corruption situation that would involve Raiffeisen Bank employees took place in 2019. Thus, the Bank was not involved in any corruption-related incident that resulted in terminating an employee's contract or disciplinary sanctioning them and there were no public processes or court actions taken against the bank on the basis of suspected corruption.

General data protection

We want our relations with partners and clients to be characterized by trust and long-term safety, hence complying with the general data protection regulation is an essential aspect for us. Updated in 2018, the Bank's policy regarding managing personal data and customer privacy regulates all company procedures in this area and aims to inform clients, collaborators, employees, candidates who wish to occupy vacant roles and those who visit Raiffeisen Bank's websites about the bank's use of personal data.

The Bank has appointed a Data Protection Officer (DPO) who oversees compliance with the legal framework regarding data protection and acts as the link between authorities and individual clients.



Raiffeisen Bank's policy regarding personal data protection can be accessed here: www.raiffeisen.ro/despre-noi/politica-de-confidentialitate. All Raiffeisen Bank employees are notified about their obligation of following internal procedures, especially those addressing general data protection.

In 2019, the Bank responded to 860 requests of exercising customer's rights, complaints or reclamations in regards to general data protection. Likewise, 32 information requests coming from the Authority of Supervision were recorded.

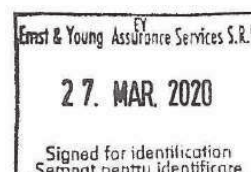
Two corrective measures were applied as a result of non-compliance with regulations regarding general data protection: interrogating the Credit Office on the basis of the third parties' expressed consent, measure dissolved in court, and ensuring that the term for responding to requests initiated by individuals is respected.

In 2019, The National Supervisory Authority for the Processing of Personal Data sanctioned the Bank with a fine of 150,000 Euro, as a result of an incident caused by two employees who did not follow the Bank's security instructions and measures. The two employees, who are no longer working with the company, used the IDs of some individuals, sent by employees working at Vreau Credit S.R.L. via the mobile app WhatsApp, and undertook interrogations of the Credit Office to obtain the necessary data to determine the individuals' credit eligibility, through prescoring simulations. Raiffeisen Bank's internal audits detected the incident and immediately reported it, in accordance with internal procedures.

The Bank received another 16 warnings and 28 fines with a total value of 238,000 RON (the total value paid being 60,000 RON) for non-compliance with regulations regarding customer privacy.

30 legal actions were pursued for non-compliance with legislation and/ or regulations in the social and economic areas. Out of these, 21 are under appeal and 9 present final court decisions.

INDICATOR	2018	2019
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	16 warnings 28 fines
Total number of fines/ warnings for non-compliance with laws or regulations on processing customer data	7 warnings	2 warnings and 1 fine



During the reporting period, there were no legal actions regarding anti-competitive behavior and breaches of monopoly laws, where the Bank was identified as having participated or with regards to violations of customer privacy and security legislation.

3. Responsible finance

We have a great responsibility towards the clients we finance and the communities they serve. We are aware of the impact we generate and also of the important role the banking system plays in the sustainable development of the Romanian society.

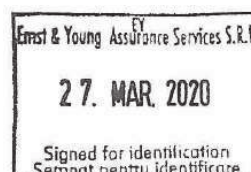
We are committed to offer responsible financing, therefore the Bank carefully analyzes all financing requests received. Since 2014, as part of the Social and Environmental Management System, a policy regarding managing social and environmental protection risks exists within the company, applicable to all sectors and used to evaluate all potential clients entities.

The risk level is classified into three categories (low, medium and high). The main criteria refer to the environmental (Environment and Health & Safety) and social (Social and Labor) risks associated with financing a project (lending/investment) and include: business sector, term of loan, size of loan, and collateral offered. The process of evaluation in terms of social and environmental risks is implemented through working instructions integrated into the lending process for legal entities.

Likewise, through its crediting policy, the Bank clearly defines the operations and sectors it will not willingly, directly or indirectly finance. These include: the production and sale of any forbidden or illegal product in the host countries (production or sale of products containing polychlorinated biphenyls – PCBs, nationally or internationally banned pharmaceutical products or pesticides, substances that minimized the ozone layer, wild animal trade or products regulated by the Convention on International Trade in Endangered Species of Wild Fauna and Flora, cross-border trade of waste banned by legislation), marine fishing using nets measuring more than 2.5 km in length, transportation of petrol or other hazardous products that do not follow legislative regulations, trade without import/ export authorizations, arms and munitions production or trade, alcoholic beverages production or trade (excluding beer and wine), tobacco production or trade, gambling, casinos or similar entities, radioactive materials production or trade, operations involving exploitation, forced or child labor, operations involving exploiting humid tropical forests or the production and trade of wood or other forest products that are not the result of sustainable forestry.

Digital security

In order to fight cybercrime, the Bank has implemented solutions to protect its clients' (individuals, SMEs and corporations) transactions and assets. The Bank



strives to continuously adapt its security measures to increase client protection against the growing threat against data security.

Procurement practices

At Bank level, the procurement of products and services is regulated by the company's procurement policy. In 2019 there were no significant changes of the supply chain or of the relation the Bank has with suppliers.

During the reporting period, the Bank had 1,338 suppliers (local and international), divided into three categories: *IT*, *Non-IT* and *Rental Services Providers*.

For the first two categories (IT and Non-IT), products and services suppliers are selected according to the Procedure for products and services procurement that exists at Raiffeisen Bank, in compliance with the Group's Procurement Policy.

The selection of Rental Services Providers is done in compliance with the procedure referring to rental services and utilities acquisitions.

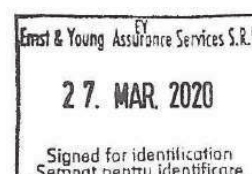
The Bank does not evaluate suppliers using environmental or social criteria. However, a clause regarding the obligation of paying environmental taxes and complying with existing legislation is included in all supplier contracts. Moreover, all suppliers must comply with the bank's Code of Conduct.

Year	Local suppliers and service providers (RON/ EUR)	Local 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
2019	1,064,804,905/ 227,765,755	159,057,866/ 34,023,073	1,223,862,771/ 261,788,828

*Average exchange rate: 1 Euro = 4.675 RON

87% of the bank's procurement budget was directed to local suppliers, representing 90% of total suppliers.

Year	LOCAL SUPPLIERS AND SERVICE PROVIDERS	LOCAL SUPPLIERS AND SERVICE PROVIDERS	Total	Out of which new suppliers
2017	1,177	118	1,295	314
2018	1,154	116	1,270	76
2019	1,202	136	1,338	91



4. Workplace

With a team of over 4,800 employees, we are amongst the most popular employers in the Romanian banking system. In 2019 we ranked the first place for the *Most pleasant atmosphere* and *Best Training Offer* categories, in the “Most wanted employers”, in an evaluation of Catalyst Solutions. We strongly believe in respect and collaboration, while our organizational culture is built on a series of solid values that help us become better everyday.

Our values:

We think long-term

With significant history in the banking system, we know that success takes time and that our employees’ performance is the key to the stability of Raiffeisen Bank’s team.

We are the best “Banking University”

Our employees are permanently motivated and supported in developing their skills. We offer them clear career plans, within an ever-stable company, indifferent of the economic context, a company that values and rewards dedication, performance and being result-oriented.

We are a team

We support our employees to harmoniously combine professional performance and personal development and we encourage them to respect their families, to look after their health, to have fun and to always be an inspiration for those around them, through their achievements.

We believe in integrity and respect

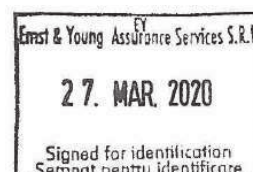
Our relations are characterized by respect, we are honest, open and fair with each other, trying to remain objective in any interaction. We are aware that in such a large team, we share different ideas, opinions and experiences, so we make sure to listen to one another and to conduct ourselves with kindness and consideration.

We are always close to our clients

We owe our past and present performance to a team dedicated to clients. We strive to consistently offer them the best solutions, adapted to their needs.

In 2019, the Bank’s team was made up of 4,888 employees and 351 agencies. Women represent 74,9% of employees with the average age within the company being 37 years old. All employees are covered by the collective employment contract, regardless of their working hours (full-time or part-time).

Employees by gender:



- 1,227 men;
- 3,661 women.

Employees by working hours

Employees by working hours	2019		
	Men	Women	Total
Full-time	1,193	3,591	4,784
Part-time (from 1 h – 7 h)	34	70	104
Total employees	1,227	3,661	4,888

Employees by employment contract

Employees by contract	2019			
	Headquarters		Network/ Agencies	
	Men	Women	Men	Women
Permanent	599	1,276	489	2,026
Fixed-term	87	143	52	216
Total employees	686	1,419	541	2,242

Number of employees in headquarters

No. of employees in HQs	2019	
	Number	% of total no. of employees in HQs
Sky Tower	522	11%
Office Building	1,046	21%
Operational Center Braşov	538	11%

• Employee turnover

Employee turnover reached 24% in 2019, compared to 18.84% in 2018. When calculating employee turnover rates, employees who left the company involuntarily, as a result of closing agencies, were also included. Therefore, analyzing only the number of employees who voluntarily left in 2019 compared to the number of employees who voluntarily left in 2018, we observe that employee turnover rate is similar to the previous year (around 18-19%, slightly decreasing in 2019).

Category	2019			
	New employees		Employees who left the company	
Gender	No.	%	No.	%
Women	655	13.5%	855	17.6%
Men	315	6.5%	311	6.4%
Total	970	20%	1,166	24%
Age groups				
< 30 years old	583	12%	422	9%
Between 30 and 50 years old	369	8%	597	12%
> 50 years old	18	0%	147	3%
Total	970	20%	1,166	24%
Working points				
Headquarters	518	11%	446	9%
Network/ Agencies	452	9%	720	15%
Total	970	20%	1,166	24%

- **Work environment**

We are responsible for our employees' well-being, hence we have committed to develop a safe and fair working environment for the entire team, one that is based on diversity and equal opportunities. Since 2018, we signed the Diversity Charter, a set of general principles, voluntarily adopted by the company, aiming to promote diversity, non-discrimination, inclusion and equal opportunity in the workplace.

We strictly follow national legislation, international standards and principles regarding fundamental human rights: the European Convention on Human Rights and the Universal Declaration of Human Rights.

In 2019, there were no incidents or breaches of human rights recorded, no complaints received regarding forced labor, abuse, exploitation or violations of freedom of association.

Aspects regarding human rights are communicated to all employees when they join the Raiffeisen Bank team, being a part of the Induction Training. Approximately 5% of the total number of induction days treats topics related to human rights policies and procedures.

Diversity and equal opportunity

In 2019, women held 55.34% of the top management positions (B1 and B2) within the Bank, slightly decreasing when comparing the topic to the previous year (56,88%).

Employees, by age and role within the company

Category	2019							
	Men				Women			
	<30	30-50	>50	Total	<30	30-50	>50	Total
B-1*	0	19	3	22	0	9	12	21
B-2*	0	40	9	49	1	57	9	67
Other management positions	10	131	18	159	13	236	89	338
Specialists	322	571	104	997	888	1,877	470	3,235
Total	332	761	134	1,227	902	2,179	580	3,661

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

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

We support diversity and strongly believe that citizens have the right to make use of their professional skills. In 2019, there were 25 people with disabilities working in the Bank.

People with disabilities

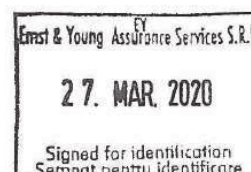
No. of employees with disabilities, by category	2017		2018		2019	
	Men	Women	Men	Women	Men	Women
Specialists	5	12	4	14	12	13

Non-discrimination

Raiffeisen Bank Romania has a zero tolerance approach regarding discrimination. All employees benefit of the same opportunities, regardless of gender, nationality, age, family status, language, religion, political views, disability or sexual orientation. Recruiting, hiring and promoting employees within the company is based solely on criteria pertaining to the employee's competencies and performance.

In 2019, there was a complaint coming from an employee, who considered herself to be discriminated. A female employee who retired in compliance with the Romanian legislation, at the age of 62, invoked discrimination in relation to the difference of the retirement age between men (65 years old) and women and asked to continue her professional activity until the age of 65.

The case was solved following the changes in legislation (Labor Code, art. 56, letter c) which was modified and now states the following: c) at the moment of the cumulative fulfillment of the standard age conditions and of the minimum retirement contribution or, exceptionally, for the woman employed who opts in writing to continue the execution of the individual labor contract, within 60 calendar



days preceding the fulfillment of the standard age and the minimum retirement contribution for pension, at the age of 65).

The measures taken allowed the employee to return to the role she held prior to the incident.

- **Remuneration system**

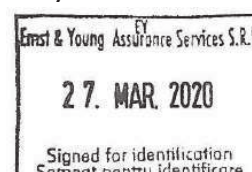
Within Raiffeisen Bank Romania, the Supervision Council, through the Remuneration Committee is the one that approves the remuneration system.

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

Value of average salary, compared to the salary at national level	2017 – average employee salary compared to average wage (%)	2017 – average employee salary compared to minimum wage (%)	2018 – average employee salary compared to average wage (%)	2018 – average employee salary compared to minimum wage (%)	2019 – average employee salary compared to average wage (%)	2019 – average employee salary compared to minimum wage (%)
Average employee salary	192	355	147	361	149	370
Average junior employee salary: Bucharest	177	326	204	500	123	304
Average junior employee salary: outside Bucharest	96	177	107	261	131	326

Benefits

The Bank offers its employees the same benefits, regardless of working hours or contract type. These are regulated by the Remuneration Policy and the Collective



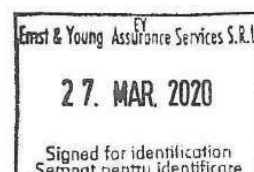
Labor Agreement between Raiffeisen Bank Romania Union and the Bank's management.

Value of the benefits package as % of the salary	2018			2019		
	Specialists	Management	Top Management	Specialists	Management	Top Management
	6.3	3.3	1.1	6.3	3.3	1.1

Maternity and paternity leave

In 2019, 426 employees requested and received maternity (420 women) and paternity (6 men) leave.

Maternity/ Paternity Leave	2017		2018		2019	
	Men	Women	Men	Women	Men	Women
Total number of days taken*	542	64,509	3,236	22,853	430	22,085
No. of employees with right to maternity/ paternity leave	58	591	10	616	48	586
No. of employees who took maternity/ paternity leave	4	254	3	437	6	420
No. of employees who returned to work after maternity/ paternity leave**	4	157	4	136	0	158
No. of employees who returned to work after maternity/ paternity leave and were still employed 12 months after their return	1	115	3	95	0	134
Return to work rate	100%	61.81%	100%	31.12%	0%	84%
Retention	25%	73.25%	75%	69.85%	0%	85%



*No. of maternity/ paternity leave taken in 2019 by those who started the leave this year

**No. of employees who started maternity/ paternity leave (in 2019 and in previous years) and returned to work in 2018

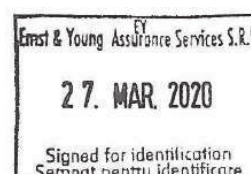
- **Employee development**

Employee development and training has always been and remains one of our organization's concern and one of our strategic directions in human resources. Through the development programs offered to our employees, we aim to directly contribute to individual, team and, ultimately, organizational performance. In 2019, we continued to launch development programs inspired by the organizational strategy and aligned with our organizational culture, aiming to strengthen employees' functional and leadership skills, as well as increase their level of engagement. The programs offered addressed all employees in the business segment and support areas, in order to improve the professional abilities of the entire Raiffeisen Bank team. The learning and development tools and channels available to our employees are varied: technical training, skills development transversal programs, certifications, conferences and workshops. When developing and delivering these programs we always aim to contribute to the employees' training and learning process, offering qualitative content and using modern methods. The programs were applied to internal specialists, as well as external suppliers.

We also continued to optimize support methods and technologies: experiential learning, interactive platforms, blended learning concepts and gamification.

Regarding our agency network, the training program for new employees continued, being specifically adapted to the agency's activity. The program introduces employees to the company's activity, products, operations, credits, client relations and it involves multiple learning methods, being adapted to the current business context and to the latest trends and technologies. Moreover, we have revised and expanded the curricula addressed to employees in the agency network and have personalized it according to each agency role. For employees operating in headquarters, we continued to develop their professional and leadership skills.

In 2019, the First Time Manager program, targeting our colleagues who undertook roles involving leading teams, was redesigned into a leadership program – Leadership – addressed to new and existing managers who have not experienced a leadership module previously. The program provides managers adequate tools to support the development of those they work with and of the teams they coordinate. We continued and expanded the Raiffeisen Banking University, a unique program addressing employee training, aiming to officially identify and recognize the Bank's own experts in regards to varied banking areas. We have identified colleagues with experience who can develop courses and train other colleagues interested in growing professionally, who can share largely applicable practical skills. In 2019, 49



lecturers participated in the Banking University program and 1,050 colleagues attended 160 training sessions.

At the same time, Raiffeisen Bank continued and developed RStyle, a well-being program that aims to encourage employees' work-life balance. The program that started 6 years ago (with two pillars in 2019: RBody and EmotionR) attracts a growing number of participants each year. Workshops and events are organized every year, focusing on a variety of topics: sports, nutrition, health, personal development, and parenting. In 2019, an innovative approach was represented by the creation and launch of a Chatbot-type HR solution. The project needed the common effort of the HR, IT and Communication teams. Eva is a virtual assistant who can answer questions addressed by colleagues on topics related to HR, being available 24/7 for support. She covers 120 topics that are continuously expanding, so we can quickly support employees with as much relevant information as possible.

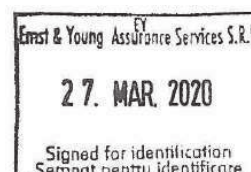
Average no. of professional training hours per employee, by gender and professional level

Average no. of professional training hours/ employee by category	2017		2018		2019	
	Men	Women	Men	Women	Men	Women
B-1*	46	73	63.56	76.36	35.82	61.62
B-2**	49	40	68.08	68.91	42	37.67
Other management positions	33	30	33.58	30.6	28.24	27.15
Specialists	38	34	39.82	36.75	32.89	33.3
Total	38	34	40.28	36.87	32.70	32.97

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

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

Examples of professional training sessions provided, by session topic (h)	2019
LeaderShift	2,520
Pro Active & Fit	2,896
Process Communication Mode	2,304
Induction	1,904



Operational Discipline	2,920
Basic Sales Skills	10,048
Total no. of hours	22,592

Performance management

The bank's policy regarding professional performance describes the principles, approach and the importance of always respecting the Bank's values, in our daily activity. The goals' structure is built taking into consideration the company's strategy and goals and the Balanced ScoreCard pillars. The professional development policy addresses the principles, interdepartmental changes and promotion types and the use of applications to identify guiding career routes for each position.

We encourage open dialogue and constant communication between a manager and its team. Annually, each employee goes through a performance evaluation and management process, conducted through a dialogue between an employee and its direct manager.

Performance management process:



Performance evaluation and career development plan	Men		Women	
	Number	%	Number	%
B-1*	22	100%	21	100%
B-2**	49	100%	67	100%
Other management positions	159	100%	338	100%
Specialists	997	100%	3,235	100%
Total	1,227	100%	3,661	100%

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

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

- **Occupational health and safety**

According to Law 319/2006, it is the company's responsibility to ensure occupational health and safety. Through the Prevention and Protection Internal Service, the Bank develops and communicates the policy regarding the prevention of occupational accidents and diseases to its employees, through induction and regular trainings. Regular medical examinations and trimestral OH&S Committee meetings that focus on measures aiming to improve occupational health and safety are other methods used by the company to manage employee health.

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.

The company identifies risks regarding occupational accidents and diseases through risk assessment and examination processes.

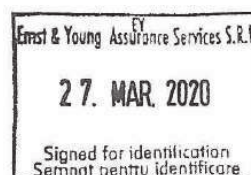
Employees are regularly informed (through the e-Learning platform) about the importance of reporting any dangerous event or incident, using the following email address: protectia.muncii@raiffeisen.ro. Likewise, employees are informed that in the event of an occupational accident, they should not alter the state of the event unless necessary, to limit the effects of the event.

All employees must carry out their activity in a way that does not expose them to hazards of injuries or occupational diseases. Employees are also required to assimilate the occupational health and safety measures and to inform their manager of any damages to the working equipment they use in their professional activity, at the end of the working day. Employees are strictly forbidden to intervene in fixing the damages, cleaning or inspecting technical equipment while in use or connected to a power source.

When a hazard is observed, the employee is trained and informed to strictly follow the next steps:

- a) turn off the equipment and/ or halting the activity;
- b) evacuate the personnel from the danger zone;
- c) notify specialized services;
- d) notify managers.

In 2019, the Bank did not record any occupational accidents or disease as a result of the working activity.



5. Community investments

The community projects we develop and support are meant to increase the positive impact we have on the Romanian society. We choose to pursue projects that deeply change the lives of the beneficiaries – financial education courses in Romanian schools, programs that give underprivileged children access to education or sports competitions that encourage thousands of people to adopt a healthy lifestyle.

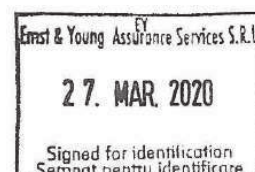
In 2019, we continued to invest in financial and entrepreneurial education programs, to support Romanian arts and culture, to promote physical activity as part of a healthy lifestyle and programs that help us to live in healthier cities. We pursue strategic community partnerships with non-governmental organizations and educational institutions, to create more prosperous communities and a better life. We encourage our employees to be part of the change and engage in social causes, through volunteering and internal fundraising campaigns, and we provide clients with ways in which they can support initiatives aiming to improve society.

We are one of the first companies in Romania to report its operation's non-financial performance. In 2019, we celebrated 10 years of leadership in sustainability when publishing Raiffeisen Bank's 10th sustainability report, where we presented the Bank's community investment strategy, the programs we financed and their outcomes in more detail.

Annually, the company measures the impact of the projects we support, evaluating them using the *LBG (London Benchmarking Group)* methodology.

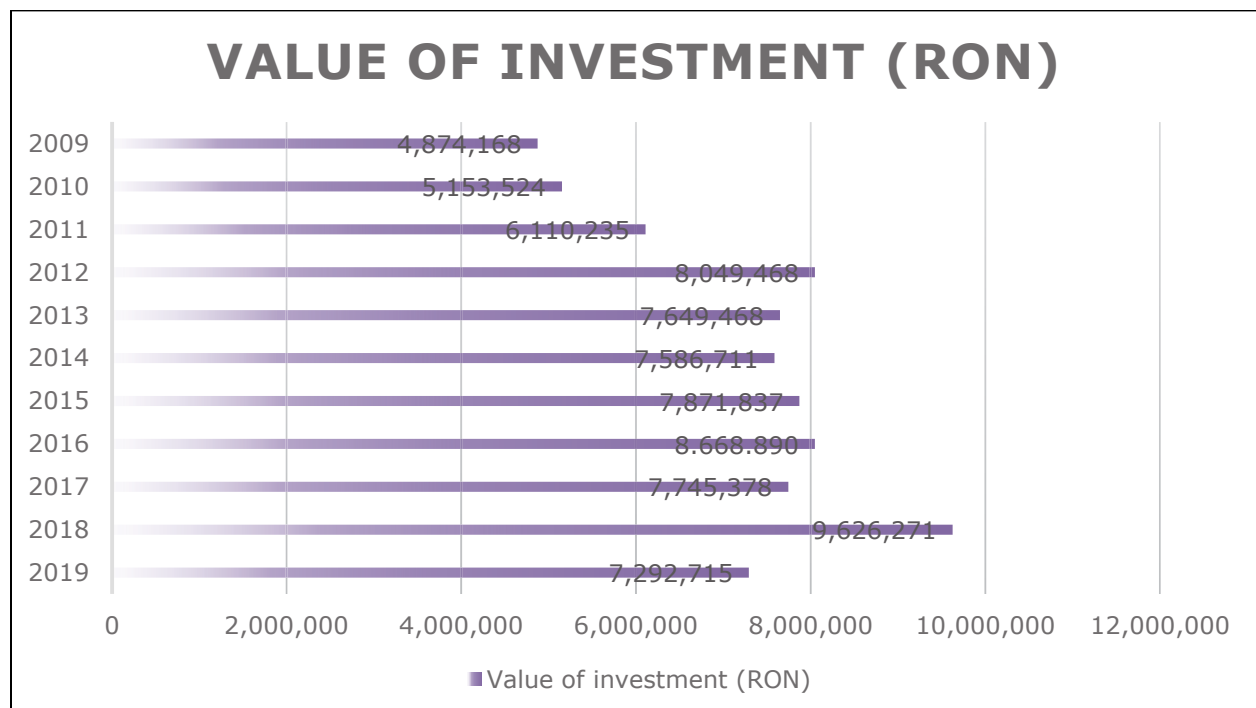
The Bank's partners in developing community projects in 2019 are:

- Hațegan Foundation
- SONORO Association
- Light into Europe
- OvidiuRo
- The Institute
- Association for Community Relations (ARC)
- The Princess Margareta of Romania Foundation (FPMR)
- Transilvania Brașov University
- ASE Foundation
- Radu Stanca Sibiu National Theatre
- Democracy through Culture Foundation
- Romanian Business Leaders
- Tășuleasa Social Association
- Leaders Foundation
- Oncohelp Association
- Young Leaders Club
- Eidos Foundation
- Regina Maria Foundation
- Ivan Patzaichin Association – Mila 23
- HR Management Club Association
- Alexandru Ioan Cuza University
- Iași Community Foundation
- Junior Achievement of Romania Association
- Light Into Europe Foundation
- United Way
- Teach for Romania
- Bucharest Running Club Sports Club Association
- Green Revolution Association
- Sport Promotion Sports Club Association

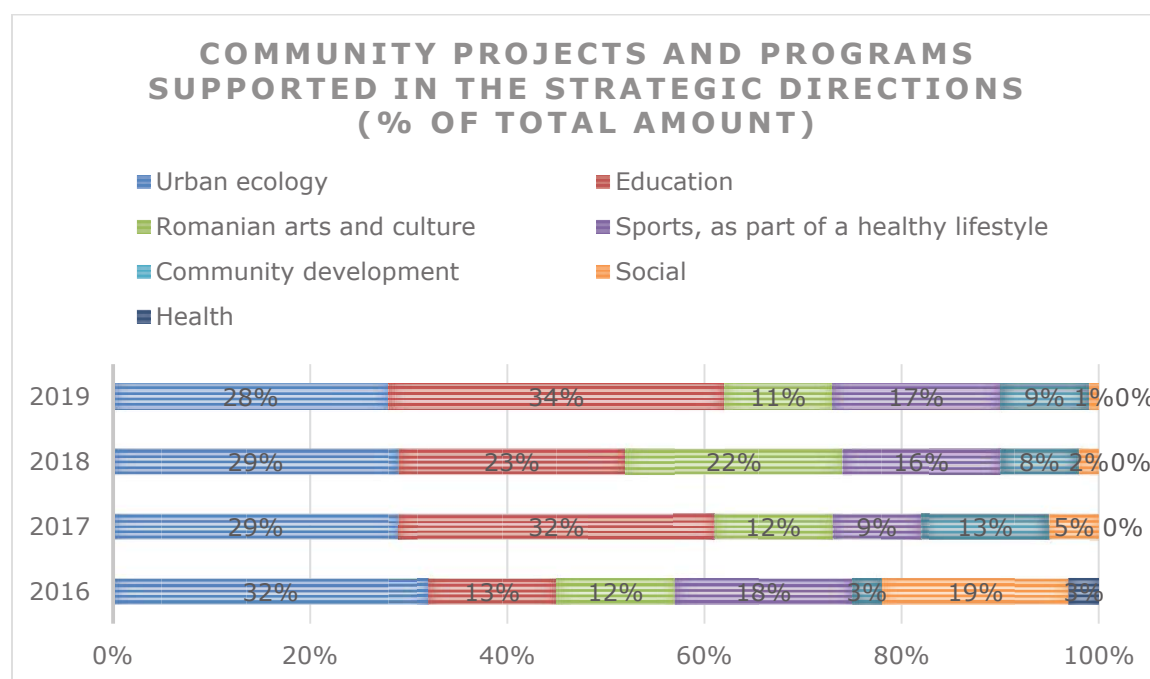


- Ion Popazu (Andrei Saguna)
- Romanian Association for Debate, Oratory and Rhetoric (ARDOR)
- Yuppi Camp Movement Association
- Association des Étudiants Francophones de Iași
- „Alexandru Papiu Ilarian” Târgu Mureș National College
- Dream Project Association
- Traveling Book Foundation
- People’s Development Foundation Cluj
- UBB Alma Mater Napocensis Foundation
- Parents Association
- „Mihai Viteazul Craiova” Secondary School
- CIVICA Association
- Habitat for Humanity
- Hercules Association
- Art Encounters Foundation
- Fanzin Cultural Association
- People for Sport Romania Association
- UNITER
- Conexio Association
- Calea Griviței Foundation
- Cooltural Association We care
- Friends of MNAR Association

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Value of investment (RON)	4,874,168	5,153,524	6,110,235	8,049,468	7,586,711	7,586,711	7,871,837	8,668,890	7,745,378	9,626,271	7,292,715



In the past years, Raiffeisen Bank has consolidated its community projects portfolio. The educational sector presents a larger share than previous years, educational projects receiving 34% of Raiffeisen Bank's community investments budget in 2019. The Bank continued to invest in urban ecology initiatives in big cities (28%), in programs encouraging physical activity and healthy lifestyles (17%) and promoting Romanian arts and culture (11%), while social assistance programs for vulnerable groups received 1% of the budget. Moreover, Raiffeisen Bank continues to be an important partner for organizations implementing community development projects (9%).



Community investments key figures (2018 vs. 2019)

2018	2019
235 of the Bank's employees participated in volunteering actions in community projects supported by the company	285 of the bank's employees participated in volunteering actions in community projects supported by the company
Bank employees allocated 902 hours for volunteering for community projects supported by the company	Bank employees allocated 1,058 hours for volunteering for community projects supported by the company

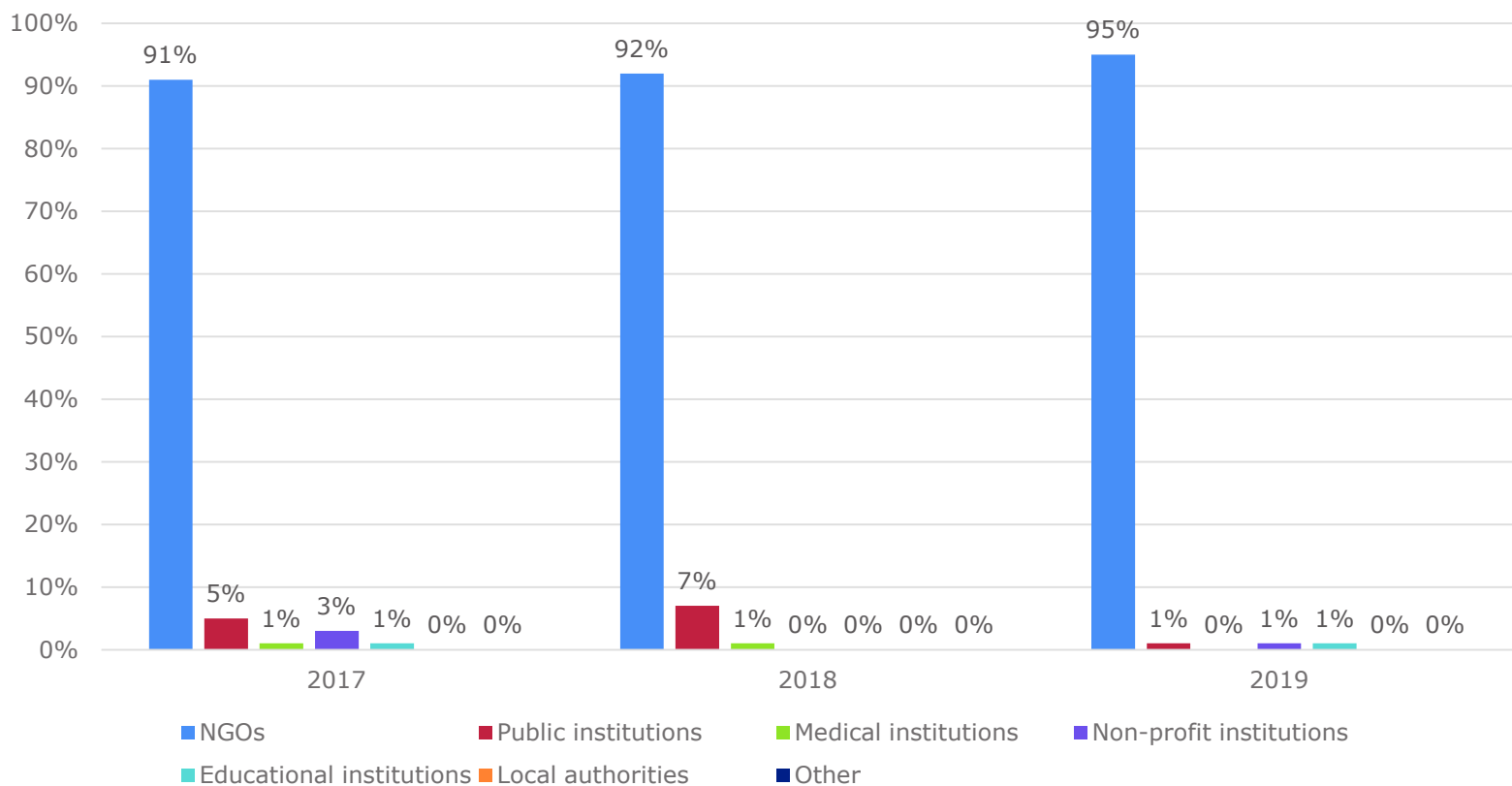
On average, the community partners managed funds of 151,883 RON	On average, the community partners managed funds of 111,322 RON
The bank's contribution to its community portfolio represents 1.08% of the gross profit	The bank's contribution to its community portfolio represents 0.9% of the gross profit
Raiffeisen Bank S.A. contribution per employee = 1,904 RON.	Raiffeisen Bank S.A. contribution per employee = 1,448 RON.

In 2019, 270 Raiffeisen Bank employees volunteered in the social programs supported by the Bank and used their skills and knowledge to contribute to the development of the communities where they live and work. They dedicated 1,058 working hours to the community projects supported by the company: they delivered financial education courses to highschool and middle school students, as part of the project developed with Junior Achievement Romania, they engaged in the OvidiuRO educational programs or got involved in the construction of an educational center for the vulnerable community in Buftea. In addition, Raiffeisen Bank's volunteering policy enables employees to spend 8 working hours for volunteering actions annually.

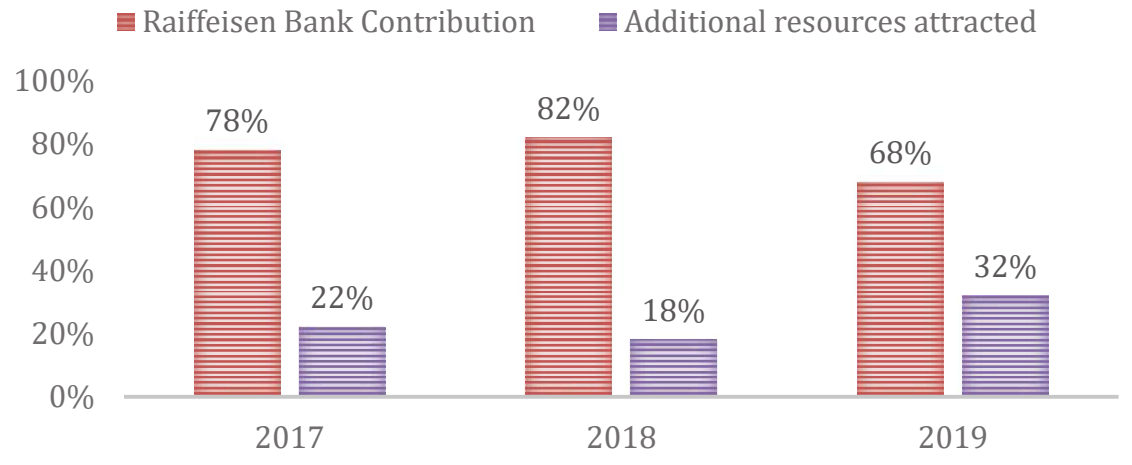


Types of community partners	NGOs	Educational institutions	Medical institutions	Non-profit institutions	Local authorities	Public institutions
2017	91%	1%	0%	3%	0%	5%
2018	92%	0%	1%	0%	0%	7%
2019	95%	1%	0%	3%	0%	1%

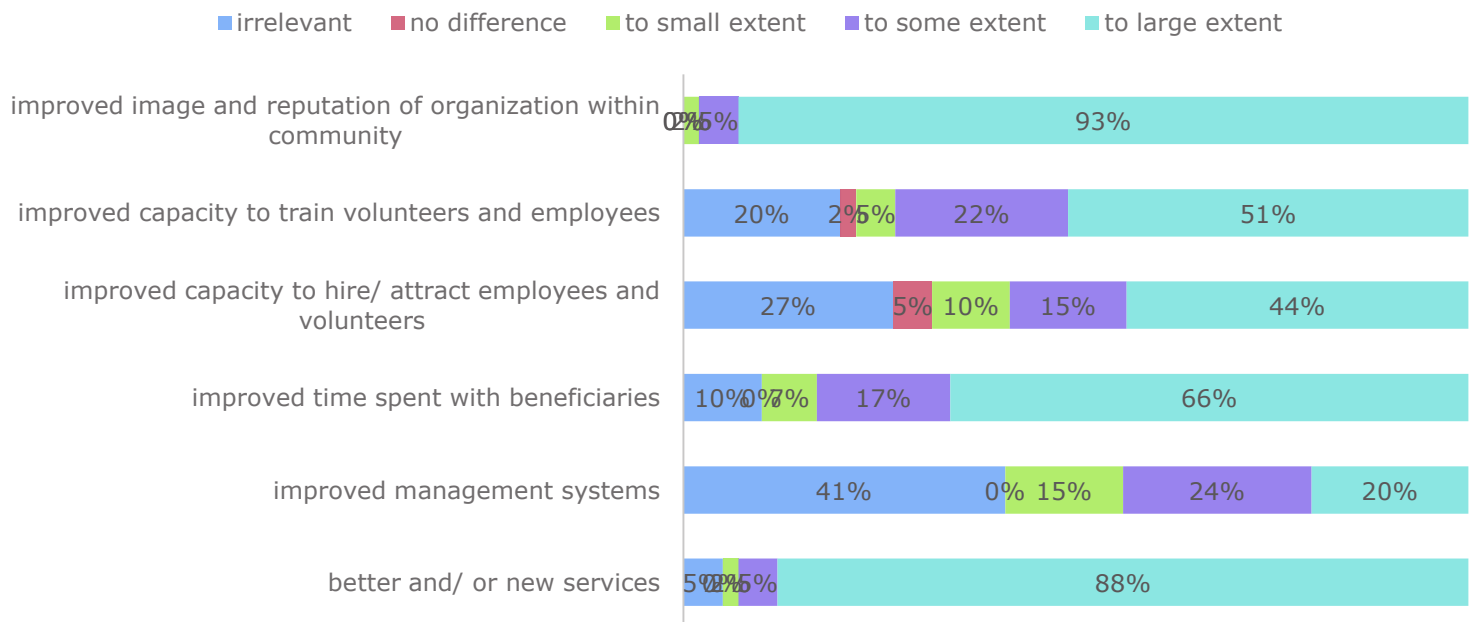
TYPES OF COMMUNITY PARTNERS



THE RATIO BETWEEN THE BANK'S CONTRIBUTIONS AND THE ADDITIONAL RESOURCES ATTRACTED BY THE COMMUNITY PARTNERS



CHANGES GENERATED WITHIN COMMUNITY PARTNERS



6. Environmental protection

Apart from the policies that the Bank has to develop and implement towards sustainable finance for supporting efforts to reduce the effects of climate change, it is our responsibility to measure and minimize the direct impact that our operations have on the environment, by making our resource consumption more efficient and adopting a responsible behavior. We want to be a trusted partner for our communities and the environment where we operate. Therefore, the bank's environmental policy is based on our commitment to be energy efficient, to use energy from renewable sources, sustainable transport and mobility solutions and to implement responsible procurement practices. We focus on minimizing the impact generated by our activity and we are constantly implementing measures in this sense. The environmental protection policy is updated regularly, as needed, in compliance with regulations received from Raiffeisen Bank International and with national and international legislation.

Within Raiffeisen Bank International, the Risk Management Committee identifies and monitors the risks regarding environmental protection, under careful supervision of the Directorate. The Compliance Division evaluates risks regarding compliance with legislation in the environmental protection area, while the Risk Committee recommends the necessary measures to minimize the risks of non-compliance with legislative regulations.

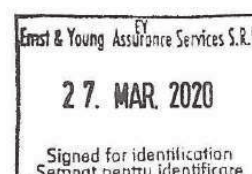
The Human Resources Division is responsible for informing and training the bank's employees regarding the environmental protection policy, while the Logistics and Property Management Department annually monitors and reports resource consumption within the Bank and supplies the necessary infrastructure for selective waste collection and waste disposal.

Paper, Waste Electrical & Electronic Equipment (WEEE)

Type of resource used	Volume in 2017	Volume in 2018	Volume in 2019
Paper (kg)* *virgin paper	294,425	300,488	311,975
Printer cartridges and toners (units)	6,400	6,568	2,204
Printed materials (forms)	-	-	257,721

Waste

Recycled waste	2017	2018	2019
Packaging material (paper) (kg)	98,521	86,194	64,338
Glass (kg)	0	8	14,167.93



Lighting objects (kg)	1,044	2,072	220
Batteries (kg)	3,869	0	4,334
Plastic (kg)	2,533	14,605	3,258
WEEE (kg)	70,294	96,488	75,957
Domestic waste (kg)	6,477,317	593,642	2,721,200

From the total waste quantity, 80,511 kg of hazardous waste (lighting objects, batteries, WEEEs) and 81,764 kg of non-hazardous waste were recycled.

Energy

Total energy consumption	2017	2018	2019
Electricity and energy for cooling (KWh)	22,385,000	21,530,000	18,430,000
Energy for heating (gas) (KWh)	14,480,000	12,520,000	13,314,270

Transport

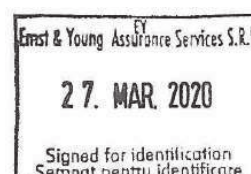
Fuel consumption	Volume 2017	Volume 2018	Volume 2019
Diesel (liters)	480,444	503,202	484,440
Petrol (liters)	92,270	36,432	28,369
Diesel for generators (liters)	5,396	3,493	5,350

Water consumption

Water consumption	Volum în 2017	Volum în 2018	Volum în 2019
Total volume of water consumption (m ³)	55,000	50,300	57,015

Measures taken to minimize our environmental impact:

- In 2019, we implemented a selective waste collection system within the headquarters located in Sky Tower, on all 8 levels leased by the



bank: new containers were placed and individual bins from the open-space area were eliminated;

- We replaced traditional neon tubes with LED tubes in 8 agencies and replaced 67 lighting objects in agencies in Târgu Jiu, Reghin, Cluj, Lotus Park (Oradea), Perla (Bucharest), Iulius Mall (Timișoara), Titulescu (Craiova);
- We replaced 30 Euro 4 gasoline cars with Euro 6 diesel cars;
- We also implemented a program where lights automatically turn off every 30 minutes, after 7:30 PM in Sky Tower, in order to make our energy consumption more efficient.

The non-financial performance indicators of Raiffeisen Bank S.A. will be presented in more detail in the Raiffeisen Bank Romania 2019 Sustainability Report. The Bank's 11th Sustainability Report will be published in June 2020.

