

THIS ENGLISH LANGUAGE PROSPECTUS REPRESENTS AN UNOFFICIAL TRANSLATION OF THE ROMANIAN LANGUAGE PROSPECTUS APPROVED BY THE FINANCIAL SUPERVISORY AUTHORITY.

THIS ENGLISH LANGUAGE PROSPECTUS IS FOR INFORMATION PURPOSE ONLY. IN CASE OF ANY DISCREPANCIES BETWEEN THE ENGLISH AND THE ROMANIAN LANGUAGE VERSIONS, THE ROMANIAN LANGUAGE PROSPECTUS AS APPROVED BY THE FINANCIAL SUPERVISORY AUTHORITY SHALL PREVAIL.



RAIFFEISEN BANK S.A.

(a joint-stock company organized and functioning in accordance with the laws of Romania, with its registered office at 246C Calea Floreasca, Sky Tower Building, floors 2nd – 7th, 10th and 15th, Bucharest 1st District, Romania, registered with the Trade Registry under no. J40/44/1991 EUID ROONRC J40/44/1991, sole registration code 361820, registered with the Credit Institutions Registry held by National Bank of Romania under number RB-PJR-40-009)

Prospectus for the admission to trading on the Regulated Market operated by the Bucharest Stock Exchange of unsecured, subordinated, dematerialized, RON - denominated bonds, with a maturity of ten (10) years, having the aggregate principal amount of RON 480,000,000 (the “Bonds”)

International Securities Identification Number (ISIN): ROJX86UZW1R4

This document contains a prospectus (“**Prospectus**”) within the meaning set forth by Article 6 par. (3) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the “**Prospectus Regulation**”). The Prospectus was prepared in accordance with Law no. 24/2017 on issuers of financial instruments and market operations (“**Law no. 24/2017**”), Regulation 5/2018 on issuers of financial instruments and market operations (as amended) (“**Regulation 5/2018**”), Prospectus Regulation, Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Commission Regulation (EC) No. 809/2004 (“**Delegated Regulation 2019/980**”) and other applicable legal provisions.

This Prospectus has been prepared exclusively in connection with the admission to trading (the “**Admission**”) on the regulated market operated by the Bucharest Stock Exchange S.A. (the “**BSE**”) of a total number of 960 unsecured, subordinated, dematerialized RON-denominated bonds, having the aggregate principal amount of RON 480,000,000, with a maturity of ten (10) years, having a denomination of RON 500,000, which were issued on 19 December 2019 by Raiffeisen Bank S.A. (the “**Issuer**”).

The Prospectus will be subject to the approval by the Romanian Financial Supervisory Authority (the “**FSA**”) for the purposes of the Admission. The FSA will send a notification regarding the approval of the Prospectus to the European Securities and Markets Authority, in accordance with the provisions of Article 18 para. (2) of Regulation 5/2018. It is expected that the Admission and trading on the Bucharest Stock Exchange will take place on or around the date of 14 May 2020. The Issuer will not submit any request with the view of having the Bonds admitted to trading on any other regulated market.

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Prospective investors should read this Prospectus in its entirety. See “Risk Factors” in Part 1 for a discussion of certain risks and other factors that should be considered prior to any investment in the Bonds.

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “US Securities Act”) or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States.

MIFID II product governance / Retail investors, professional investors and eligible counterparties (“ECPs”) – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and qualified investors, each as defined Directive 2014/65/EU (as amended, “MiFID II”); and (ii) all channels for distribution to eligible counterparties and professional clients are appropriate. The product is incompatible for any client outside the positive target market identified above. Any person subsequently offering, selling or recommending the Bonds (a distributor) should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable.

The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

THIS PROSPECTUS WAS APPROVED BY FSA AS A COMPETENT AUTHORITY, BY DECISION NO. 559 AS OF 6 MAY 2020. THE APPROVAL VISA APPLIED ON THE PROSPECTUS HAS NO WARRANTY VALUE AND DOES NOT REPRESENT ANOTHER FORM OF FSA'S APPRECIATION WITH REGARD TO THE OPPORTUNITY, ADVANTAGES OR DISADVANTAGES, PROFITS OR RISK THAT MAY BE INVOLVED BY THE ACCEPTANCE TO TRADING OF THE BONDS, SUBJECT OF THE APPROVAL DECISION; THE APPROVAL DECISION CERTIFIES ONLY THE REGULARITY OF THE PROSPECTUS WITH REGARD TO THE REQUIREMENTS OF THE LAW AND THE RULES ADOPTED IN APPLYING THIS.

Raiffeisen Centrobank AG

Intermediary

The date of this Prospectus is 6 May 2020

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IMPORTANT INFORMATION ABOUT THIS PROSPECTUS

This document contains a prospectus on the admission of the Bonds by the Issuer within the meaning of the Prospectus Regulation.

RESPONSIBILITY STATEMENT

The Issuer, **RAIFFEISEN BANK S.A.**, a joint stock company (in Romanian, *societate pe acțiuni*) incorporated under the laws of the Romania, with its registered office at 246C Calea Floreasca, Sky Tower Building, floors 2nd – 7th, 10th and 15th, Bucharest 1st District, Romania, registered with the Trade Registry under no. J40/44/1991, EUID ROONRC J40/44/1991, sole registration code 361820, registered with the Credit Institutions Registry held by National Bank of Romania under number RB-PJR-40-009, accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (who has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

The Intermediary has not separately reviewed the information included in this Prospectus and does not accept any responsibility whatsoever for the contents of this Prospectus or for any other statements made or purported to be made by it or on its behalf in connection with the Issuer, the Bonds or the Admission. The Intermediary accordingly disclaims, to the fullest extent permitted by applicable law, all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Prospectus or any such statement.

No person is authorised to give any information or to make any representation in connection with the Admission of the Bonds, other than as contained in this Prospectus, and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Intermediary or their respective affiliates. If anyone provides any investor with different or inconsistent information compared to the one included in this Prospectus, such investor should not rely on such information.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer or the Intermediary that any recipient of this Prospectus should purchase the Bonds. No representation or warranty, express or implied, is made by the Intermediary or any of its affiliates or advisors as to the accuracy or completeness of any information contained in this Prospectus or the corporate, financial or commercial standing of the Issuer, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Intermediary as to the past or the future. Any reproduction or distribution of this Prospectus, in whole or in part, any disclosure of its contents, except to the extent that such contents are otherwise publicly available, and any use of any information herein for any purpose other than the Admission, is prohibited. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the Issuer's affairs since the date hereof, or that the information contained herein is correct at any time subsequent to such date. Each prospective investor, by accepting delivery of this Prospectus, agrees to the foregoing.

The Intermediary makes no representation, express or implied, with respect to the accuracy or completeness of any of the information in this Prospectus. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Prospectus, and its purchase of the Bonds should be based upon such investigation, as it deems necessary, including the assessment of risks involved and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors that may be relevant to such investor in connection with the purchase of the Bonds.

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Without prejudice to any obligation of the Issuer (for which the Intermediary assumes no responsibility) to publish a supplement to the prospectus in accordance with the provisions of Law 24/2017, Regulation 5/2018 and Commission Delegated Regulation (EU) 2019/979 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council regarding the regulatory technical standards on key financial information in the summary of a prospectus, the publication and classification of prospectuses, advertisements for securities, supplements to a prospectus, and the notification portal, and repealing Commission Delegated Regulation (EU) No 382/2014 and Commission Delegated Regulation (EU) 2016/301, as well as with any other applicable laws and regulations, neither the delivery of this Prospectus nor any purchase made in connection therewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since, or that information contained herein is correct as at any time subsequent to, the date of this Prospectus.

Prospective investors should not consider any information in this Prospectus to be investment, legal or tax advice. Each prospective investor should consult its own legal counsel, financial adviser, accountant and other advisors for legal, tax, business, financial and related advice regarding purchasing the Bonds. Neither of the Issuer or the Intermediary makes any representation to any offeree or purchaser of the Bonds regarding the legality of an investment in the Bonds by such offeree or purchaser under appropriate investment or similar laws. Any person who decides to subscribe for or purchase the Bonds is required to know and comply with the restrictions and limitations of this Prospectus. By purchasing the Bonds, investors assume any liability arising in the event that such purchase is deemed unlawful in their country of residence.

Information on the Issuer's website, any website mentioned in this Prospectus or any website directly or indirectly linked to the Issuer's website is not incorporated by reference into this Prospectus and any decision to subscribe for or purchase the Bonds should not be made in reliance on such information.

This Prospectus will be made available on the Issuer's website, at www.raiffeisen.ro and on the website of the Bucharest Stock Exchange, at www.bvb.ro, and the printed versions will be made available free of charge, upon request, during the normal working hours, at the Issuer's headquarters in 246C Calea Floreasca, Sky Tower Building, floors 2nd – 7th, 10th and 15th, Bucharest, 1st District, Romania. The information in this Prospectus is accurate only on the date mentioned on the first page of this Prospectus. Changes in the affairs and financial situation of the Issuer since that date may have occurred.

PRESENTATION OF FINANCIAL INFORMATION

Financial information

Unless otherwise indicated, the financial information in this Prospectus relating to the Issuer and its consolidated subsidiaries (the “**Group**”) has been derived from the audited consolidated financial statements of the Group for the financial year ended 31 December 2019 that include the comparative figures for the year ended 31 December 2018 (the “**Annual Consolidated Financial Statements**”), accompanied by the independent auditor's report.

The Group's Annual Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union (“**IFRS**”). The significant accounting methods and policies that apply to the Group's financial information are consistently applied to the financial information in this document.

The Group's financial year ends on 31 December and references in this Prospectus to any specific year are to the 12-month period ended on 31 December of such year.

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The Group’s presentation and functional currency is RON. Accordingly, the Annual Consolidated Financial Statements included in this Prospectus are presented in RON, unless otherwise stipulated.

The Annual Consolidated Financial Statements have been audited by Ernst & Young Assurance Services S.R.L. (the “**Auditor**”), as stated in their report attached hereto.

The Auditor’s audit report attached in this Prospectus refers to both the Group’s audited Annual Consolidated Financial Statements and the Issuer’s audited separate financial statements for the financial year ended 31 December 2019.

The operating information included in this Prospectus is unaudited, unless expressly provided otherwise. The operating information in this Prospectus is unaudited information regarding the activity of the Issuer and/or of the Group. The operating information results from the following sources: (i) internal records of the Group; (ii) accounting systems; (iii) internal reporting systems used for the preparation of the financial statements; (iv) assumptions and management reviews and (v) discussions with the key personnel in the operational area. Operating information from the management accounting or from the internal reporting systems regarding the Group’s activities can mostly be found in Part 2 “Description of the Issuer” from this Prospectus.

Currency presentation

Unless otherwise indicated, all references in this document to “RON”, “Romanian leu”, “leu” (singular) or “lei” (plural) are to the lawful currency of Romania. All references to euro, “euro” “EUR” “cents” or “€” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

No representation is made that any specific currency amount in this Prospectus could have been converted into any of the other currencies presented in this Prospectus at any particular rate or at all. There are limited markets for the Romanian leu outside Romania. The limited availability of such currencies may lead to volatility of exchange rates.

The following table sets out the period end, high, average and low exchange rates, for the periods and dates indicated, of the Romanian leu against the euro and the U.S. dollar, in each case as published by the National Bank of Romania for the relevant periods.

Average rate against the RON

Year	Euro			
	High	Low	Average	Period End
2017	4.6597	4.4888	4.5681	4.6597
2018	4.6695	4.6206	4.6535	4.6639
2019	4.7808	4.6634	4.7452	4.7793

Source: The National Bank of Romania.

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Year	U.S. dollar			
	High	Low	Average	Period End
2017	4.3408	3.8116	4.0525	3.8915
2018	4.1469	3.7170	3.9416	4.0736
2019	4.3605	4.0573	4.2379	4.2608

Source: *The National Bank of Romania.*

Rounding

Certain data in this document, including financial, statistical, and operating information has been rounded. As a result of the rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data. Percentages in tables have been rounded and accordingly may not add up to 100%. The calculations, variations and other percentages may differ slightly from their actual calculations due to rounding of underlying financial, statistical and operating information.

Market, economic and industry data

Information regarding macroeconomic trends, market position and other industry data pertaining to the Issuer's business contained in this Prospectus under the captions "Risk Factors", "Description of the Issuer" and "overview of the Romanian banking services industry" has been extracted from official and industry sources, data compiled by professional organizations and analysts, data from other external sources and the Issuer's knowledge of its market. Sources of such information, data and statistics include independent industry publications (including the National Bank of Romania reports and statistics), market research, internal surveys, reports and estimates, and other publicly available information. These data are subject to change and cannot be verified with complete certainty due to limits on the availability and certainty of the raw data and other limitations and uncertainties inherent in any statistical survey.

Whilst the Issuer believes the third-party information included herein is reliable, it should be noted that it has not independently verified such third-party information, and neither the Issuer, nor the Intermediary make any representation or warranty as to the accuracy or completeness of such information as set forth in this Prospectus. The Issuer confirms that all third-party data contained in this Prospectus has been accurately reproduced and, so far as it is aware and able to ascertain from information published by that third-party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Where third-party information has been used in this Prospectus the source of such information has been identified.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer has been incorporated under and is subject to Romanian law. The laws of Romania permit an action to be brought before a court of competent jurisdiction in Romania for the recognition and enforcement of a final and conclusive judgment *in personam* rendered by a court from an European Union („EU”) member state, provided that the relevant conditions set forth in EU Regulation No. 1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters are met.

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However, other conditions may be applicable with respect to specific matters, under special Romanian legislation or international conventions. Similar rules on the recognition and enforcement of foreign court judgments apply to judgments issued in non-EU member states which are parties to the 2007 Lugano Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters.

Judgments rendered by courts in non-EU member states (which includes the United Kingdom following its departure from the EU, but subject to the arrangements which will apply for the duration of the transition period which is schedule to lapse on 31 December 2020) and which are not parties to the 2007 Lugano Convention are subject to different requirements and may be more difficult to enforce. Subject to special internal legislation (including ratified international conventions) regulating the recognition and enforcement of foreign judgments on specific matters, Romanian law allows an action to be brought before a court of competent jurisdiction in Romania for the recognition of a judgment *in personam* rendered by a court of a non-EU member state, provided that the relevant conditions in respect of recognition of foreign judgments set out under the Romanian Civil Procedure Code are met. Furthermore, the recognition and enforcement of foreign judgments in administrative, customs, criminal or other public law related matters is subject to special legislation and certain conditions may need to be fulfilled.

Definitions and glossary

Unless the context otherwise requires, references in this Prospectus to *we*, *our* and *us* refer to the Issuer.

Certain terms used in this document, including all capitalized terms and certain technical and other items, are defined and explained in “Part 7 —Definitions and Glossary.”

Information not contained in this document

No person has been authorized to give any information or make any representation other than those contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been so authorized. Neither the delivery of this document nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this Prospectus or that the information in this Prospectus is correct as of any time subsequent to the date hereof.

Information regarding forward-looking statements

This document includes forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Issuer’s control and all of which are based on the Issuer’s current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as “believe”, “expects”, “may”, “will”, “could”, “should”, “shall”, “risk”, “intends”, “estimates”, “aims”, “plans”, “predicts”, “continues”, “assumes”, “positioned” or “anticipates” or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Issuer concerning, among other things, the results of operations, financial condition, liquidity, prospects, growth and strategies of the Group and the industry in which it operates. In particular, the statements under the headings “*Risk Factors*” and “*Description of the Issuer*” regarding the Issuer’s strategy and other future events or prospects are forward-looking statements.

These forward-looking statements and other statements contained in this document regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the

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Issuer. New risks can emerge from time to time, and it is not possible for us to predict all such risks. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed, or implied in such forward-looking statements. Such forward-looking statements contained in this document speak only as of the date of this document. The Issuer expressly disclaims any obligation or undertaking to update these forward-looking statements contained in the document to reflect any change in their expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so by applicable law, the Prospectus Regulation or the disclosure and transparency rules of the Romanian law or of the Regulated Market operated by the Bucharest Stock Exchange.

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**PART 1
RISK FACTORS**

Any investment in the Bonds is subject to a number of risks. Prior to investing in the Bonds, prospective investors should carefully consider the risk factors associated with any investment in the Bonds, the Issuer's business and the industry in which it operates, including, in particular, the risk factors described below, together with the information contained elsewhere in the Prospectus. These risk factors are deemed supplemented by and should be read and construed in conjunction with any relevant information regarding the risks associated with the Issuer's business, operations, industry in which it operates, litigation and other proceedings in which the Issuer is involved, as well as any other relevant risks contained in the Issuer's Annual Audited Consolidated Financial Statements.

The Issuer has described below certain risks and uncertainties that it believes are material as at the date of this Prospectus. The occurrence of any of the following events could have a material adverse effect on the Issuer's business, prospects, results of operations and financial conditions. The risk factors described below are not an exhaustive list or explanation of all risks which investors may face when making an investment in the Bonds and should be used as guidance only. Additional risks and uncertainties relating to the Bonds that are not currently known to the Issuer, or that the Issuer currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Issuer's business, results of operations and/or financial condition and, if any such risk should occur, the price of the Bonds may decline and investors could lose all or part of their investment. New risks can emerge from time to time, and it is not possible for the Issuer to predict all such risks. An investment in the Bonds involves complex financial risks and is suitable only for investors who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. Investors should consider carefully whether an investment in the Bonds is suitable for them in the light of the information in this section and their personal circumstances.

I. RISKS RELATING TO THE ISSUER

I.1. Risks relating to the business of the Issuer

Outbreaks of diseases can have severe impacts on banking operations, the social and economic environment, and financial market developments.

Pandemics, epidemics and outbreaks of infectious diseases, such as the recent outbreak of the novel coronavirus (SARS-CoV-2) and the disease it causes (COVID-19) (which, on 11 March 2020, was declared a pandemic by the World Health Organisation) can have severe impacts on banking operations, the social and economic environment, and financial market developments.

A protracted uncertainty and lack of containment of such outbreaks could have several negative consequences for the Issuer, including:

- public authority responses to the outbreak, which may lead to outages and disruptions of the Issuer's operations (including forced closures of bank premises due to infection containment measures, travel restrictions and the quarantine of areas and even whole regions, temporary moratorium in particular for private individuals and small companies on their credit obligations towards the Issuer, such as the one instituted by GEO 37/2020 which allows suspension on loan payments for a maximum of up until nine months (but no later than 31 December 2021), subject to certain conditions being applicable to borrowers who request such suspension);

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- economic downturn and widespread recession, diminished business and consumer confidence, inflation and market volatility;
- negative impact on the liquidity situation of the Issuer;
- increasing levels of unemployment among the Issuer’s clients, which may lead to their inability to service debt obligations towards the Issuer;
- currency exchange rate fluctuations; and
- workforce disruptions due to illness or employee refusal to work on-site due to perceived risk of contagion

Deterioration of the financial market conditions as a result of such an outbreak might negatively impact the Issuer’s liquidity position, in particular if these conditions were to prevail for a longer time or if the measures adopted by central banks in such a situation were to prove ineffective.

As at the date of this Prospectus, the COVID-19 pandemic is ongoing and the scale and economic impact of the outbreak remains unknown. The COVID-19 pandemic and resulting disruption of market conditions globally, the potentially severe impact on many, if not most business segments, the Issuer’s operational capabilities, as well as valuation of market assets and market access to manage liquidity and could materially adversely affect the Issuer’s business, prospects, results of operations or financial condition, as well as its ability to meet its obligations under the Bonds. There can be no assurance that governmental or other actions would result in prompt and adequate improvement of such market conditions in the future, should the situation deteriorate further or further restrictions are imposed, or current or new restrictions persist for a prolonged period of time.

The Issuer faces intense competition, which could impede the growth of the Issuer’s business and may lead to a decrease in the Issuer’s revenue and profitability.

The Issuer is in competition with a large number of financial institutions, of both international and local calibre (banks with retail and business clients, mortgage banks, investment banks, as well as other non-banking financial institutions which are active in the Romanian financial services sector), competition which is expected to intensify further. Increased competition may determine a higher attrition of the Issuer’s current clients and may also limit the Issuer’s potential to attract new customers, with adverse impact on the Issuer’s revenues and profitability.

These competitors, as well as other competitors that may enter the market in the future, may enjoy certain competitive advantages that the Issuer does not, such as having greater economies of scale, larger financial and non-financial resources and portfolios, access to advanced technological and operational resources, more comprehensive product offerings in certain business lines, greater personnel resources, greater brand name recognition and more experience or longer-established relationships with regulatory authorities and clients. The majority of the Issuer’s principal competitors in the Romanian banking sector are part of large international financial groups, such as the local subsidiaries of Erste Group (Banca Comercială Română S.A., “**BCR**”), Société Générale (BRD – Groupe Société Générale S.A., “**BRD**”), UniCredit (UniCredit Bank S.A., “**UniCredit**”), ING (ING Bank N.V. Amsterdam Sucursala București, “**ING**”) etc. Due to their global presence, such competitors might seem more attractive for institutional clients which have an established relationship with the respective international financial groups in other jurisdictions. In addition, in the context of the development of the Romanian financial services market in recent years, local financial institutions, such as Banca Transilvania S.A. (“**BT**”) - which is currently the largest bank (by assets) have gained market shares at an accelerated pace (particularly due to its growth strategy by acquiring other

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credit institutions), as well as by appealing to a large number of customers with their national-centric branding.

The Issuer also has to compete with fintech companies offering current accounts, fee free currency exchange, and instant peer-to-peer payments (such as Revolut, N26, Oaknorth, Monzo etc.), offering a completely digital, non-traditional-bank experience, characterized by their ability to sustain low margins and high speed in upgrading the transactional value proposition with new benefits.

The Issuer success may thus be adversely affected by the actions of its competitors in a number of ways, including:

- lower prices, more attractive services or higher quality services and features; or
- more rapid development and deployment of new or improved products and services.

The Issuer's market position will also depend on effective marketing initiatives and its ability to anticipate and respond to various competitive factors affecting the financial services industry, including new services, pricing strategies by competitors, changes in consumer preferences and economic, political and social conditions in the market in which it operates.

Strong competition may lead to increased pressure on the Issuer in connection with prices for products and services offered to clients, which may have an impact on the Issuer's capacity to maintain or increase its profitability. The competitiveness of the Issuer in the current competitive environment will depend largely on its capacity to adapt quickly to the market's new developments and tendencies. To the extent the Issuer will not be able to effectively compete with its competitors, whether local or part of international groups, or to the extent the Issuer fails to respond to, or effectively anticipate consumer sentiment, may have an adverse effect on the Issuer's business, financial condition, results of operations and prospects.

The Issuer may experience deterioration in credit quality, particularly as a result of financial crises or economic downturns.

The Issuer is, and may in the future continue to be, exposed to the risk that borrowers may not repay their loans according to their contractual terms, that the collateral or income stream securing the payment of these loans may be insufficient, or that legislation is imposed setting fixed exchange rates for loans in foreign currencies.

The effects of the global economic and financial crisis which occurred in 2008, as well as recessionary conditions similar or worse to the ones caused by the 2008 financial crisis in the global economies due to COVID-19 pandemic, such as stagnating or declining growth rates or negative GDP development, significantly reduced private consumption and corporate investment, rising unemployment rates and decreasing private and commercial property values in certain regions, have had and may have in the future a negative effect on the credit quality of the Issuer's loan portfolio. In the context of the 2008 economic and financial crisis which was particularly true for customer loans in currencies other than the local currency of the customer's jurisdiction, *i.e.* certain retail and corporate clients of the Issuer have taken out loans which are denominated in currencies other than their relevant local currencies (*e.g.*, EUR, USD and CHF). As the value of the local currency declined by reference to the foreign currencies of such loans, the effective cost of the foreign currency denominated loans to the local customers have increased, leading to delinquent payments on customer loans, migration of previously highly-rated loans into lower rated categories and, ultimately, increases in non-performing exposures ("NPEs") and impairment charges

Deterioration in the quality of the Issuer's credit portfolio and increases in NPE may result in increased credit risk costs for the Issuer. The Issuer's risk costs are based on, among other things, its analysis of probabilities of default (using current probabilities and historical information) and loan management

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methods and the valuation of underlying assets and expected available income of clients, as well as other assumptions of the Issuer, made in order to determine the credit risk cost as well as the capital requirements for addressing such risk. The Issuer's analyses and assumptions may prove to be inadequate and might result in inaccurate predictions of ongoing or future credit performance.

In line with regulatory requirements and accounting standards the Issuer evaluates the need and allocates credit risk provisions on its balance sheet to cover expected losses on its loan portfolio. Provisions are determined by updating cash flows using an update rate that reflects the amount of time the financial resources are committed to the Issuer's activity.

The Issuer's provisioning policy is, in management's judgement, appropriate to cover potential losses resulting from borrowing granted to its clients. There can be no assurances that the current provisioning ratio will not increase in the future, that annual credit risk costs will not increase or that the coverage ratio for the associated risks will prove to be sufficient.

The Issuer seeks to maintain an NPE coverage ratio that, in management's judgement, is appropriate to cover potential credit losses. The Issuer's current NPE coverage ratio, calculated at 31 December 2019 in accordance with the NPE definition (as defined and classified in Annex V to Commission Implementing Regulation (EU) No 680/2014 of 16 April 2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council) is over 65% (the Issuer thus falling in Group 1 according to the benchmark set by the National Bank of Romania's, hereinafter the "NBR"). This NPE coverage ratio, together with the NPE ratio of less than 5% led to the Issuer being placed in the "low systemic risk" category, among the Romanian credit institutions. However, there can be no assurances that the current NPE coverage ratio will not decline in the future, that annual risk costs will not increase or that the NPE coverage ratio will prove to be sufficient or that the Issuer will be successful in its efforts to estimate the financial effects of any NPE portfolio disposals on its business.

Each of the above factors has had in the past and could have in future periods a material adverse effect on the Issuer's results of operations, financial condition and capital base.

The Issuer may be adversely affected by changes in interest rates.

The Issuer derives the majority of its operating income from net interest income, the risk regarding the interest rate being a significant risk to which the Issuer's non-traded portfolios are exposed. Interest rates are sensitive to many factors beyond the Issuer's control, such as inflation, monetary and fiscal policies set by the NBR and by the Romanian government, monetary policy decisions of the European Central Bank ("ECB") in connection with the EUR, the liberalisation of financial services, increased competition, as well as domestic and international economic and political conditions. Changes in the absolute level of interest rates can affect the spread between the rate of interest that a financial institution pays to borrow funds from its depositors and other lenders and the rate of interest that it charges on loans it extends to its customers. To the extent the interest margin decreases, net interest income will also decrease, unless the Issuer is able to compensate such decrease by increasing the total amount of funds it lends to its customers. Low interest rate monetary policy of central banks, which is accompanied by quantitative easing brings additional challenges to interest margin stability as the potential to re-price customers' deposits is limited. Additionally, in a very low or negative interest rate environment, the Issuer will have increased costs of maintaining the regulatory and prudential liquidity buffers held in low yield highly liquid assets. An increase in rates charged to customers can also negatively impact interest income if it reduces the amount of customer borrowings. For competitive reasons, the Issuer may choose to raise rates of interest it pays

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on deposits without being able to make a corresponding increase in the interest rates it charges to its customers.

Finally, a mismatch in the structure of interest-bearing assets and interest-bearing liabilities in any given period could, in the event of changes in interest rates, reduce the Issuer's net interest margin and have a material adverse effect on its net interest income and, consequently, its business, financial condition, results of operations liquidity or prospects.

The Issuer is subject to counterparty risk, and defaults by counterparties may lead to losses for the Issuer.

In the ordinary course of its business, the Issuer is exposed to the risk that third parties who owe it money, securities or other assets will not perform their obligations due to insolvency, bankruptcy, lack of liquidity, global or local economic issues, operational failure, political developments or other reasons. This exposes the Issuer to the risk of counterparty defaults, which have historically been higher during periods of economic downturn.

In the ordinary course of its business, counterparties in the financial services industry expose the Issuer to a risk of non-performance. This exposure can arise through trading, lending, taking of deposits, clearance and settlement, as well as other such activities and relationships. These counterparties include commercial banks, mutual funds, and other institutional clients. These relationships expose the Issuer to credit risk in the event of counterparty default. In addition, the Issuer's credit risk may be exacerbated when the collateral it holds cannot be realised or is liquidated at prices below the level necessary to recover the full amount of the loan or cover the full amount of derivative exposure. A weakness or insolvency of these counterparties may impair the effectiveness of the Issuer's hedging and other risk management strategies. The Issuer will incur losses if its counterparties default on their obligations. If a higher than expected proportion of the Issuer's counterparties default, or if the average amount lost as a result of defaults is higher than expected, actual losses due to counterparty defaults will exceed the amount of provisions already taken and results of operation will be adversely affected. If losses due to counterparty defaults significantly exceed the amounts of the Issuer's provisions or require an increase in provisions, this could have a material adverse effect on the Issuer's business, financial condition and results of operations.

In addition, counterparty risk between financial institutions may increase in the future as a result of volatility in the financial markets. Concerns about potential defaults by one financial institution can lead to significant liquidity problems, losses or defaults by other financial institutions as the commercial and financial soundness of many financial institutions is interrelated due to credit, trading and other relationships. Even a perceived lack of creditworthiness may lead to market-wide liquidity problems. This risk is often referred to as "systemic risk", and it affects banks and all other types of intermediaries in the financial services industry. Systemic risk could lead to a need for the Issuer as well as other banks in the market in which the Issuer operates to raise additional capital, while at the same time making it more difficult to do so. Systemic risk could therefore have a material adverse effect on the Issuer's business, financial condition and results of operations, liquidity or prospects.

Fluctuations in exchange rates could adversely affect the Issuer's results of operations.

A significant portion of the Issuer's assets and liabilities is denominated in foreign currencies, particularly in EUR. The Issuer translates such assets and liabilities, as well as interest earned or paid on such assets and liabilities, and gains/losses realized upon the sale of such assets, to RON in preparing its financial statements. Although the Issuer complies with appropriate limits and performs measures aimed at reducing exchange rate risk, fluctuations in the rate of exchange of such currencies into RON may have a negative impact on the Issuer's reported consolidated results of operations, financial position and yearly cash flows.

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The Issuer is subject to the risk that liquidity may not be readily available.

The Issuer, similarly to other credit institutions in the Romanian market, relies on customer deposits to meet a substantial portion of its funding requirements. Although an important part of the Issuer's deposits are retail deposits, which are by their nature more stable than other type of deposits, customer deposits are subject to fluctuation due to factors outside the Issuer's control, and the Issuer can provide no assurances that it will not experience a significant outflow of deposits within a short period of time. Because a significant portion of the Issuer's funding comes from its deposit base, any material decrease in deposits could have a negative impact on the Issuer's liquidity unless corresponding actions were taken to improve the liquidity profile of other deposits or to reduce liquid assets, which may not be possible on economically beneficial terms, if at all.

As a credit provider, the Issuer is exposed to market liquidity risk, which arises from an inability to easily sell an asset because there is inadequate market liquidity or market disruption. The Issuer is also exposed to funding liquidity risk, which is an exposure to additional expenditure arising out of a change in the cost of refinancing, or from a spread over a certain horizon and confidence level, or from insolvency of counterparties, which may result in difficulties in meeting future payment obligations, either in full, on time or on economically beneficial terms.

Credit and money markets worldwide have experienced and continue to experience a reluctance of banks to lend to each other on an unsecured basis because of uncertainty as to the creditworthiness of the borrowing bank and increased capital requirements. Even a perception among market participants that a financial institution is experiencing greater liquidity risk may cause significant damage to the institution, since potential lenders may require additional collateral or other measures that further reduce the financial institution's ability to secure funding. This increase in perceived counterparty risk may lead to reductions in the access of the Issuer, along with other banks, to traditional sources of liquidity, and may be compounded by further regulatory restrictions on funding and capital structures as well as calculation of regulatory capital, as well as liquidity and financing risk.

If the Issuer has difficulty in securing adequate sources of short- and long-term liquidity or if it were subject to material deposit outflows, this would have a material adverse effect on its business, financial condition and results of operations.

The Issuer is subject to operational risks.

The Issuer's businesses are dependent on the ability to process a very large number of transactions efficiently and accurately. Operational risk and losses can result from fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, equipment failures, natural disasters or the failure of external systems, for example, those of the Issuer's suppliers or counterparties. Although the Issuer has implemented risk controls and loss mitigation actions, and substantial resources are devoted to developing efficient procedures and to staff training, it is not possible to implement procedures that are fully effective in preventing and controlling each of the operational risks. The Issuer may also suffer service interruptions from time to time due to failures by third-party service providers and natural disasters, which are beyond its control. Such interruptions may affect the services provided to clients. If the Issuer would have such difficulties in its operational activity, this could have a material adverse effect on its business, financial condition and results of operations.

The Issuer may not be able to preserve its customer base.

The Issuer's success depends on its capacity to maintain high levels of loyalty among its customer base and to offer a wide range of competitive and high-quality products and services to its customers. In order

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to pursue these objectives, the Issuer has adopted a strategy of segmentation of its customer base, aimed at serving the various needs of each segment in the most suitable manner. Moreover, the Issuer seeks to maintain long-term financial relations with its customers through the sale of anchor products and services, namely loans (mortgage loans, as well as other types), salary accounts, standing transfers, credit cards and saving products and insurance products. Nevertheless, high levels of competition and an increased emphasis in cost reduction may result in an inability to maintain high loyalty levels of the Issuer's customer base, in providing competitive products and services, or of maintaining high customer service standards, each of which may adversely affect the Issuer's business, financial condition, results of operations and prospects.

If the Issuer does not maintain or improve its reputation for the quality of its service, its ability to attract new customers and retain existing customers may be harmed.

Reputational risk is inherent to the Issuer's business activity. The ability to retain customers and to attract new customers depends in part on the Issuer's and the Raiffeisen Group brand recognition and its reputation for the quality of service. Negative public opinion towards the Issuer, the Raiffeisen Group or the financial services sector as a whole could result from real or perceived practices in the financial sector in general, such as negligence during the provision of financial products or services, or even from the way that the Issuer conducts, or is perceived to conduct, its business. In addition, the Issuer's reputation is strongly linked to the reputation of the Raiffeisen Group, meaning that any objective or perceived negative aspects of the Raiffeisen Group's business, financial condition, results of operations and prospects could in its turn have an adverse effect on the Issuer's reputation.

Although the Issuer makes all possible efforts to comply with the regulatory instructions in force and to increase the positive perception of its clients and prospective clients regarding its services, negative publicity and negative public opinion could adversely affect the Issuer's ability to maintain and attract customers, which could have a material adverse effect on the Issuer's business, financial condition and prospects.

The Issuer may be subject to tax onerous liabilities.

In its business activities, the Issuer is required to pay various taxes and contributions, such as profit tax, value added tax, various social contributions and others. While the Issuer believes it has paid its taxes when due, interpretation of applicable rules by tax authorities may differ. In practice, tax inspections typically result in tax authorities requiring payment of additional amounts as well as interest and/or penalties. Recently, both the Romanian Government and EU institutions have applied significant pressure in relation to taxes paid or payable by banks. Whether as a result of such pressure from the fiscal authorities or in the ordinary course of business, it is likely that the Issuer will be subject to one or more tax inspections during the term of the Bonds. The results of such tax inspections may be the imposition of material additional amounts on the Issuer and this may have a material and adverse effect on the Issuer's business, financial condition, results of operations and prospects.

During the period December 2017-May 2019 the Issuer was subject to a tax audit regarding the income tax and withholding tax related to January 2011-December 2016 in which the principal aspect verified by the Romanian tax authorities was the intragroup transactions performed by the Issuer with its related parties mainly the financial transactions. In 2019, such tax inspections resulted in a fiscal audit report which imposed on the Issuer an extraordinary additional charge in the amount of approximately RON 262.4 million, which includes income tax, withholding tax and related penalties (as of the date of this Prospectus, the Issuer has paid all the charges resulting from the fiscal inspection). The Issuer contested the decision of the tax authorities in a preliminary administrative appeal, requesting its cancellation.

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Subsequently to 31 December 2019 and until the date of this Prospectus, the appeal was partially admitted by the issuing public authority and the fiscal charge was reduced by 10% of the principal charges included in the tax report. The Issuer will continue legal procedures for the recovery of the remaining amounts and will initiate court proceedings in this respect. As of the date of this Prospectus, the Issuer recognised as expense the amount of approximately RON 21.5 million in connection with these proceedings, while the remaining amount of approximately RON 240.9 million (paid by the Issuer) is reflected as prepayment in the Issuer's Annual Consolidated Financial Statements.

The Issuer is exposed to risk of fraud and illegal activities of other forms which.

The Issuer is subject to rules and regulations related to money laundering/ terrorism financing and international sanctions, as enacted by the United Nations and the EU. Compliance with anti-money laundering/terrorist financing and international sanctions rules entails significant cost and effort for the Issuer. Non-compliance with these rules may have severe consequences, including adverse legal and reputational risks for the Issuer. Although current anti-money laundering/ anti-terrorism financing and international sanctions policies and procedures are adequate to ensure compliance with applicable legislation, it cannot be guaranteed that they will comply at all times with all rules applicable to these risk areas extended and applied to all its workers in all circumstances. In addition, criminals continue to adapt their techniques and are increasingly focused on targeting customers and clients through ever more sophisticated methods of social engineering, whereas external data breaches also provide criminals with the opportunity to exploit the growing levels of compromised data. A possible violation, or even any suspicion of a violation of these rules, may have serious legal and financial consequences, which could have a material and adverse effect on the Issuer's business, financial condition, results of operations and prospects.

The Issuer's operational systems and networks may become vulnerable to an increasing risk of continually evolving cyber security or other technological risks.

A significant portion of the Issuer's operations rely heavily on the secure processing, storage and transmission of confidential and other information as well as the monitoring of a large number of complex transactions on a constant basis. The Issuer stores an extensive amount of information (including personal data) specific to its clients (natural or legal persons) for its retail, corporate and governmental customers and clients and must accurately record and reflect their extensive account transactions. The proper functioning of the Issuer's payment systems, financial and sanctions controls, risk management, credit analysis and reporting, accounting, customer service and other information technology systems and other IT systems, as well as the communication networks existent between the branches and working points of the Issuer and its main data processing centres, is critical to the Issuer's operations. If the respective services cannot be supplied uninterruptedly, particularly in the case where updates may be necessary for a proper delivery of new or extended products and services, then these systems might not support entirely the Issuer's activity, as this activity is conditional upon their continuous and uninterrupted performance.

These activities have been, and will continue to be, subject to an increasing risk of cyber-attacks, the nature of which is continually evolving. The financial sector remains a primary target for cyber criminals, there being an increasing level of sophistication in both criminal and nation state hacking for the purpose of stealing money, stealing, destroying or manipulating data, and/or disrupting operations. The Issuer's computer systems, software and networks may become vulnerable to unauthorised access, loss or destruction of data (including confidential client information), account takeovers, unavailability of service, computer viruses or other malicious code, cyber-attacks and other events. These threats may derive from human error, fraud or malice on the part of employees or third parties, or may result from accidental technological failure. If one or more of these events occurs, it could result in the disclosure of confidential

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client information, damage to the Issuer's reputation with its clients and the market, additional costs to the Issuer (such as repairing systems or adding new personnel or protection technologies), regulatory penalties and financial losses, to the Issuer. Such events could also cause interruptions or malfunctions in the operations of the Issuer (such as the lack of availability of the Issuer's online banking systems), as well as the operations of its clients, customers or other third parties. Disaster recovery, security and service continuity protection measures that the Issuer has undertaken or may undertake in the future may be insufficient to prevent losses caused. Given the volume of transactions at the Issuer, certain errors or actions may be repeated or compounded before they are discovered and rectified, which would further increase these costs and consequences.

In addition, third parties with which the Issuer does business under stringent contractual agreements may also be sources of cyber security or other technological risks. Although the Issuer adopts a range of actions to eliminate the risks, such as not allowing third party access to the production systems and operating a highly controlled IT environment, unauthorised access, loss or destruction of data or other cyber incidents could occur, resulting in similar costs and consequences to the Issuer as those discussed above. The risks associated with cyber security and other technological risks might generate disruptions that, if persistent, might significantly affect the Issuer's business, prospects, results of operations and financial condition.

Handling customer personal data represents a significant part of the Issuer's daily activity, and a leakage of such data might violate the applicable laws and regulations.

The Issuer accumulates, stores and uses in its operations data which are protected by data protection laws. Although the Issuer takes precautions to protect customer data in accordance with the applicable privacy requirements, it is possible that there may be data leakages in the future. In addition, the Issuer works with service providers or third-parties commercial partners, which may not fully comply with the relevant contractual terms and all data protection obligations imposed on them.

The financial services sector has become increasingly digitalized, automated and online-based in recent years, increasing the Issuer's exposure to risks of unauthorized or unintended data release through hacking and general information technology system failures. Unanticipated information technology problems, system failures, computer viruses, intentional/unintentional misuses, hacker attacks or unauthorized access to the Issuer's network or other failures could result in a failure to maintain and protect customer data in accordance with applicable regulations and requirements and could affect the quality of the Issuer's services, compromise the confidentiality of its customer data or cause service interruptions, and may result in the imposition of fines and other penalties. Also, starting with the application of the General Data Protection Regulation (EU) 2016/679 on 25 May 2018, the Issuer is subject to extensive data processing requirements, the breach of which may entail several types of sanctions, including fines of up to EUR 20 million or up to 4% of the overall turnover (whichever is the greater); in addition, if they have suffered damage, the persons concerned may obtain compensation to cover the amount of such damage and their rights may also be represented by collective bodies.

Therefore, should any violations of data protection laws be identified to have been committed by the Issuer, they may result in fines, claims for damages, prosecution of relevant employees and managers, reputational damage and loss of customers and may have a material adverse effect on our business, prospects, results of operation and financial condition.

The Issuer may be unable to attract and retain key personnel, directors, managers, employees and other individuals without whom the Issuer may not be able to manage its business effectively.

The Issuer depends on the availability and continued service of a relatively small number of key managers, employees and other individuals. These key individuals are heavily involved in the daily operation of

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Issuer's business and are, at the same time, required to make strategic decisions, ensure their implementation and manage and supervise our development. The loss of any of these key individuals could significantly impede our financial plans, product development, network expansion, marketing and other plans.

In addition, competition for qualified executives in the Romanian financial services industry is intense. The Issuer's future results depend, in a significant part, upon the continued contributions of its existing management and its ability to expand the senior management team by adding highly skilled new members, who may be difficult to identify and recruit. If any of the Issuer's senior executives or other key individuals ceases their employment or engagement, the Issuer's business, prospects, results of operation and financial condition could be materially adversely affected. Additionally, this may result in disruption to service which could in turn lead to disenfranchising certain customer groups, customer detriment and reputational damage.

The Issuer may experience labour shortages in the context of the ongoing COVID-19 pandemic.

Any labour shortages, increased labour costs or other factors affecting labour supply could adversely affect the Issuer's business, prospects, results of operation or financial condition.

In the context of the COVID-19 pandemic employees of the Issuer which can work remotely have been instructed to do so, however there are certain aspects of the Issuer's business that may require on-site work. Although the Issuer has implemented safety and business continuity protocols, there is no assurance that the supply of employees would not be disrupted or that the Issuer's employees costs would not increase due to illness or refusal to work on-site due to perceived risk of contagion. Any failure to identify and recruit replacement workers could reduce the Issuer's competitiveness and have an adverse effect on its business and operations.

If the Issuer fails to manage its existing workforce and/or recruit sufficient employees in a timely manner during the health emergency caused by COVID-19, the Issuer's business, prospects, results of operation or financial condition could be materially adversely affected.

The Issuer may undertake future acquisitions on an opportunistic basis.

The Issuer may undertake, on an opportunistic basis, additional acquisitions in the future in the existing business lines of the Issuer or in other businesses complementary to them (with the view to integrate the respective business lines in the Issuer's activity). However, the financial benefits of the transaction may prove to be significantly lower than the ones estimated when the decision to acquire the business was made. Also, integration efforts may prove more costly than initially expected. In addition, acquisitions may divert management attention or financial or other resources away from the existing business of the Issuer or require additional expenditures. Such developments could have a material adverse effect on the Issuer's business, results of operations and financial condition.

The acquisition of new businesses or assets may be limited by many factors, including availability of financing, the prevalence of complex ownership structures among potential targets, government regulation and competition from other potential acquirers. There can be no assurance that the Issuer will be able to maintain the customer base of businesses it acquires, generate expected margins or cash flows or realize the anticipated benefits of such acquisitions, including growth or expected synergies. The analyses conducted in relation to potential acquisition targets are subject to a number of assumptions concerning profitability, growth, interest rates and valuations. There can be no assurance that the Issuer's assessments of and assumptions regarding acquisition targets will prove to be correct, and actual developments may differ significantly from our expectations.

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Even if the Issuer successfully acquires new businesses, the integration of new businesses may be difficult for a variety of reasons, including differing management styles and systems, inadequate infrastructure and poor records or internal controls. In addition, integrating any potential acquisitions may require significant initial cash investments and present significant costs, as well as tax liabilities or regulatory fines. The process of integrating businesses may be disruptive to our operations and may cause an interruption of, or a loss of momentum in, such businesses or a decrease in our operating results as a result of costs, challenges, difficulties or risks, including:

- realizing economies of scale; eliminating duplicative overhead expenses;
- integrating personnel, financial and operational systems;
- unforeseen legal, regulatory, contractual and other issues; unforeseen challenges from operating in new geographic areas, as the case may be; and
- the diversion of management's attention from our day-to-day business as a result of the need to deal with the foregoing challenges, disruptions and difficulties.

Furthermore, even if the Issuer is successful in integrating its existing and new businesses, expected synergies and cost savings may not materialize as anticipated or at all, resulting in lower than expected margins. There is no assurance that the Issuer will be successful in acquiring new businesses or realizing any of the anticipated benefits of the companies that it may acquire in the future. If the Issuer undertakes acquisitions, but does not realise these benefits, the Issuer's business, prospects, results of operation and financial condition could be materially adversely affected.

Any suspension, downgrade or withdrawal of the Issuer's credit ratings by an international rating agency could have a negative impact on its business.

Any adverse revisions to the Issuer's credit ratings for domestic or international debt by international rating agencies may adversely impact the credit rating of its indebtedness (including the Bonds), the Issuer's ability to raise additional financing via debt issuances and the interest rates and other commercial terms under which such additional financing is available. Any suspension, downgrade or withdrawal of the Issuer's credit ratings by an international rating agency could have a material adverse effect on the Issuer's business, liquidity position, competitive position, prospects, results of operations and financial condition.

Derivative transactions may expose the Issuer to unexpected risk and unforeseen losses.

The Issuer may be party to certain derivative transactions, such as interest rate swap contracts, with financial institutions to hedge against certain financial risks. Changes in the fair value of these derivative financial instruments that are not cash flow hedges, are reported in profit and loss, and accordingly could materially affect our reported results in any period. Moreover, we may be exposed to the risk that Issuer's counterparty in a derivative transaction may be unable to perform its obligations as a result of being placed in receivership or otherwise. In the event that a counterparty to a material derivative transaction is unable to perform its obligations thereunder, the Issuer may experience losses that could have a material adverse effect on our financial condition, financial returns and results of operations.

The Issuer's hedging strategies may not prevent losses.

The Issuer may utilise a range of instruments and strategies to hedge risks. Unforeseen market developments may have a significant impact on the effectiveness of hedging measures. If any of the variety of instruments and strategies that are used to economically hedge exposure to market risk is not effective, the Issuer may incur losses. Unexpected market developments which cannot be correlated with the Issuer's historical trading patterns may adversely affect the effectiveness of these hedging strategies, the results,

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the operations and the Issuer's perspectives.

Transactions in the Issuer's own portfolio involve risks.

The Issuer may carry out various proprietary activities, including the placement of deposits denominated in EUR and other currencies in the interbank market. The management of the Issuer's own portfolio may from time to time include taking positions in fixed income and equity markets, both through spot and derivative products and other financial instruments. Trading on account of its own portfolio carries risks, since its results depend partly on market conditions. Moreover, the Issuer relies on a vast range of reporting and internal management tools in order to be able to report its exposure to such transactions correctly and in due time. Future results arising from trading on account of its own portfolio will depend partly on market conditions, and the Issuer may incur significant losses which could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

I.2.RISKS RELATING TO INVESTMENTS IN ROMANIA AS AN EMERGING MARKET

The economy of Romania is more vulnerable to fluctuations in the global economy than developed markets. The Issuer may thus be adversely affected by unfavorable conditions in the global economy or volatile equity and credit markets, in particular due to the uncertainty caused by the COVID-19 pandemic.

Concerns about increased global political instability and trade controversies, as well as the potential economic slowdown and recession in Europe and the United States, the availability and cost of credit, diminished business and consumer confidence and uncertainty related to inflation contribute to increased market volatility and diminished expectations for global, European and emerging economies, such as Romania.

This instability is further exacerbated by the COVID-19 pandemic and efforts to contain its spread (which have resulted in international, national and local border closings and other significant travel restrictions and disruptions, significant disruptions to business operations, supply chains and customer activity, event cancellations and restrictions, service cancellations, reductions and other changes, significant challenges in healthcare service preparation and delivery, and quarantines, as well as general concern and uncertainty that has negatively affected the economic environment), which has increased volatility in the global financial markets and is likely to continue to adversely affect European and worldwide economic conditions and could contribute to greater instability in the global financial markets before and after the COVID-19 pandemic passes.

The impact of global economic developments is often felt more strongly in emerging markets, such as Romania, than it is in more mature markets. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could lead the Romanian economy to face severe liquidity constraints, causing it to, among other things, raise tax rates or impose new taxes. Negative developments in, or the general weakness of, the Romanian economy, in particular increasing levels of unemployment, may have a direct negative impact on the debt servicing capabilities of our customers. The Issuer can provide no assurances that a deterioration of the Romanian economy will not lead to a higher number of defaulting clients. Therefore, a weak economy and negative economic development may jeopardise the Issuer's growth targets and may have a material adverse effect on the Issuer's business, prospects, results of operations and financial condition.

In addition, Romania has undergone substantial political, economic and social change in recent years. As is typical of emerging markets, it does not possess the full business, legal and regulatory infrastructure that would generally exist in more mature free market economies. In addition, the tax legislation in Romania is subject to varying interpretations and changes, which can occur frequently.

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Moreover, Romania has experienced periods with significant political instability. In particular, for the past several years, the political environment in Romania has been unstable, dominated by political conflict and under significant pressure from massive street protests. Conflicts between the Government, the Parliament and the country's President may lead to further political and social turmoil, which could hinder policymaking, as well as slow down economic development and institutional reforms.

The future economic direction of Romania remains largely dependent upon the developments in the global economy, equity and credit markets, as well as effectiveness of economic, financial and monetary measures undertaken by its government, together with tax, legal, regulatory, and political developments. Any potential Issuer's failure to manage the risks associated with its business in emerging markets could have a material adverse effect on its business, reputation, operational results and financial position.

The current and upcoming social, political and military conflicts in the region may have consequences, which may adversely affect the Issuer's business.

The ongoing political and military instability in the regions neighbouring Romania (marked by the conflict between Ukraine and the Russian Federation, as well as by the increased political instability in the Republic of Moldova), although without a significant impact on Romania, may cause materially adverse economic conditions, social turmoil or, in a worse case, military confrontation in the region.

Effects are to a large extent unpredictable, but may include drop in investments caused by uncertainty in the region, causing also significant currency fluctuations, increases in interest rates, decreases in the availability of credit, trading and capital flows and increases in energy prices.

These and other unforeseen negative effects of the crises in the region could have a material adverse effect on the Issuer's business, prospects, operational results and financial position.

Corruption could create a difficult business climate in Romania.

Corruption is one of the main risks confronting companies with business operations in Romania. International and local media, as well as international organizations, have issued numerous alerting reports on the level of corruption. For example, the 2019 Transparency International Corruption Perceptions Index, which evaluates data on corruption in countries throughout the world and ranks countries from 0 (least corrupt) to 100 (most corrupt), ranked Romania in the 70 position (2019 score: 44; 2018 score: 47; 2017 score: 48; 2016 score: 48).

Corruption has been reported to affect the judicial systems and some of the regulatory and administrative bodies in Romania, which may be relevant for the Issuer's business. Although it is difficult to predict all of the effects of corruption on the Issuer's operations, it can, among other things, slow down approvals of regulatory permits and licenses needed to conduct the business. Therefore, corruption could have an adverse effect on the Issuer's business, prospects, operational results or financial position.

Any downgrade of Romania's credit ratings by an international rating agency could have a negative impact on the Issuer

The long-term foreign and domestic currency debt of Romania is currently rated Baa3 (negative outlook) by Moody's, BBB- by Fitch (negative outlook) and BBB-/A-3 (negative outlook) by S&P. S&P's rating was revised on 11 December 2019 from stable outlook to negative, while Fitch and, respectively, Moody's revised the country's outlook from stable to negative on 17 and respectively 24 April 2020, all three rating agencies citing increasing risks to Romania's economic and fiscal stability should policymakers be unsuccessful stabilising and consolidating Romania's budgetary stance (at the date of this Prospectus, Romania's budgetary stance being expected to worsen due to plans to implement further pension increases in the second half of this year, expected to further increase the country's budgetary deficit, as well as from

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measures adopted in the context of the COVID-19 pandemic and the related containment efforts). Any adverse revisions to Romania's credit ratings for domestic or international debt by these or similar international rating agencies may materially adversely impact the Issuer's credit rating, its ability to raise additional financing and the interest rates and other commercial terms under which such additional financing is available. This could hamper the Issuer's ability to obtain financing, which could have an adverse effect on the Issuer's business, liquidity position, competitive position, prospects, results of operations and financial condition.

Romania's difficulties related to its post-accession process to the European Union may adversely affect the Issuer.

Romania entered the European Union in January 2007 and continues to undergo legislative changes due to its accession to and its continued integration with the EU. As part of the accession process, the European Union has established a series of measures for Romania in order to fulfil basic EU membership requirements. The European Commission was tasked with monitoring Romania's progress, which it does by issuing annual compliance reports. Although the European Commission's progress report on the Co-operation and Verification Mechanism with Romania published on 25 January 2017 praised the country's progress in some areas (e.g., its efforts to combat corruption, increased independence of the judicial system, integrity framework for civil servants, etc.), it also highlighted a number of issues that need to be further addressed. On 15 November 2017, the European Commission has issued its follow-up report concerning the issues previously identified. The report notes that progress has been achieved on a number of previous recommendations, in particular the recommendation to set up a system for checks on conflicts of interest in public procurement has been satisfactorily implemented and progress on other recommendations, subject to practical implementation. At the same time, the European Commission noted that the overall reform momentum in the course of 2017 has stalled, slowing down the fulfilment of the remaining recommendations, and with a risk of re-opening issues which the January 2017 report had considered as closed. The reports issued on 13 November 2018 and on 22 October 2019, show that developments since the January 2017 report have reversed the course of progress on issues which the European Commission considered positively in January 2017. This concerns progress on judicial independence and judicial reform and tackling high-level corruption and, as a result, additional recommendations were made.

Unless satisfactory actions are taken in relation to aspects which are currently monitored through the Co-operation and Verification Mechanism, Romania could face EU sanctions, which could have a material adverse effect on financial operations, investments and capital flows in the country, and consequently, on the Issuer's business, prospects, operational results and financial position. Such sanctions may take the form, for example, of a temporary suspension of the application of relevant provisions governing the relations of Romania with any other EU member state or member states or the suspension of member states' obligations to recognize and enforce, under the conditions laid down in EU law, Romanian judgments and judicial decisions.

The Romanian Leu can be subject to high volatility.

The Romanian Leu is subject to a managed-variable exchange rate regime, whereby its value against foreign currencies is determined in the interbank foreign exchange market. The monetary policy of the National Bank of Romania (the "NBR") is inflation-targeting. The managed-variable exchange rate regime is in line with using inflation targets as a nominal anchor for monetary policy and allowing for a flexible policy response to unpredicted shocks likely to affect the economy. The NBR does not target any level or range for the exchange rate. The ability of the NBR to limit volatility of the Romanian Leu is contingent on a number of economic and political factors, including the availability of foreign currency reserves and

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foreign direct investment inflows, as well as developments in market sentiment and investors' risk aversion.

Any changes to global investors' perceptions of Romanian or global economic prospects may lead to further depreciation of the Romanian Leu. In particular, from 1 January 2019 to 31 December 2019, the Romanian Leu's depreciation against the euro accelerated, the depreciation over the relevant period amounting to 2.5%. The depreciation of the Romanian Leu against the EUR continues in 2020, registering a further depreciation of 1% in the first trimester of 2020.

A significant depreciation of the Romanian Leu could adversely affect the country's economic and financial position. Any higher than expected inflation resulting from the depreciation of the Leu could lead to a reduction in customer purchasing power and erosion of customer confidence in the local currency, which may have a material adverse effect on the Issuer's business, operational results and financial position.

In addition, the economy, the banking system, as well as the Issuer may be negatively affected by the increase of indebtedness and the deterioration of the financial situation of debtors who have contracted loans in foreign currency, as a result of the RON depreciation.

The legal and judicial system in Romania is less familiar with investments in securities such as the Bonds, by comparison with other European countries, which makes an investment in the Bonds riskier than investments in securities of an issuer that operates in a more developed legal and judicial system.

The legal and judicial system in Romania is less familiar with investments in securities such as the Bonds than those of other European countries. Commercial law, competition law, securities law, company law, bankruptcy law and other areas of law are relatively new to local judges while such related legal provisions have been and continue to be subject to constant changes as new laws are being adopted in order to keep pace with the transition to a market economy and EU legislation. Existing laws and regulations in Romania may be applied inconsistently or may be interpreted in a manner that is restrictive and non-commercial. It may not be possible, in certain circumstances, to obtain legal remedies in a timely manner in these countries. The relatively limited experience of a significant number of the magistrates practicing in these markets, specifically with regard to capital markets issues, and the existence of a number of issues relating to the independence of the judiciary system may lead to ungrounded decisions or to decisions based on considerations that are not grounded in the law.

In addition to the foregoing, resolving cases may at times involve very considerable delays. The court system in Romania is underfunded relative to those of other European countries. The enforcement of judgments may also prove difficult, which means that the enforcement of rights through court systems may be laborious, especially where such judgments may lead to closure of businesses or job losses. This lack of legal certainty and the inability to obtain effective legal remedies in a timely manner may adversely affect the Issuer's business and may also make it difficult for investors in the Bonds to address any claims that they may have.

Bondholders may be unable to effect service of process or enforce foreign judgments against the Issuer or its assets.

The Issuer is incorporated in Romania and the Bonds are issued pursuant to Romanian law, which may limit the legal recourse investors in the Bonds may enjoy against it.

Romanian law may require additional formalities to be performed or conditions to be met in order to enforce judgments against the Issuer that were obtained in foreign courts. The laws of Romania permit an action to be brought before a court of competent jurisdiction in Romania for the recognition and

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enforcement of a final and conclusive judgment *in personam* rendered by a court from an EU member state, provided that the relevant conditions set forth in EC Regulation No. 1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters are met. However, other conditions may be applicable with respect to specific matters, under special Romanian legislation or international conventions. Similar rules on the recognition and enforcement of foreign court judgments apply to judgments issued in non-EU member states which are parties to the 2007 Lugano Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters.

Judgments rendered by courts in the United States and other non-EU member states (which includes the United Kingdom following its departure from the EU, but subject to the arrangements which will apply for the duration of the transition period which is schedule to lapse on 31 December 2020), which are not parties to the 2007 Lugano Convention are subject to different requirements and may be more difficult to enforce. Subject to special internal legislation (including ratified international conventions) regulating the recognition and enforcement of foreign judgments on specific matters, Romanian law allows an action to be brought before a court of competent jurisdiction in Romania for the recognition of a judgment *in personam* rendered by a court of a non-EU member state, provided that the relevant conditions in respect of recognition of foreign judgments set out under the Romanian Civil Procedure Code are met. Furthermore, the recognition and enforcement of foreign judgments in administrative, customs, criminal or other public law related matters is subject to special legislation and certain conditions may need to be fulfilled. The limitations set out above may deprive investors in the Bonds of effective legal recourse for claims related to their investment.

I.3. RISKS RELATING TO LEGAL AND REGULATORY MATTERS AND LITIGATION

Recent tax on financial assets of credit institutions may have a negative impact on the Issuer's business, financial condition and prospects

On 29 December 2018, the Romanian Government issued the emergency ordinance GEO 114/2018, which became effective on 1 January 2019 and introduced certain measures that may have a significant impact on various sectors of the Romanian economy, including the banking sector. GEO 114/2018 had established a progressive quarterly tax on the financial assets of banks that was initially dependent on the evolution of Romanian Interbank Offer Rate (ROBOR). In March 2019, GEO no. 114/2018 was amended through GEO no. 19/2019 which has brought, inter alia, changes to the tax on the financial assets of the banks and its computation method.

According to GEO no. 19/2019, the tax is 0.4% per year (for each credit institution with a market share equal to or higher than 1%) and 0.2% per year (for each credit institution with a market share lower than 1%) and is applied to the net financial assets on the balance sheet at the end of the semester and the year for which the tax is due, respectively, less certain asset classes (such as cash, non-performing exposures at net value etc). The tax on financial assets has been reduced to zero in certain cases, based on certain benchmarks regarding the loan portfolio balance and the interest margin determined for the year for which the tax is owed.

GEO 114/2018 was most recently amended on 9 January 2020 through GEO 1/2020. These amendments have disappplied the provisions of GEO 114/2018 affecting the Issuer's business. However, on 10 February 2020 the Romanian Senate (*i.e.*, one of the chambers of the Romanian parliament) has rejected the draft law approving GEO 1/2020. To the extent the Chamber of Deputies, which is the decisional chamber of parliament in this situation, also rejects GEO 1/2020, the provisions of GEO 114/2018 which have been disappplied through it will be enacted again, including the tax on the financial assets. Such a tax may have a negative impact on the Issuer's business, financial condition and prospects.

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The governments in CEE countries, including Romania, may react to economic and financial crises with increased protectionist measures.

The governments and legislators in CEE countries, such as Romania, could take various measures to protect the national economy, currency or fiscal income in response to financial and economic crises (including any economic downturn, recession and market volatility caused by the COVID-19 pandemic and the related containment measures), including among other things:

- order loans denominated in foreign currencies (such as EUR, USD or CHF) to be converted into local currencies at set interest and/or exchange rates, in some cases below market rates (such as happened in Hungary), or allow loans to be assumed by government entities, potentially resulting in a reduction in value of such loans;
- set out regulations limiting interest rates and fees for services that can be charged and other terms and conditions;
- prohibit money transfers abroad by banks receiving state support measures (e.g., loans granted to banks from sovereigns or covered by sovereign deposit guarantees); and
- introduce or amend laws and regulations, as well as extend measures, previously introduced on a temporary basis (such as any moratorium on bank loan payments) or apply additional regulatory obligations on financial institutions or which are relevant, directly or indirectly, to the banking sector.

One example of such legislative action in the banking sector is the enactment Law no. 77/2016 on the discharge of debt obligations arising from credit agreements by “payment in kind” through the transfer of certain immovable property entered into force.

The law allows for the discharge in full of any loans contracted by a natural person and secured by a mortgage arrangement, including any accessories in connection therewith. It applies to credit agreements concluded both after its entry into force as well as to all outstanding credit agreements, regardless if the collateral was enforced in full or not. Also, it applies to both performing and non-performing loans, but exempts the loans granted under the governmental backed programme Prima Casa (and loans exceeding EUR 250,000. Before coming into force, all international financial institutions and particularly the NBR advised the Romanian authorities to carefully consider the impact of the law in order to ensure legal certainty and avoid undue interference with the contractual and property rights of credit institutions. The ECB issued an opinion in December 2015 on the initial draft of the law, underlining the potential adverse effects on the banking sector, on the financial stability and on the Romanian economy overall. The European Commission mentioned on several occasions that the implementation of the law on debt discharge represents a major downward risk for macroeconomic developments, the main concerns being the retroactive and wide applicability, as well as the fact that the law applies independently of the financial status of the debtors.

However, the warnings were based on the initial draft of the law and not the actual law enacted, which includes significant improvements as compared to the initial drafts. Although the adverse impact of the law was diminished by the decision of the Constitutional Court according to which the law applies only in case of hardship, as such is regulated under the Civil Code (and not by a parallel provision under the Law no. 77/2016, according to the latest amendment adopted by the Romanian Parliament in June 2019), the law remains a risk for Romanian banks with a significant exposure to portfolios of retail loan agreements, particularly in light of recent legislative proposals regarding the amendment of Law no. 77/2016, meant to enact a mechanism for an easier recognition of hardship cases if the foreign exchange rate of the loan

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currency registers an increase of over 52.6% or the loan instalment increases by more than 50% as a result of the increase of the floating interest rate.

Another legislative development aimed at protecting consumers is Law no. 151/2015 on bankruptcy of individuals (“**Law no. 151/2015**”), which entered into force on 1 January 2018, and sets out class proceedings aimed at facilitating the financial recovery of individual debtors acting in good faith. Law no. 151/2015 was met by criticism from insolvency professionals, who highlighted the lack of creditor representation, restricted access to judiciary proceedings and lack of clear procedures for debt enforcement and liquidation.

Moreover, recently the NBR limited the debt-service to income threshold for loans granted to natural persons (both mortgage loans and consumer loans), in order to limit the level of indebtedness of natural persons. This recent change may lead to a decrease in the number of loans that credit institutions can provide to consumers.

The consumer protection legislation is constantly changing and currently, there are several consumer protection legislative proposals, specifically targeting lending, imposing, inter alia, additional requirements for concluding and enforcing loan and security agreements (*i.e.*, recent legislative proposal is to strip these agreements of their status as “writ of execution”, thus instituting additional enforcement procedures, increased protection against enforcement proceedings having as object the debtor’s housing, decreased costs and requirements for consumers upon contesting the enforcement proceedings, requirement for possibility of credit agreement recalibration), capping the interest rates in consumer credit agreements (including capping of the effective annual rate and allowing customers to request conversion of foreign currency loans at an exchange rate equal to the one applicable at the date of the loan being granted, plus 20%), capping the recoverable amount in case the loan was transferred to another lender (to the amount received by the original lender as price), capping the recoverable amount in an enforcement proceeding, as well as the amount of receivables assigned as security for a loan, instituting the rule, in collective action suits, for the court to rule *ex officio* on the matter of restitution to consumers which are part of the portfolio (*i.e.*, even if they are not part of the initial proceedings). As a recent development, on 11 December 2019, the Senate has adopted a number of these proposals (the Senate being the first parliamentary chamber voting on the relevant proposal, with the legislative process moving on to a vote in the Chamber of Deputies).

In addition to the above, recent proposed amendments to the statute of the Romanian consumer protection regulator, as well as to other legislative acts in the consumer protection field seek to raise fines that may be applied to economic operators, particularly by linking them to the turnover of such economic operators.

Such changes in consumer protection laws could limit the fees that banks may charge for certain products and services or may add additional cumbersome measures to be taken by the Issuer. If introduced, such laws could have a material adverse effect on the Issuer’s business, financial condition, results of operations and prospects.

Any of these or similar initiatives may result in significant losses for creditors, affecting profitability and solvency, and may lead to systemic risks becoming manifest. The legislative uncertainty associated with the banking sector also leads to tighter credit standards and lower financial intermediation. Any of these or similar governmental actions could have a material adverse effect on the Issuer’s business, financial condition, results of operations, liquidity or prospects.

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The Issuer is subject to substantial regulation and regulatory and governmental oversight. Any new governmental or regulatory requirements and changes in perceived levels of adequate capitalisation and leverage could subject the Issuer to increased capital requirements standards and require it to obtain additional capital or liquidity in the future.

As a financial institution, the Issuer is subject to extensive regulation, as well as to certain administrative measures and policies. Moreover, the Issuer holds an authorisation issued by BNR as well as an intermediary authorisation issued by the FSA, and the NBR and FSA, as well as other regulatory authorities supervise its activity. Applicable legal provisions address, *inter alia*, capital adequacy, risk management and prevention of money laundering and of terrorist financing. The fulfilment of these regulations implies substantial costs and could significantly limit potential operations. Furthermore, national regulatory authorities have substantial discretion in implementing the regulatory framework regarding banks and intermediaries and this discretion has been increasing during recent years. Regulations may be imposed on an ad hoc basis by governments and regulators in response to a financial crisis, and these may especially affect financial institutions such as the Issuer that are deemed to be systemically important. These factors could, in different ways, generate a decrease of the profit margins and an increase in the costs that the Issuer incurs in its activity.

The Issuer is also required to comply with European Union's regulations, which are of direct applicability, and with European directives, which have to be implemented in national legislation. Over the last few years, particularly following the financial crisis of 2008, the European banking sector faced with (i) increasing competitiveness; (ii) increasing the centralization of the regulatory acts; (iii) increasing market transparency and (iv) movement to the establishment of a sole regulation and a sole supervisory mechanism. These factors could, in different ways, generate a decrease of the profit margins, an increase of financing costs and an increase of administrative costs etc.

Moreover, regulatory authorities (particularly the NBR and FSA) conduct continuous or periodic analysis regarding the Issuer's operations and services. In the case that regulatory authorities identify a breach of law, whether it is intentional or not, different sanctions may be applied, including withdrawal of the banking/ intermediary authorisation. As a rule, the NBR and FSA have a range of constraining measures at its disposal in case of failure to comply with the applicable regulations. The Issuer may be put, *inter alia*, under the special administration of the NBR, procedure within which the director (in the name of the NBR) can, *inter alia*, negotiate the restructuring of the Issuer's debts, the suspension of the Issuer's activities, or the sale of assets etc.

Any legislative or regulatory actions and any required changes to the business operations of the Issuer resulting from such legislation and regulations, as well as any deficiencies in the Issuer's compliance with such legislation and regulation, could result in significant loss of revenue, limit the ability of the Issuer to pursue business opportunities in which it might otherwise consider engaging and provide certain products and services, affect the value of assets that it holds, require the Issuer to increase its prices for the services it provides and therefore reduce demand for its products and services, impose additional compliance and other costs on the Issuer or otherwise adversely affect its business.

The main regulations and related regulatory and governmental oversight that can adversely impact the Issuer include but are not limited to the following:

- (i). *Following the legal and regulatory evolutions, in particular the Basel Agreement for Banking Supervision, the Issuer may be requested to comply with higher capital and liquidity requirements and may incur substantial costs related to the monitoring and meeting these requirements, as detailed below.*

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In June 2011 and January 2013, the Basel Committee on Banking Supervision (“**BCBS**”) published its (final) international regulatory framework for credit institutions (known as “**Basel III**”), which is a comprehensive set of reform measures to strengthen the regulation, supervision and risk management of the banking sector. On 27 June 2013, the Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (Capital Requirements Directive IV – “**CRD IV**”) and the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (Capital Requirements Regulation – “**CRR**”) transposing (main parts of) Basel III into European law, have been published. Revised rules on capital and liquidity, *i.e.*, Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012 (“**CRR2**”) and Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures (“**CRD V**”) were published in the Official Journal on 7 June 2019 following a legislative process which began at the end of 2016.

CRR2 and CRDV amend the CRR and the CRDIV, which provide the legal architecture for the prudential regulation of banks in the EU. Many of the changes made by CRR2 and CRDV continue the EU’s implementation of internationally agreed Basel III standards. However, the EU’s implementation deviates from Basel III standards in a few areas and some components of CRR2 and CRDV are unrelated to international standards but instead aim to drive forward the EU Banking and Capital Markets Unions.

The changes made by CRD V to CRD IV are not yet in force under Romanian law and may impact the Issuer once they enter into force. Member States must adopt and publish, by 28 December 2020, the measures necessary to comply with this directive, and they shall apply those measures as from 29 December 2020 (save for specific measures to be applied at a later stage). CRR2 shall as a general rule apply from 28 June 2021, however a number of provisions of CRR2 are already in force since 27 June 2019, including certain provisions related to own funds and the provisions on the introduction of the new requirements for own funds and eligible liabilities. The impact of the new provisions on the Issuer cannot be assessed at this stage and the Issuer will need to consider how these new provisions may affect it.

The new rules impose, *inter alia*:

- A binding leverage ratio requiring institutions to maintain Tier 1 capital of at least 3% of their non-risk-weighted assets. An additional leverage ratio buffer will apply to global systemically important institutions (“**G-SIIs**”). Unlike the Basel III standard, CRR2 allows initial margin to reduce the exposure measure when applying the leverage ratio to derivatives.
- A net stable funding requirement (“**NSFR**”). Unlike the liquidity coverage ratio (which focuses on the quality and liquidity of institutions’ assets) the NSFR focuses on the liabilities side of the balance sheet and is designed to ensure that exposures are broadly matched with stable funding sources. The NSFR has been calibrated with a view to avoiding disruption to EU covered bond, derivatives and repo markets with discrete divergences from the international standard.

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- A new approach to market risk, which reflects the Basel Committee’s Fundamental Review of the Trading Book (“**FRTB**”). Initially the new framework will only apply as a reporting requirement. Since work on FRTB is continuing at the level of the Basel Committee, the new framework will only be implemented as a binding capital requirement in the EU at a later date, subsequent to a separate legislative proposal from the Commission.
- A new approach to counterparty credit risk (“**SA-CCR**”), CRR2 constituting the EU’s implementation of the new Basel standardised approach to SA-CCR. The new approach is more risk sensitive, providing better recognition of hedging, netting, diversification and collateral.

On 7 December 2017, the BCBS published, under the header “*Finalising Basel III post-crisis reforms*” the revised capital requirements frameworks for credit risk and operational risks. The revisions seek to restore credibility in the calculation of risk-weighted assets and improve the comparability of banks’ capital ratios by: (i) enhancing the robustness and risk sensitivity of the standardized approaches for credit risk, credit valuation adjustment risk and operational risk; (ii) constraining the use of the internal model approaches, by placing limits on certain inputs used to calculate capital requirements under the internal ratings-based approach for credit risk and by removing the use of the internal model approaches for credit valuation adjustment risk and for operational risk; (iii) introducing a leverage ratio buffer to further limit the leverage of global systemically important banks; and (iv) replacing the existing Basel II output floor with a more robust risk-sensitive floor based on the BCBS revised Basel III standardised approach. There is a high degree of uncertainty with regards to the proposed new frameworks, and subsequently how and when this will be implemented in the EU. It is thus too early to draw firm conclusions regarding the impact of the potential future capital requirements, and consequently how this will affect the capital requirements.

More generally, the risk of non-compliance with different legal and regulatory requirements and any adverse changes thereto, may potentially negatively affect the Issuer’s current business model, internal policies and results, this risk being particularly relevant for the Issuer.

Any non-compliance or failure to address these issues properly, could lead to additional legal risk and financial losses, as a result of regulatory fines or reprimands, litigations, or reputational damage, and in extreme scenarios, to the suspension of operations or even withdrawal of authorization to pursue business. Additional regulations or changes in the applicable laws, could add significant costs or operational constraints that may have a negative impact on the Issuer’s business, financial condition and prospects.

(ii). *The transposition of the Bank Recovery and Resolution Directive may have a material adverse effect on the investment in the Bonds, there being a risk for Bondholders of losing their investment, as well as on the Issuer's business, financial condition, results of operations and prospects.*

The Bank Recovery and Resolution Directive (the “**BRRD**”, Directive 2014/59/EU on the Bank Recovery and Resolution of credit institutions and investment firms), which entered into force in EU Member States as at 1 January 2015 established rules designed to harmonise and improve the tools for dealing with bank crises across the EU to ensure that shareholders, creditors and unsecured depositors mandatorily participate in the recapitalisation and/or the liquidation of troubled banks. Such mandatory participation shall be through the so-called bail-in (and conversion and write down) tool, introduced under the BRRD. Under the bail-in tool there is a strict requirement for contribution to loss absorption and recapitalisation of the failing bank by its private sector investors and creditors, including holders of Bonds issued by the Issuer, as they occur at the moment the tool is adopted as per a valuation prepared according to art. 36 of BRRD. The BRRD imposes a specific “waterfall” as to such burden sharing, starting from common shareholders to subordinated debt holders and up to eligible for bail-in senior creditors, while applying the principles of “no creditor is worse off” principle”, as opposed to the strict hierarchy of claims under the generally

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applicable insolvency proceedings. Certain senior creditors however are ineligible for bail-in (including individual depositors with accounts up to €100,000 (the amount covered by the guarantee scheme)). The BRRD has been implemented in Romania into national law by Law no. 312/2015 on recovery and resolution of credit institutions, as well as on amending and supplementing some normative acts in the financial field (the “**Recovery and Resolution Act**”), which entered into force in December 2015. The BRRD, as implemented through the Recovery and Resolution Act requires, inter alia, that credit institutions draw up “recovery plans” which set out certain arrangements and measures that may be taken to restore the long-term viability of the financial institution in the event of a material deterioration of its financial position. The recovery plans are submitted for review by the competent authorities who will assess the appropriateness of the plans, taking into consideration the appropriateness of the institution’s capital and funding structure to the level of complexity of the organisational structure and the risk profile of the institution. When a credit institution is assessed as failing or being likely to fail, resolution authorities have a set of instruments and measures for the orderly restructuring of those credit institutions, which ensure that shareholders and creditors bear losses, in line with a previously established resolution plan, thereby ensuring the continuity of critical functions. In addition, institutions have to meet, at all times, minimum requirements of own funds and of eligible liabilities (“**MREL**”) set by the resolution authority on a case-by-case basis and shall be calculated as the amount of own funds and eligible liabilities expressed as a percentage of the total liabilities and own funds of the institution.

BRRD has been modified by Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending the Bank Recovery and Resolution Directive as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC (“**BRRD2**”). Although BRRD2 has been adopted and published in the Official Journal of the European Union, the changes made by BRDD2 are not yet in force under Romanian law. In accordance with Article 3 of BRRD2, Romania must bring into force the laws, regulations and administrative provisions necessary to comply with BRRD2 by 28 December 2020 and shall apply those measures as from the date of their entry into force in national law, which shall be no later than 28 December 2020. Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 806/2014 as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms (“**SRMR II**”) will enter into force on 28 December 2020. The overall impact of BRRD2 on the Issuer will need to be assessed by the Issuer once the new framework enters into force. Amendments made relate in particular to MREL requirements and confer on the resolution authorities additional powers.

The BRRD and SRMR recognise as resolution strategies both a single or multiple point-of-entry (“**SPE**” and “**MPE**”) approach. In an SPE approach a failing bank subsidiary is recapitalised by using instruments issued by the group parent, the proceeds being down-streamed to the failing subsidiary, while in an MPE approach a failing bank subsidiary is recapitalised by using instruments issued by the failing subsidiary itself. By applying the SPE approach, the shareholder structure of the parent entity may undergo change as a result of the resolution, whereas by applying the MPE approach, the shareholder structure of the failing subsidiary is the one that may be subject to change, with the shareholding structure of the parent entity remaining the same.

There is a risk that the Issuer may not be able to meet these minimum requirements for own funds and eligible liabilities, which could materially adversely affect the Issuer’s ability to make payments on the Bonds. In particular, under the bail-in tool, the resolution authorities may order a write-down of the Bonds or convert them into CET 1 instruments. The Group has received approval from NBR to adopt a multiple point-of-entry (MPE) resolution strategy, meaning that in case of resolution the Group will be recapitalised by instruments issued by the Group and not by instruments issued by the Raiffeisen Group parent entity

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(as would happen in a single point of entry resolution).. See “—Risks relating to the Placement and the Bonds—Regulatory action in the event the Issuer is failing or is likely to fail could materially adversely affect the value of the Bonds. Apart from potentially being subject to resolution tools and exercise of other powers as set out under the Recovery and Resolution Act, the Issuer may also be subject to the regime instituted by the general national bankruptcy proceedings for credit institutions.

(iii). *The transposition of the Revised Payment Services Directive may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.*

The Revised Payment Services Directive (the “**PSD2**”, Directive 2015/2366/EU of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC), which is transposed in Romanian legislation through Law no. 209/2019 regarding the payment services and alteration of other normative acts, is the main piece of legislation governing payment services in the EU.

PSD2 provides the legal foundation for an EU single market for payments, to establish safer and more innovative payment services across the EU. Key changes introduced by PSD2 are designed to address the significant technological developments in retail payment services since the PSD was adopted in 2007. In addition to these technological developments, a number of new types of payment service providers (PSPs) have developed, which has led to an extension in the scope of regulation, and also measures to level the playing field for different types of PSPs.

The key changes relate to:

- Widening the scope of payment services regulation. Under the PSD, the transparency and conduct of business requirements for PSPs only applied where both the payer’s and the recipient’s PSP were located in the EU and where the payment was made in euros or other member state currency. PSD2 extends the geographical scope of these requirements. Transparency and conduct of business requirements also apply to “one-leg” transactions (that is, payments to and from third countries where one of the PSPs is located in the EU) and to transactions in non-EU currencies that have at least one leg in the EU. Whether foreign currency transactions are cleared and settled abroad is not considered relevant. The EU part of the transaction will be in scope if at least one of the PSPs is within the EU.
- Enhancing conduct of business requirements, such as safeguarding requirements by reducing Member States' previous ability to limit these requirements, enhancing competition by facilitating the use of payment initiation service providers (PISPs), allowing the payee to charge the payer, or to offer a reduction in charges, improving direct debit refund rights for payers.
- Introducing new requirements relating to operational and security risks. The new security requirements require many PSPs to update their procedures, in particular, their authentication procedures. The new provisions include requiring a PSP to: (i) report security incidents and provide annual information on its assessment of the operational and security risks associated with its payment services and on the adequacy of its risk mitigation and measures and control mechanisms; (ii) notify its customers directly, and without undue delay, if a security incident might impact the financial interests of those customers; and (iii) apply “strong customer authentication” when the payer accesses its payment account online, initiates an electronic payment transaction or carries out any action through a remote channel that may imply a risk of payment fraud or other abuse.

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The proposed changes of the PSD2 impact products, services, operations, collaborations and customer facing units of PSPs and, respectively, payment processors, such as the Issuer. Hence, PSD2 will require a strong alignment of the business, risk, compliance and IT departments to adapt to the required changes in an effective, timely and coordinated way. More generally, the risk of non-compliance with different legal and regulatory requirements and any adverse changes thereto, may potentially negatively affect the Issuer's current business model, internal policies and results. Additional regulations or changes in the applicable laws, could add significant costs or operational constraints that may have a negative impact on the Issuer's business, financial condition and prospects.

- (iv). ***Compliance with anti-money laundering, anti-terrorism financing and anti-corruption rules involve significant costs and efforts and non-compliance may have severe legal and reputational consequences for the Issuer.***

The Issuer is subject to rules and regulations regarding anti-money laundering, anti-terrorism financing and anti-corruption. These rules and regulations have been tightened in recent years and may be further tightened and more strictly enforced in particular following the implementation of the fourth anti-money laundering directive (Directive (EU) 2015/849 of the European Parliament and of the Council), as enacted in Romania by Law no. 129/2019 on the prevention and combating of money laundering and terrorist financing, amending and supplementing certain legal acts. Monitoring compliance with anti-money laundering, anti-corruption and anti-terrorism financing rules can result in a significant financial burden on banks and other financial institutions and can pose significant technical problems. The Issuer cannot guarantee that it is in compliance with all applicable anti-money laundering, anti-corruption and anti-terrorism financing rules at all times or that its Group-wide anti-money laundering, anti-corruption and anti-terrorism financing standards are being consistently applied by its employees in all circumstances. Any violation of anti-money laundering, anti-corruption or anti-terrorism financing rules, or even alleged violations, may have severe legal, monetary and reputational consequences and could have a material adverse effect on the Issuer's business, financial condition, results of operations, liquidity or prospects.

Applicable Romanian insolvency and bankruptcy laws, as well as other laws and regulations governing creditors' rights may limit the Issuer's ability to obtain payments on defaulted loans and advances.

Romanian bankruptcy and enforcement laws may not offer in all respect the same level of rights, remedies and protections that creditors enjoy under the legal regimes in other EU jurisdictions. In particular, Romanian bankruptcy and enforcement laws and practice may make it comparatively more difficult and time-consuming for the Issuer to recover amounts in respect of its secured and unsecured claims before the Romanian courts. In recent years, insolvency in Romania witnessed mixed dynamics, *i.e.*, the number of companies having declared themselves insolvent shrank by half, yet this favourable evolution was offset by a larger incidence of such cases among large companies. Insolvent companies, as well as the companies reporting net losses, have largely been responsible for the worsening payment discipline across the economy. Considering that a significant part of the Issuer's assets are due from debtors and/or secured by assets that are or are likely to be in the future subject to Romanian bankruptcy and enforcement laws, the above could adversely affect the Issuer's business, financial condition, results of operations, liquidity or prospects and its ability to make payment under the Bonds.

Inability to obtain effective legal remedies in a reasonably timely manner may adversely affect the Issuer's business, financial condition, results of operations, liquidity or prospects.

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The Issuer may be subject to fines, awards of damages or other penalties arising from legal proceedings, contractual claims and disputes, as well as negative publicity arising therefrom.

In the context of its day-to-day operations the Issuer is exposed to litigation risk, among others, as a result of changing and developing consumer protection legislation and legislation on the provision of banking and investment services.

Currently, the Issuer is involved, *inter alia*, in the following proceedings:

- (i) Following an audit review of the Romanian Court of Accounts regarding the activity of Aedificium Banca pentru Locuinte S.A. (“**ABL**”), former Raiffeisen Banca pentru Locuinte S.A, a savings-lending subsidiary of the Issuer, the Romanian Court of Accounts claimed that several deficiencies were identified and that conditions for payment by the bank of the state premiums on savings have not been met. Thus, allegedly, such premiums may have to be repaid. Should ABL not succeed in reclaiming said amounts from its customers or providing satisfactory documentation, ABL would be liable for the payment of such funds. ABL has initiated a court dispute against the findings of the Romanian Court of Accounts. ABL has won the court dispute on the merits in what concerns the most relevant alleged deficiencies. The case is in appeal at the High Court of Cassation and Justice. Under the circumstances, on 31 December 2019 the Group has constituted a provision relating to an estimated loss of approximately RON 47.9 million, which represents the amount estimated to be paid in relation to the possible outcomes of different scenarios (regarding the repayment of premiums and related penalties), weighted by the associated probabilities of such scenarios materialising.
- (ii) In October 2017, the consumer protection authority (“**ANPC**”) has issued an order for the Issuer to stop its alleged practice of “not informing its customers about future changes in the interest rate charged to the customers” (the order does not imply, however, any monetary restitution or payment from the Issuer). The interest rate was fixed for the first year of the loan and variable following the first anniversary and according to the authority the Issuer knew what the interest rate was going to apply in the future. The Issuer has disputed this order as well as requested the stay of the order until a final decision on the validity of the order is obtained. Following the Issuer’s actions, it has obtained a final stay of its enforcement pending a final decision on the ANPC order. These proceedings are currently in the appeal phase, the first ruling on merits having been in favour of ANPC. The Issuer made a provision for this litigation; the value of this provision, as of December 31, 2019, is of approximately RON 68 million (the provision has been made following the unfavourable ruling in the first court instance).
- (iii) During the period December 2017-May 2019 the Issuer was subject to a tax audit regarding the income tax and withholding tax related to January 2011-December 2016 in which the principal aspect verified by the Romanian tax authorities was the intragroup transactions performed by the Issuer with its related parties mainly the financial transactions. In 2019, such tax inspections resulted in a fiscal audit report which imposed on the Issuer an extraordinary additional charge in the amount of approximately RON 262.4 million, which includes income tax, withholding tax and related penalties (as of the date of this Prospectus, the Issuer has paid all the charges resulting from the fiscal inspection). The Issuer contested the decision of the tax authorities in a preliminary administrative appeal, requesting its cancellation. Subsequently to 31 December 2019 and until the date of this Prospectus, the appeal was partially admitted by the issuing public authority and the fiscal charge was reduced by 10% of the principal charges included in the tax report. The Issuer will continue legal procedures for the recovery of the remaining amounts and will initiate court proceedings in this respect. As of the date of this Prospectus, the Issuer recognised as expense the

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amount of approximately RON 21.5 million in connection with these proceedings, while the remaining amount of approximately RON 240.9 million (paid by the Issuer) is reflected as prepayment in the Issuer's Annual Consolidated Financial Statements.

In addition to the matters described above, the Issuer may be adversely affected by other claims (contractual or otherwise), complaints and litigation, including from counterparties with whom it has contractual relationships, customers, competitors or regulatory authorities, as well as any adverse publicity that it may attract. Any such litigation, complaints, contractual claims, or adverse publicity could have a material adverse effect on the Issuer's business, reputation, results of operation and financial condition.

I.4. OTHER MATERIAL RISKS

Brexit process could create political and economic uncertainty and risks which may negatively affect the European financial markets and the Issuer's business

The referendum resulting in a vote for the United Kingdom of Great Britain and Northern Ireland to leave the European Union ("Brexit"), has created volatility in the global financial markets and could contribute to prolonged uncertainty around certain aspects of the European and global economies, as well as European companies and consumers. Brexit took place on 31 January 2020 and could adversely affect European and worldwide economic conditions, and could contribute to greater instability, in the global financial markets before and after the terms of the United Kingdom's future relationship with the European Union are set. Brexit could also affect the general political environment in the European Union, as well as the stability and standing of the European Union as a single market.

Until more clarity is available around the legal, political and economic realities and requirements for Brexit, political and economic uncertainty, notably in European markets, may occur, which could lead to a downturn in the markets in which the Issuer operates and a decrease in spending and investment.

II. RISKS RELATING TO THE PLACEMENT AND THE BONDS

Regulatory action in the event the Issuer is failing or likely to fail could materially adversely affect the value of the Bonds

The majority of the requirements of the BRRD (including the bail-in tool) were implemented in Romania by the Recovery and Resolution Act. See "*—Risks relating to legal and regulatory matters and litigation—The Issuer is subject to substantial regulation and regulatory and governmental oversight. Any new governmental or regulatory requirements and changes in perceived levels of adequate capitalisation and leverage could subject the Issuer to increased capital requirements or standards and require it to obtain additional capital or liquidity in the future—The transposition of the Bank Recovery and Resolution Directive may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.*"

The Recovery and Resolution Act confers substantial powers to the NBR, enabling it to take a range of actions in relation to Romanian banks, in the event a bank is considered to be failing or likely to fail. The exercise of any of these actions in relation to the Issuer could materially adversely affect the value of the Bonds.

Under the Recovery and Resolution Act, substantial powers are granted to the NBR, as part of a special resolution regime (the "SRR"). These powers enable the NBR, as resolution authority, to implement resolution measures with respect to a Romanian bank and certain of its affiliates (each a "relevant entity") in circumstances in which the NBR is satisfied that the resolution conditions are met.

The SRR consists of five stabilisation options: (a) private sector transfer of all or part of the business or

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shares of the relevant entity, (b) transfer of all or part of the business of the relevant entity to a “bridge bank” established by the NBR, (c) transfer to an asset management vehicle wholly or partly owned by the NBR, (d) the bail-in tool (as described below) and (e) temporary public ownership or recapitalisation by way of financial public support. Bondholders should assume that, in a resolution situation, financial public support will only be available to a relevant entity as a last resort after the relevant resolution authorities have assessed and used, to the maximum extent practicable, the resolution tools, including the bail-in tool (as described below).

The exercise of any resolution power or any suggestion of any such exercise could materially adversely affect the value of any Bonds and could lead to Bondholders losing some or all of the value of their investment in the Bonds. The SRR is designed to be triggered prior to insolvency of the Issuer, and Bondholders may not be able to anticipate the exercise of any resolution power (including the bail-in tool) by the relevant resolution authority.

The stabilisation options are intended to be used prior to the point at which any insolvency proceedings with respect to the relevant entity could have been initiated. The purpose of the stabilisation options is to address the situation where all or part of a business of a relevant entity has encountered, or is likely to encounter, financial difficulties, giving rise to wider public interest concerns.

Although the Recovery and Resolution Act provides specific conditions to the exercise of any resolution powers and, furthermore, the European Banking Authority’s guidelines published in May 2015 set out the objective elements for the resolution authorities to apply in determining whether an institution is failing or likely to fail, it is uncertain how the relevant resolution authority would assess such conditions in any particular pre-insolvency scenario affecting the Issuer and/or other members of the Group and in deciding whether to exercise a resolution power.

The relevant resolution authority is also not required to provide any advance notice to Bondholders of its decision to exercise any resolution power. Therefore, Bondholders may not be able to anticipate a potential exercise of any such powers nor the potential effect of any exercise of such powers on the Issuer and the Bonds.

The Group has received approval from NBR to adopt a multiple point-of-entry (MPE) resolution strategy, meaning that in case of resolution the Group will be recapitalised by instruments issued by the Group and not by instruments issued by the Raiffeisen Group parent entity (as would happen in a single point of entry resolution).

Bondholders may have only very limited rights to challenge the exercise of any resolution powers (including the bail-in tool) in relation to the Issuer

Bondholders may have only very limited rights to challenge and/or seek a suspension of any decision of the relevant resolution authority to exercise its resolution powers (including the bail-in tool) or to have that decision reviewed by a judicial or administrative process or otherwise.

The NBR, as the relevant resolution authority may exercise the bail-in tool in respect of the Issuer and the Bonds, which may result in Bondholders losing some or all of their investment. The Group has received approval from NBR to adopt a multiple point-of-entry (MPE) resolution strategy, meaning that in case of resolution the Group will be recapitalised by instruments issued by the Group and not by instruments issued by the Raiffeisen Group parent entity (as would happen in a single point of entry resolution).

Where the relevant statutory conditions for use of the bail-in tool have been met, the NBR would be expected to exercise these powers without the consent of the Bondholders. Subject to certain exemptions

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set out in the BRRD (including secured liabilities, bank deposits guaranteed under an EU member state's deposit guarantee scheme, liabilities arising by virtue of the holding of client money, liabilities to other non-group banks or investment firms that have an original maturity of fewer than seven days and certain other exceptions), it is intended that all liabilities of institutions should potentially be within scope of the bail-in tool. The use of the resolution tools may present certain risks to the Bondholders, given that the Bonds constitute unsecured and subordinated debt claims over the Issuer and given that NBR can take various actions without the consent of the Bondholders:

- any shortfall from the sale of the Issuer's assets may lead to a partial reduction in the amounts outstanding to Bondholders or, in a worst-case scenario, a reduction to zero (cancellation of the Bonds), meaning that a Bondholder may lose all or part of its investment;
- in the event of a bail-in, NBR would first reduce or cancel Common Equity Tier1, thereafter reduce, cancel, convert Additional Tier 1 instruments, then Tier 2 instruments (such as the Bonds) and other subordinated debt to the extent required and up to their capacity (thus reflecting the hierarchy of capital instruments under CRD IV and otherwise respecting the hierarchy of claims in an ordinary insolvency); there is a risk that the Bonds would be converted, reduced or cancelled, which would lead to a loss of all or part of the Bondholders' investments; in addition, this risk is increased as debt that is ranked *pari passu* with the Bonds may be excluded by NBR from bail-in in accordance with Article 44(3) of BRRD and therefore receive more favourable treatment than the Bonds;
- NBR may seek to amend the maturity date of the Bonds, reduce the amount of interest payable under the Bonds or the date on which interest becomes payable (including the temporary suspension of interest payments), all of which could negatively affect the market value and liquidity of the Bonds for the purpose of re-selling and impact the yield of the Bonds.

Each of the aforementioned measures may occur in isolation or, they may occur as a combination. For instance, NBR may require a partial conversion of the Bonds into ordinary shares of the Issuer, in addition to any write-down and sale of the Issuer's assets.

In addition, the bail-in tool contains an express safeguard (known as "no creditor worse off").

The exercise of the bail-in tool in respect of the Issuer and the Bonds or any suggestion of any such exercise could materially adversely affect the rights of the Bondholders, the price or value of their investment in the Bonds and/or the ability of the Issuer to satisfy its obligations under the Bonds and could lead to Bondholders losing some or all of the value of their investment in such Bonds. In addition, even in circumstances where a claim for compensation is established under the "no creditor worse off" safeguard under the bail-in tool (with the aim that shareholders and creditors do not receive a less favourable treatment than they would have received in ordinary insolvency proceedings of the relevant entity), in accordance with a valuation performed after the resolution action has been taken, it is unlikely that such compensation would be equivalent to the full losses incurred by the Bondholders in the resolution and there can be no assurance that Bondholders would recover such compensation promptly. The taking of any action under the Recovery and Resolution Act in relation to the Issuer, or the suggestion any such action, could materially adversely affect the rights of Bondholders, the price or value of their investment in the Bonds and/or the ability of the Issuer to satisfy its obligations under any Bonds.

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Mandatory write-down and conversion of capital instruments may affect the Bonds

The Recovery and Resolution Act requires the NBR, as the relevant resolution authority to permanently write-down, or convert into equity, Tier 1 capital instruments and Tier 2 capital instruments (such as the Bonds) at the point of non-viability of the relevant entity and before, or together with, the exercise of any resolution option (except in the case where the bail-in tool is to be utilised for other liabilities, in which case such capital instrument would be written down or converted into equity pursuant to the exercise of the bail-in tool, as described above, rather than the mandatory write-down and conversion power applicable only to capital instruments).

For the purposes of the application of such mandatory write-down and conversion power, the point of non-viability is the point at which the relevant resolution authority determines that the relevant entity meets the conditions for resolution (but no resolution action has yet been taken) or that the relevant entity will no longer be viable unless the relevant capital instruments are written down or converted or the relevant entity requires extraordinary public support without which, the relevant resolution authority determines that the relevant entity would no longer be viable.

The Bonds may be subject to write-down or conversion into equity on application of such powers (without requiring the consent of the Bondholders), which may result in the Bondholders losing some or all of their investment. The “no creditor worse off” safeguard would apply only in circumstances where resolution powers are exercised.

The exercise of such mandatory write-down and conversion power under the Recovery and Resolution Act or any suggestion of such exercise could, therefore, materially adversely affect the rights of Bondholders, the price or value of their investment in such Bonds and/or the ability of the Issuer to satisfy its obligations under such Bonds.

The Recovery and Resolution Act stipulates that resolution decisions shall take into account the potential impact of the decision on all the Member States where the credit institution operates, so as to minimise the negative economic and social effects on financial stability in those Member States. The resolution tools protect the public interest related to financial stability and apply when it is deemed necessary to achieve the resolution objectives, namely when the institution cannot be wound up under the ordinary insolvency procedure due to the risk of destabilisation of the financial system.

The Bonds are subordinated to most of the Issuer's liabilities

The Bonds will constitute unsecured and subordinated obligations of the Issuer. In case of insolvency or liquidation of the Issuer, all claims in respect of such Bonds will rank junior to the claims (i) of all unsubordinated creditors of the Issuer; (ii) all subordinated creditors of the Issuer whose claims rank superior, either by law or in accordance with their terms, to claims which are deemed to be *pari passu* or junior to the ones of holders of Tier 2 capital instruments issued by the Issuer (such as the Bondholders) (the “**Senior Creditors**”). If, on insolvency or liquidation of the Issuer, the assets of the Issuer are insufficient to enable the Issuer to repay the claims of Senior Creditors in full, the holders of the Bonds will lose their entire investment in the Bonds. If there are sufficient assets to enable the Issuer to pay the claims of Senior Creditors in full but insufficient assets to enable it to pay claims in respect of its obligations in respect of the Bonds and all other claims that rank *pari passu* with the Bonds, holders of the Bonds will lose part (which may be substantially all) of their investment in the Bonds. The remedies under the Bonds are more limited than those typically available to the Issuer's unsubordinated creditors.

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The Bonds may not be a suitable investment for all investors.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the merits and risks of investing in the Bonds;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investors' currency;
- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect their investment and their ability to bear the applicable risks.

Potential investors should not invest in the Bonds unless they have the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio. The investment activities of investors are subject to applicable investment laws and regulations and/or review or regulation by certain authorities and each potential investor should consult its legal advisers or the appropriate regulators.

The market value of the Bonds could experience unfavourable developments.

The market price formation of the Bonds depends upon several factors, including, inter alia, (i) the change of the interest rates on the market, (ii) the policies of central banks, (iii) the general economic developments, (iv) the inflation rates, (v) the lack/excess of demand for the relevant type of bonds or (vi) changes in the investors' view. As a consequence, the Bondholders are exposed to the risk of unfavourable developments of the market price of the Bonds, which materialises if the holders of the Bonds sell the Bonds prior to their final maturity. If the holders of the Bonds decide to hold them until final maturity, the Bonds will be redeemed at the amount set out in the relevant in the Terms and Conditions.

Also, the market value of the Bonds could decrease if the Issuer creditworthiness worsens. Thus, the market value of the Bonds will suffer if the market perceives the Issuer to be less likely to fully perform all obligations under the Bonds when they fall due. This could occur, for example, because of the materialisation of any of the risks listed in this section. Even if the Issuer's ability to fully perform all obligations under the Bonds when they fall due does not decrease, market participants could nevertheless have a different perception. In addition, market participants' estimation of the creditworthiness of corporate debtors in general or debtors operating in the same business as the Issuer could adversely change, causing the market value of the Bonds to fall. If any of these events occurs, third parties would only be willing to purchase the Bonds for a lower price than before the materialisation of these risks. Under these circumstances, the market value of the Bonds could decrease.

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In case of an early redemption of any Bonds, there is a risk that holders of Bonds may not be able to reinvest proceeds from the Bonds in such a way that they earn the same rate of return.

Holders of Bonds may be subject to the risk that interest earned from an investment in the Bonds, in the event of an early redemption of any Bonds, may not be able to be reinvested in such a way that they earn the same rate of return as the redeemed Bonds.

There is no restriction on the amount or type of further securities or indebtedness that the Issuer or its subsidiaries may issue, incur or guarantee

Subject to complying with applicable regulatory requirements in respect of the Issuer's leverage and capital ratios, there is no restriction on the amount or type of further securities or indebtedness that the Issuer or its subsidiaries may issue, incur or guarantee, as the case may be, that rank senior to, or *pari passu* with, the Bonds. The issue or guaranteeing of any such further securities or indebtedness may reduce the amount recoverable by Bondholders on insolvency or liquidation of the Issuer and may limit the Issuer's ability to meet its obligations under the Bonds. In addition, the Notes do not contain any restriction on the Issuer issuing securities that may have preferential rights to the Bonds or securities with similar or different provisions to those described herein.

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies may assign credit ratings to the Bonds. The credit ratings address the Issuer's ability to perform its obligations under the terms of the Bonds and credit risks in determining the likelihood that payments will be made when due under the Bonds. The ratings may not reflect the potential impact of all risks related to the structure, the market, other risk factors discussed herein and other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if in its judgment circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Bonds by one or more of the credit rating agencies may adversely affect the value and trading of the Bonds.

Transfers of the Bonds will be subject to certain restrictions.

The Issuer has not agreed to register and does not intend to register the Bonds under the U.S. Securities Act or any securities laws of any state or any other jurisdiction of the United States. The Bondholders may not offer to sell the Bonds, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable securities laws of any state or any other jurisdiction of the United States. The Issuer has not undertaken to register the Bonds or to effect any exchange offer for the Bonds in the future. Furthermore, the Issuer has not registered and does not intend to register the Bonds under any country's securities laws, other than Romania. It is the obligation of the investors in the Bonds to ensure that their subscription for or subsequent offers, sales or transfers of the Bonds within any countries, other than Romania, comply with any applicable securities laws in the respective jurisdictions.

The Bonds may not become, or remain, listed on the Bucharest Stock Exchange.

Although the Bucharest Stock Exchange has issued an approval in principle for the admission of the Bonds to trading on the Regulated Spot Market of the Bucharest Stock Exchange, the admission requires that the Bucharest Stock Exchange approve the trading thereon. Admission of the Bonds to trading on the

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Regulated Spot Market of the Bucharest Stock Exchange is subject to certain requirements. The Issuer intends to take all necessary steps to ensure that the Bonds are admitted to trading on the Regulated Spot Market of the Bucharest Stock Exchange as soon as possible after the publication of this Prospectus. However, there is no guarantee that, should the admission conditions for the approval by the Bucharest Stock Exchange change, all such listing and/or trading conditions will be met. Consequently, there is no assurance that the Bonds will be admitted to trading on the Regulated Spot Market of the Bucharest Stock Exchange on the estimated date or at all.

There is no established trading market for the Bonds and no assurance that the holders of the Bonds will be able to sell them.

There is no existing market for the Bonds. The Issuer will make an application to the BSE to list the Bonds and admit them to trading on its Regulated Spot Market but cannot guarantee the liquidity of any market that may develop for the Bonds, the ability of the Bondholders to sell such Bonds or the price at which they may be able to sell such Bonds. Liquidity and future trading prices of the Bonds depend on many factors, including, among other things, prevailing interest rates, results of operations, the market for similar securities and general economic conditions. In addition, changes in the overall market for debt securities and changes in the Issuer's financial performance in the markets in which the Issuer operates may adversely affect the liquidity of any trading market in the Bonds that develops and any market price quoted for the Bonds. As a result, the Issuer cannot ensure that an active trading market will actually develop for the Bonds.

Therefore, the fact that the Bonds might be listed does not necessarily lead to a higher liquidity comparative to non-listed debt instruments. In case the Bonds will not be traded on the Regulated Spot Market of the BSE, information on the price of the Bonds might be more difficult to obtain, which might negatively affect the liquidity of the Bonds. On an illiquid market, there is a possibility for an investor to not be able to sell the Bonds at the fair market price.

Trading on the Bucharest Stock Exchange may be suspended.

The FSA is authorized to suspend securities from trading or to request the Bucharest Stock Exchange to suspend the trading of securities of a company listed on the Bucharest Stock Exchange if such continuation of trading would negatively affect investors' interests, based on the measures taken against market manipulation and transactions carried out based on inside information. The Bucharest Stock Exchange must suspend trading in securities that do not meet the requirements of the regulated market, unless such action could materially adversely affect the investors' interests or the proper functioning of the market. If the Bucharest Stock Exchange does not take such action, the FSA may request the suspension of trading in securities if this serves the proper functioning of the market and does not affect the investors' interests. Also, the Bucharest Stock Exchange is entitled to suspend from trading Bonds in other circumstances, in accordance with its own regulations. Any suspension could affect the Bonds' trading price and would impair their transfer.

Prospective investors may face foreign exchange risks by investing in the Bonds.

The Bonds are denominated and payable in RON or the equivalent of this sum in any other currency. If prospective investors measure their investment returns by reference to a currency other than the RON, respectively, an investment in the Bonds entails foreign exchange related risks due to, among other factors, possible significant changes in the value of the RON, relative to the currency by reference to which such prospective investors measure their returns because of economic, political or other factors over which the Issuer has no control. Depreciation of the RON, against the currency by reference to which prospective investors measure their respective investment returns could cause a decrease in the effective yield of the

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Bonds below their stated coupon rates and could result in a loss to investors when the return of the Bonds is translated into the currency by reference to which such investors measure their investment returns. There may be tax consequences for prospective investors as a result of any foreign exchange gains or losses for any investment in the Bonds.

The Bondholders are subject to Romanian tax legislation related to the trading of the Bonds and distributions made by the Issuer in connection with them.

Prospective investors in the Bonds may be required to pay taxes or charges in accordance with the laws of Romania. Prospective investors should consult their advisors regarding the tax consequences of the acquisition, holding, trading and redemption of the Bonds.

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**PART 2
DESCRIPTION OF THE ISSUER**

General Information

Identification data

The legal name of the Issuer is Raiffeisen Bank S.A. The Issuer is organized as a joint-stock company, is incorporated and carries out its activity in accordance with the Romanian legislation. The Issuer is registered with the Trade Registry Office under the number J40/44/1991, EUID ROONRC J40/44/1991, sole registration code 361820 and is a Romanian tax resident. The subscribed and paid-up share capital of the Issuer is RON 1,200,000,000, divided into 12,000 shares, each having a nominal value of RON 100,000. The Issuer operates for an indefinite period.

The registered office of the Issuer is located at 246C Calea Floreasca, Sky Tower Building, floors 2nd – 7th, 10th and 15th, Bucharest 1st District, Romania, telephone number: +40 021 306 10 00.

The Issuer is registered with the Register of Credit Institutions held by NBR under registration number RB-PJR-40-009, having been registered therein on 18 February 1999 and operates on the basis of the applicable laws, as well as regulations issued by the.

History

In 1990 Banca Agricola S.A. was incorporated, under Law No. 15/1990 and G.D. No. 1196/1990, as a joint stock company, Romanian legal person. The Issuer operated under the name of Banca Agricola S.A., having the State as the majority shareholder (represented by the State Property Fund and subsequently by the Authority for State Assets Management (“APAPS”)), but having also private shareholders (the Private Property Funds, which were subsequently transformed into the Financial Investment Companies (commonly referred as SIF) and the Issuer’s own employees).

In 2001 Raiffeisen Zentralbank Oesterreich AG (“RZB”), together with the Romanian-American Enterprise Fund, filed an acquisition offer for Banca Agricola S.A. from the Romanian State, represented by APAPS. The takeover agreement by the consortium of 98% of the shares of Banca Agricola S.A. (out of which 93.36% were to be owned by RZB) was signed in April 2001. In July 2001 the takeover was completed. The newly formed entity was named Banca Agricola-Raiffeisen S.A.

In July 2002 Banca Agricola – Raiffeisen S.A. merged with Raiffeisenbank (Romania) S.A. – the subsidiary of RZB in Romania. The name of the resulting entity being Raiffeisen Bank S.A.

The major shareholder of the Issuer is Raiffeisen SEE Region Holding GmbH (with a stake of 99.92% of shares). Raiffeisen SEE Region Holding GmbH is indirectly held by Raiffeisen Bank International AG (100%).

Recent events which are to a material extent relevant to the evaluation of the Issuer’s solvency

The recent global and local developments of the COVID-19 pandemic add significant uncertainty in the economy with authorities taking quick and drastic steps to reduce the negative effects on the population and the economy, including significant economic stimuli. A more detailed description related to the risks associated with COVID-19 can be found in Part 1 – “*Risk Factors*” of this Prospectus.

Due to the unique nature of the pandemic, an exact assessment of the impact on the economic system and on the Issuer’s solvency is not feasible with numerous and fast pace counter actions being taken by most economic players in this unfamiliar context.

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Still, we consider that the Issuer's cautious lending profile, good capitalization and adequate liquidity has put the Issuer in a good position to weather the current turbulent social and economic environment.

There are no other events apart from those mentioned above in the past nor are estimated to occur in the future that may influence in a significant manner the solvability for the Issuer.

General presentation of the activity

The statutory purpose of the Issuer is to engage in banking and financial business of any kind, including without limitation monetary intermediation, activities specific to the financial domain and related nonfinancial operations, such as operations under mandate received from insurance or reinsurance companies, mortgage loan companies, housing companies. The full scope of activities is set out in the articles of association which can be obtained from the Issuer free of charge.

The Issuer is licensed by the National Bank of Romania to conduct banking activities. The main activity of the Issuer is to provide day-to-day banking services to legal entities and individual clients. These include accounts opening, domestic and international payments, foreign exchange transactions, lending activities (including working capital finance and medium term facilities), bank guarantees and letters of credit.

The Issuer's business activities are subdivided into the following segments:

- Retail Banking
- Corporate Banking
- Treasury and Capital Markets.

Main products and services

I. Retail Banking

Private Individuals

The Issuer offers outstanding benefits to Private Individual customers, in line with its customer orientation and responsible bank positioning. The strategic focus continues to be that of building strong partnerships with individual customers, providing them with relevant banking solutions for their day to day needs and meaningful life projects by co-creating together with our clients the future of Raiffeisen banking solutions. In this regard, the Issuer implemented a client feedback collection mechanism, PULS, that allows for instantaneous service improvement and real-time input for process and product optimizations.

2019 marked a year with remarkable new launches for our clients, ranging from the possibility to obtain a personal loan 100% online, the new mobile banking and internet banking applications, the possibility to pay directly with the phone on both Android (RaiPay), Apple devices (Apple Pay) and Garmin watches (Garmin Pay) and special price offerings for deposits and refinancing personal loans.

Moreover, The Issuer remains close to its clients by engaging in significant events such as Neversea Festival, Jazz TM, Enescu Festival, Art in the Street, Art Encounters, WebStock, Unfinished Festival, Undercloud Festival, International Bucharest Marathon and numerous other local events.

Digital transformation of the daily banking experience

In 2019, the Issuer significantly uplifted its value proposition for Private Individual clients, focusing on digital transformation and simplification to help transform customer interactions with the Issuer into easy, stress-free experiences. Starting April 2019, all clients with a current account package benefit from **zero** fees for ATM withdrawals from any bank in Romania. This tops-up the zero-fees existing benefits in the

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offer and adds up to the preferential pricing for savings, credit cards, personal loan and overdraft for clients cashing income in the attached current account.

The simplified daily banking experience with zero fees within the current account packages was enhanced by offering clients the new mobile banking app, Smart Mobile and the new internet banking app, Raiffeisen Online. As a novelty, clients can access the new mobile banking right from enrolment. Although the old versions of the apps can still be used, for a smoother transition, clients who joined the new applications benefit from new advantages, such as Smart Hour, the possibility of exchanging Lei to Euro and Euro to Lei at National Bank of Romania rates, between 10:00 and 11:00. Moreover, the new apps have all the account information displayed in a single screen, simplified payments and 100% online log-in, due to Raiffeisen Smart Token. The new apps are developed in-house by the IT team of the Issuer and allow for faster launch of new features.

Digital Payments

Throughout 2019, the Issuer continued to complete the suite of innovative digital releases. To provide customers with a seamless banking experience, according to their needs, we added three other payment possibilities for our customers: **RaiPay** (phone payment app for Android users), **Apple Pay** (clients can make payments directly with their iPhone or Apple Watch) and **Garmin Pay** (allows for payments via Garmin watch).

Encouraging digital savings & rewarding loyalty

In 2019, to reward clients with recurrent income paid into the accounts opened with the Issuer, as well as to encourage digital channel usage, we launched a promotional campaign dedicated to new deposits. As part of this campaign, individual clients received competitive rates of up to 2.00% per year for new deposits opened for 6 months and up to 2.75% per year for deposits opened for 12 months.

Responsible lending solutions

The Issuer continued to invest in an easier and faster lending process, working to simplify the clients' experience for both personal loans and mortgage loans. In February 2019 the Issuer launched Flexicredit Online, a flow through which banks' clients can obtain 100% online the Flexicredit personal loan, in less than 10 minutes.

Regarding mortgage loans, the Issuer has one of the most competitive offers in the market and offers a special pricing for Green Homes. The benefits the customers appreciate the most are the fast financial pre-approval of the mortgage loan, in maximum 24 hours, with a validity of 90 days, as well as the grace period for the first instalment, thus clients having the possibility to focus on what is important to them, their new home, during this time.

Despite the new, more restrictive lending conditions imposed by NBR starting with the beginning of 2019, PI lending showed an increasing trend both in terms of new volumes and market share - the more aggressive evolution coming from a 30% year on year increase for mortgage loans, and a market share of 9%, whereas personal loans volumes had a similar yearly performance as 2018, entirely with fixed interest rate, and a market share of 17%.

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Source: The Issuer.

The results of the last two years showed a robust and consistent growth of Gross assets (9% in 2018 and 8% in 2019). Gross income had a different development (13% in 2018 and 1% in 2019) while the C/I ratio managed to remain flat.

Young Individuals Segment

Young individuals continued to represent an important customer segment of the Issuer, covering young people 18-25 y.o. with a dedicated current account bundle offering zero costs based on age only. In 2019, The Issuer intensified its presence in 47 universities from 21 cities across the country.

Premium Customers

The Issuer addresses high potential customers (with monthly income of over 2,000 euros or assets under management in the Group ranging between 40,000 and 250,000 euros) using the Premium Banking service. The key value proposition pillar for these customers is the Personal Banker, along with other Premium benefits relevant to the complex needs of Premium clients. In 2019, the Issuer continued its strategy of consolidating business volumes on this segment, as well as its customer base, leading to a record increase of more than 17% in the number of customers, compared to 2018. Above all, the Issuer’s main focus continues to be that of providing Premium customers with a superior banking experience.

Friedrich Wilhelm Raiffeisen Private Banking Clients

The Issuer’s Private Banking division is aimed at high net worth individuals (with assets under the Group’s management in excess of EUR 250,000) and has EUR 1.2 billion in assets under management, enjoying a high level of recognition for the excellence of the services offered, both from clients and from the financial services industry. Friedrich Wilhelm Raiffeisen Private Banking Service was designated in 2019 as the “Best Private Banking Service in Romania” by PWM/ The Banker, part of the Financial Times Group. In 2019, the Issuer has continued the improvement of services offered in this segment, by investing in digitalisation and human resources allocated to it.

Small and medium-sized enterprises (SMEs)

Considering the characteristics of the Romanian market, the Small and Medium-sized Enterprises segment in the Issuer comprises SME’s with private capital and an annual turnover up to EUR 5 million, including Professionals. By positioning clients’ needs in the centre of the Issuer’s focus and offering easy to use

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financial solutions and products, the bank's aims at building an ecosystem that provides all necessary financial services for conducting entrepreneurial businesses and establishing long term relationships.

SME clients are further segmented into micro-companies (turnover up to EUR 1 million) and small & medium enterprises with turnover up to 5 million, as well as Professionals based on their membership to respective associations and bodies. This approach is meant to ensure a customized service level appropriate to their profile, size of activity, complexity as well as their transactional & financial needs. Moreover, the Issuer applies a behavioural model that helps with a more thorough understanding of the client needs, values, and expectations related to bank interaction. Consequently, a series of products and services are permanently adapted to the specific requirements of various entrepreneurs' subcategories, while communication is directed through their preferred channels.

From a service model perspective, the Issuer's consultants (SME Relationship Managers and Branch managers) provide financial advisory and dedicated assistance to customers, using a 360° approach in identifying the most appropriate financial solutions and taking informed decisions in this respect.

Besides the extensive branch network, SMEs benefit from the same client experience across a wide range of alternative channels through which they can access bank's products and services: mobile banking (Smart Mobile), Internet Banking (Raiffeisen Online) or the distance interaction solution – Interactive Voice Response via Call Center.

Digital solutions like Raiffeisen Online and Smart Mobile continue to be the primary focus, as they provide our clients with a simple and convenient experience and therefore bank's efforts have converged onto financial education and migration to alternative channels. These applications aim at enhancing customer experience and ensure anytime and anywhere service availability, besides offering the lowest transaction costs. Clients currently using digital channels grew from 55% in 2018 to 63% at the end of 2019, while digital transactions volume reached 94%.

At the same time, with regard to alternative solutions to cash, the number of the Multi-functional Machines (MFM) was extended by 19% nationwide, to over 260 machines that allow for multiple transactions: cash deposits and withdrawals, bill payment, account statements, foreign currency exchange, etc. Under these conditions, the weight of MFM activity in total cash transactions grew to 62% (from 58% in 2018).

Current account packages optimization continued by including unlimited Lei receipts and unlimited electronic Lei intra-bank payments, thus offering to entrepreneurs the advantage of performing all transactions with their business partners without additional costs, should these have bank accounts with the Issuer. Furthermore, the range of freely included benefits extended with foreign currency payments and debit instruments transactions, besides the access to the main digital channels and the most usual banking transactions and services (like Lei receipts and payments, cash deposits and withdrawals at ATM/MFM, preferential tariffs for currency payments).

At the same time, financing solutions remained a critical need for SME clients and the Issuer continued to support them, loan portfolios growing by 4.2% as of December 2019, in the context of an overall consolidation of the lending market. Proactively and based on publicly available data, the companies were offered pre-selected financing alternatives, both for current activity and for capital expenditure purposes.

After 2018 launch, as a premiere on the Romanian banking market and recognised as such by the local and regional mass-media, the Issuer continued the development of "Factory by Raiffeisen" online platform, dedicated to entrepreneurial culture in general, and to start-ups in particular. In the second edition of the program, 83 Romanian start-up entrepreneurs were selected to receive a total of Euro 3 million loans. The three times higher results compared to the first edition supports the trend confirmed by the Issuer's research regarding the increase in the number of employees changing their status to entrepreneur.

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The Issuer's support included both current account packages for the daily transactions as well as access to courses and workshops for business development. The financed amounts provided in the "Factory by Raiffeisen" program are based on the COSME agreement, guaranteed by the European Investment Fund.

The Issuer and the European Investment Fund - EIF continued the cooperation first started in 2010, by carrying on the latest agreements signed in 2017, totalling more than 500 million EUR (equivalent). The two agreements are: EU program for the Competitiveness of Small and Medium-sized Enterprises (COSME) and the "SME Initiative" (SMEi). Both initiatives are intended to support clients' access to financing through flexible collateral alternatives, 4,700 SME's benefiting of funding under these programs so far.

The third EIF program run by the Issuer in 2019 represents a EUR 30 million new agreement for financing and guaranteeing loans in Lei, for working capital and investments purposes, addressed to farmers and entrepreneurs in rural areas, with subsidized interest rates and costs. This new program is focused on stimulating agricultural investments in equipment and machinery, but also on the broader development of the rural and mountainous areas, reaching over 120 beneficiaries in 2019.

Based on the current trends of the business environment, approximately 900 clients attended various profile events, from networking to tax presentations and leadership workshops. Pursuing client interest from a broad perspective, the Issuer closed a partnership agreement with the Romanian company Keez, an AccountingTech startup, for facilitating SME clients' access to new technological solutions for online accounting and a partnership with Confidas platform, that can be used as an information or warning system for commercial relationships.

II. Corporate

The general strategy of the Corporate Division is to focus on developing long-term relationships with the economic ecosystems formed around the macro relevant Corporate companies.

The main strategic directions are:

- Focus on the holistic approach towards the ecosystems formed around corporate customers, addressing all the stakeholders (e.g. suppliers, clients, employees, shareholders, key executives, etc.);
- Continue implementation of business development programs (e.g. financial development, human resources management, research, optimize operational processes) for the customers, especially on Mid Market segment (e.g. Catalizator, Romanian Brands). The events have also a strong networking component for best practice sharing;
- Boost the efficiency program through:
 - Continued migration to electronic channels and/or expertise centralization;
 - Structured sales process (e.g. top-up volumes, pre-approved amounts campaigns);
 - Upgraded informational infrastructure for a faster and more reliable response to customer demands;
- Ensure compliance with increased regulatory requirements: complying with local, international and group requirements (e.g. Basel III, Fatca, KYC, etc.).

The Large Corporates segment is focused on delivering personalized customer development programs, structured on industry expertise developed in previous experience. The maturity of our business

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relationships allowed us to actively engage in the most relevant transactions in the market, irrespective of the structure complexity.

Focusing on regional coverage of the clients, Mid Market segment continues its efforts to develop the business community by encouraging collaboration and best practice sharing. Evolving from the experiences gained in the previous year, Raiffeisen Catalizator platform continued in 2019 and received high appreciation from our partners which participated in large numbers. In partnership with Ziarul Financiar, our Mid Market experts organised the event Romanian Brands (ro. Branduri Romanesti) encouraging the development of local entrepreneurs on the most modern business models (e.g. sustainability).

A special attention is offered to the clients of the Raiffeisen Group, where the Issuer solidified its status as focus country for the Raiffeisen Group.

Financing structures sustain the sales effort through customized solutions for each partner and receive high appreciation from clients who considered them updated to current macroeconomic characteristics. The Issuer is undergoing a constant effort to improve its financing solutions and, to that end, the efforts and resources allocated for factoring are worth mentioning.

An important role in the growth effort has the continued partnership with institutional investors (European Bank for Reconstruction and Development, European Investment Bank, European Investment Fund), especially in the Mid Market segment. Notable are the COSME and SMEi Programs, where the Issuer was granted the largest portion of funds on the market. Corporate Division is very active also in the syndicated market, with transactions in different economic sectors. Benefiting from guidance from the Raiffeisen Group and investing in important training programs, the Issuer managed to act in various different roles in large and complex transactions.

An important contributor to the assets' growth is the Project Finance business line, with significant big tickets in real estate and retail. The internal expertise managed to bring an important improvement to time of implementation, despite the normal complexity of this type of transactions.

Important successes were also registered by transactional banking, with online payments sharing well above the 95% threshold, following the continued optimisation efforts towards digitalization and streamline processing.

Compliance with national and international regulation is an important part of the Corporate Division strategy, in order to provide our clients with the highest level of confidence and security when using the Issuer's services. The process was optimized to reduce the bureaucratic burden, albeit the increased regulatory requirements. The Issuer is committed to keeping its level of compliance with the legislation in place, in order to provide the best protection and security to its business ecosystem.

The results of the last two years in the corporate clients segment showed a robust and consistent growth of the Gross assets (23% in 2018 and 6% in 2019) and consequently the gross income (15% in 2018 and 11% in 2019). Combined with a flat evolution of operational expenses, resilient to external and internal pressures (e.g. minimum salaries increases, increased investments).

Significant efforts were allocated to improvement of risk portfolio profile and the combined reduction of 52 bps (12 bps in 2018 and 40 bps in 2019) of the risk charge testifies about the success of these measures. The reduction of the NPL ratio (184 bps in 2018 and 72 bps in 2019) is another important testimonial of the business model soundness level.

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Bottom line result of the Issuer in the corporate clients segment grew also substantially (40% in 2018 and 41% in 2019), bringing financial comfort for the Issuer's investments in the main strategic pillar of the Issuer, *i.e.* being the preferred financial ecosystem of our customers.

III. Treasury and Capital Markets

Treasury

The Treasury (Balance Sheet and Portfolio Management Directorate) is responsible for the strategic management of the Issuer's assets and liabilities with the goal of ensuring a stable net interest income while maintaining a sustainable medium and long-term liquidity and capital position of the Issuer.

The Issuer manages the interest rate risk with the objective to balance the net interest rate sensitivity and economic value of equity. The strategy is to invest in both fixed rate and floating rate assets in a given set of risk limits approved for net interest income sensitivity and economic value of equity.

The management of the balance sheet considers both the liquidity and interest rate perspective and is performed by using an ever-growing and improving set of tools, including an effective system of internal funds transfer pricing for both liquidity and interest rate risk management. The internal funds transfer pricing system is based on market rates and is designed to allocate all costs and benefits to the business segments in a way that incentivizes the efficient use of liquidity. As part of the overall risk management framework, the assets and liabilities of the Issuer are modeled and analyzed in order to adequately reflect the liquidity and interest rate risk profile of the Issuer.

In order to ensure an adequate level of liquidity under stress conditions, the Issuer maintains a liquidity reserve comprised of high-quality liquid assets (HQLA), including cash held at the central bank and bonds eligible as collateral for central bank liquidity facilities. By maintaining this reserve, the Issuer ensures alignment with internal requirements and liquidity risk regulations for stress conditions.

Liquidity Coverage Ratio (LCR), the regulatory standard for stress conditions, aims to ensure sufficient liquid assets to meet stress-free liquidity needs for 30 days. According to regulatory requirements, the Issuer has to maintain a LCR level above the minimum threshold of 100%. In the case of the Issuer, the value of the liquidity buffer held by the Issuer amounted to EUR 2,208 million in December 2019, the corresponding ratio being close to 159%, significantly higher than the regulatory level.

	DECEMBER 2018	DECEMBER 2019
High-quality Liquid Assets (EUR mn)	2,016	2,208
Net Outflows (EUR mn)	1,277	1,389
LCR value (%)	158%	159%

Source: The Issuer

Treasury oversees also the funding management of the Issuer, being responsible for the development, execution and regular updating of the Issuer's funding plan. Furthermore, the funding management team is responsible for the coordination of the access and participation to the implementation of various programs developed by international financial institutions, supporting the lending activity of the business lines (more details in the **Financing sources** section below).

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Capital Markets

Capital markets (CM) are covering the needs of the Issuer's customers interested in the capital markets products, as well as being responsible for the management of all the risks linked to customers' transactions, as well as transactions with financial instruments. The Issuer covers all customer segments for specific products that it is allowed to sell based on the approved -distribution model, as well as being involved in interbank transactions for the purposes of managing client demand and for undertaking risks, based on the approved trading model and market risk set of limits approved specifically for CM. Specific risk is undertaken only in connection to such approved products, which are simple products (even the derivatives). The Issuer one of the Primary Dealers in the relation with the Romanian Ministry of Public Finance and it is distributing RON, as well as EURO denominated securities issued by the Ministry of Public Finance.

CM division has one set of limits approved and when it comes to portfolio exposure, it represents less than 10% from the overall bank exposure.

Through the trading desk, CM is active on the EUR-RON FX market, ROMGB market and RON related plain vanilla FX derivatives.

Having a clear set of rules and clear roles and responsibilities CM, together with Treasury, are part of the ROBID ROBOR fixing and also ROMGB fixing (only CM).

Market positioning

Total Assets market position

Rank	Bank	Total assets	Market share
1	BT	87,438	18%
2	BCR	74,938	15%
3	BRD	55,853	11%
4	Unicredit	44,541	9%
5	The Issuer	42,879	9%

Source: The Issuer

Note: Total assets ranking as of December 2019 based on publicly available data as of 20 March 2020 – amounts expressed in RON million; Figures presented in chart reflect the standalone total net assets for each of the banks and are compared with the total net assets figure published by NBR for December 2019; Due to lack of data available, BCR figure stated reflects total assets in BCR group.

Considering the data available at the current time, the Issuer stands in the fifth position in the market share by total assets. Total net assets level in the banking system used in this market share calculation was around RON 495 billion, worth noting that the first two banks in the system have secured their top positions and cumulate almost a third of the assets in the Romanian banking system. The Issuer's market share is approximately 9%, with total asset of almost RON 43 billion.

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Loans to customers and liabilities from customers market position

The Issuer’s total loan stock market share is constant, around 10.2% during 2019. Stable trends for all business segments, with the slight decrease in legal entities market share coming from non-banking Financial Institutions, where the Issuer had a gradual decrease on reverse-repo transactions until the end of the year. If the Issuer carves-out this decrease from reverse-repo transactions, its market share would have gained 0.3% when compared to the end of 2018.

From a segment perspective, positive influence in the overall loans to customers market share comes from individuals, both on secured and unsecured lending with a special mention for mortgages where the Issuer moved at almost double the speed of the market. The Issuer reached a peak 7.5% market share for mortgage loans in December 2019, with a constant growth from the start of the year.

On liabilities, market share remained stable during the year, with movements in line with the market trend on both individuals and legal entities. Within this structure, worth mentioning is the Issuer’s very good positioning in retail current accounts, on both local and foreign currency denomination, thus proving our strong “home banking” relations. On term deposits, the Issuer evolved in line with the market trend, but we have a weaker position from the overall liabilities’ product structure. Roughly the same picture in legal entities, with stronger market share on current accounts vs. deposits, on the background of the Issuer’s ample funding sources and reduced need for negotiated deposits.



Source: The Issuer and peer reporting; Data as of December 2019.

Financing sources

Funding Strategy

The funding plan reflects the growth objectives, the evolution of the balance sheet, the financing requirement and the maturity profile, as well as the effects of changes in the market and the conditions imposed by regulations, all being adapted to take into account the management of the Issuer's capital structure.

The Issuer has a strategic funding plan, which includes the next three years of activity, a plan that is updated whenever major changes occur in the strategy, but at least annually. In addition, at the time of budgeting, an annual financing plan is drawn up, detailed on a monthly basis, for both the balance sheet items in local currency and for those in foreign currency.

The financing plan for the year 2020 is determined according to the evolution of the main balance sheet items, in direct agreement with the capital requirement, in order to support the business plan of the Issuer.

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At the end of 2018, the European Investment Fund (“EIF”) and the Issuer signed a new financing and guarantee agreement aimed at granting medium and long term loans to farmers and entrepreneurs in the rural area, for working capital and investments, in the amount of EUR 30 million, in attractive conditions - subsidized interest and reduced guarantee requirements. The program has been successfully implemented at the beginning of 2019 and it’s the fifth agreement signed with EIF.

In addition, the Issuer continued the long-lasting cooperation with the EIF under the SME Initiative, a program signed with EIF in 2017. In May 2019 the initial volumes were fully allocated and the Issuer concluded an agreement with EIF to top-up in order to increase the portfolio volumes under the program.

Funding sources

The balance sheet is mainly financed by deposits from clients, long-term loans (in the form of bond issues, bilateral loans and subordinated loans / bonds) and capital.

Customer Deposits

<i>In RON thousand</i>	CONSOLIDATED	
	31-Dec-18 audited	31-Dec-19 audited
On demand		
Retail customers	13,990,884	17,867,275
Non-retail customers	6,382,265	7,841,394
Public sector customers	-	=
	20,373,149	25,708,669
Term deposits		
Retail customers	9,159,442	8,378,420
Non-retail customers	3,517,463	2,021,422
	12,676,905	10,399,842
Sight deposits		
Retail customers	1,149	315
Non-retail customers	=	=
	1,149	315
Total	33,051,203	36,108,826

Source: Consolidated Audited Financial Statements

In addition to the main source of financing, the Issuer uses a mix of other sources of financing, in accordance with the objective of the financing strategy in order to have continuous access to financing at a reasonable cost and in the appropriate structure through the diversification of financing sources (products / institutions), as further presented below.

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Senior loans from supranational institutions

The Issuer has a strong relationship with supranational institutions. At the moment, the bank has two senior loans from European Investment Bank (“**EIB**”) and EIF, both in EUR and RON, as follows:

- a contract in the amount of EUR 30 million, signed with EIB in 2012, with maturity in 2020 and with the outstanding amount of EUR 1.8 million at 31 December 2019; and
- a contract in the amount of RON 308.9 million, signed with EIF in 2014, with maturity in 2026 and with the outstanding amount of RON 33.2 million at 31 December 2019.

Subordinated instruments:

Subordinated loans

These loans play an important role in both the financing structure and capital adequacy, and are also MREL eligible instruments. At the end of December 2019, the Issuer had 3 subordinated loans from Raiffeisen Bank International AG (“**RBI**”) in total amount of EUR 85 million:

- A floating rate loan in the amount of EUR 20 million, signed in 2014 with maturity in 2021;
- A fixed rate loan in the amount of EUR 25 million, signed in 2018 with maturity in 2025; and
- A floating rate loan in the amount of EUR 40 million, signed in 2019 with maturity in 2029.

Subordinated Tier 2 eligible bonds

At the end of 2019, the Issuer issued the Bonds as subordinated bonds in a private placement, being the first Tier 2 eligible instrument placed by the Issuer as bonds.

Additional Tier 1 capital (AT1)

The Issuer issued at the end of December 2019 the first AT1 instrument in Romania. The instrument in the amount of EUR 50 million has a perpetual maturity with the aim of improving Tier 1 capital and increasing total MREL instruments.

Rating

In April 2020, Moody’s has changed the Issuer’s outlook from stable to negative, as a result of its revision of Romania’s outlook from stable to negative, and affirmed the Issuer’s rating of long-term deposits / short local currency at Baa1/ Prime-2 and of long-term deposits / short foreign currency at Baa3/ Prime-3.

Strategy/Projects

As a top tier bank, the Issuer aims to help our customers to achieve their objectives through financial solutions that serve multiple financial 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 customer segments through personalization tools and we deliver services in a convenient way through digital channels and our helpful staff. We are committed to providing sustainable and qualitative banking solutions for our customers by doing ‘proper banking’ and by promoting a culture that relies on achievement, responsibility and competence.

Continued digitalization holds a clear focus the Issuer’s priorities list, when it comes to investment projects and we are aiming to provide fast, reliable and effective services to our dynamic clients and ultimately reinvent the customer journey. The Issuer continuously strives for responsible growth by supporting the development of the economy through specific means, and creating a more robust infrastructure for financial services industry including investments in the improvement of its systems and processes. In 2019,

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the number of customers using digital channels has reached more than 650,000, and the percentage of payments made on these channels has risen up to almost 97%. In more and more banking units, cash operations have been transferred to multifunction machines (MFMs).

From a business perspective, the Issuer brings to the market innovative products and rewarding partnerships to the best interest of our clients. the Issuer 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 positive development throughout 2018 and 2019 and Raiffeisen Factory program that gives great support to the start-ups market, while COSME and SMEi products continued to offer convenient lending terms for legal entities falling in the SME category.

Organisational structure

The Issuer is a subsidiary of Raiffeisen Bank International AG (further “**RBI**”). RBI is a stock corporation formed and operated under Austrian law with unlimited duration with its registered seat in Vienna, Austria. RBI is incorporated in Austria and registered with the Austrian companies register of the commercial court of Vienna under registration number FN 122119 m since 9 July 1991. RBI's head office and principle place of business is located at: Am Stadtpark 9, 1030 Vienna, Austria.

RBI, a credit institution according to § 1 para 1 of the Austrian Banking Act, seated in Vienna, Austria and listed on the Vienna Stock Exchange. RBI regards Austria, where it is a leading corporate and investment bank, as well as Central and Eastern Europe (CEE) as its home market. 13 markets of the region are covered by subsidiary banks. Additionally, the Group comprises numerous other financial service providers, for instance in the fields of leasing, asset management, as well as M&A. To support its business activities, RBI operates representative offices and service branches at selected Asian and Western European locations.

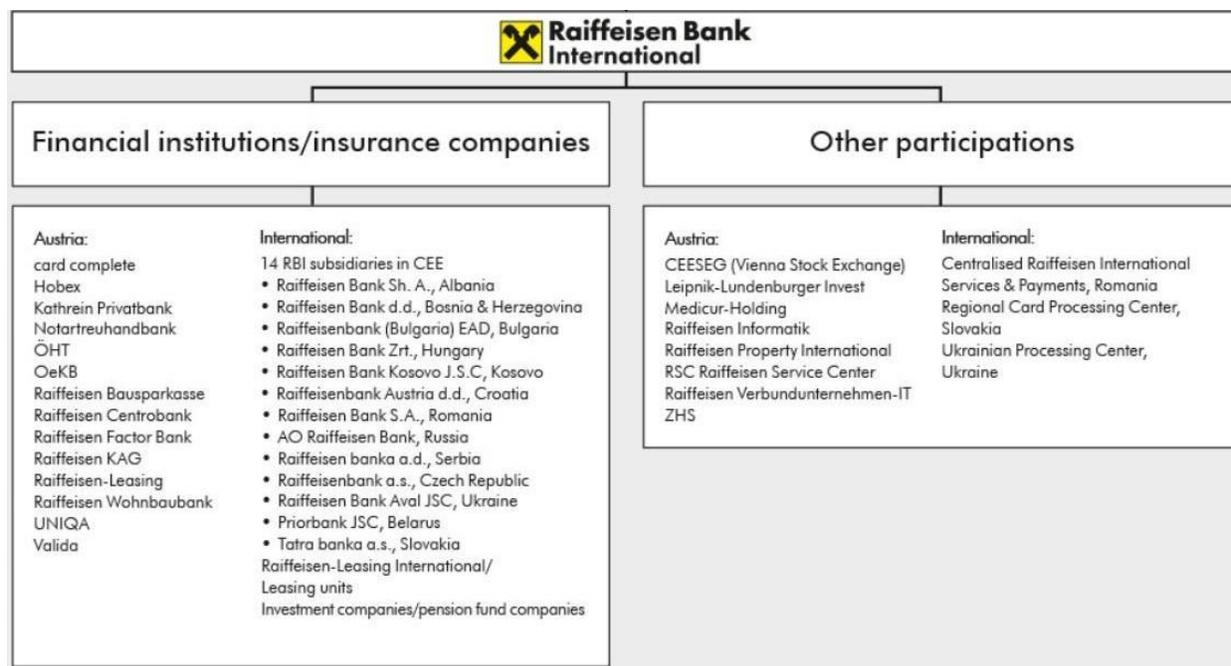
Around 47,000 employees service approximately 16.7 million customers through around 2,000 business outlets, the by far largest part thereof in CEE. RBI's shares have been listed on the Vienna Stock Exchange since 2005.

RBI is Austria's second-largest bank with a balance sheet total of €152,2 billion as at 31 December 2019. The Austrian regional Raiffeisen banks (*i.e.*, RAIFFEISEN LANDESBANK NIEDERÖSTERREICH-WIEN AG, Raiffeisen-Landesbank Steiermark AG, Raiffeisen Landesbank Oberösterreich Aktiengesellschaft, Raiffeisen Landesbank Tirol AG, Raiffeisenverband Salzburg eGen, Raiffeisenlandesbank Kärnten - Rechenzentrum und Revisionsverband regGenmbH, Raiffeisenlandesbank Burgenland und Revisionsverband regGenmbH, and Raiffeisenlandesbank Vorarlberg Waren- und Revisionsverband regGenmbH) hold approximately 58.8 per cent of the shares, the remainder of around 41.2 per cent is free-float.

RBI was already active in CEE even before the process of political transition started in the region and the "Iron Curtain" fell: already back in 1986, its first subsidiary bank was founded in Hungary. Therefore, the bank looks back on more than 30 years of experience in the region's banking business.

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Structure of the Raiffeisen Group:



The Raiffeisen Group is present in Romania through its subsidiaries on different segments of the financial market: banking, investment fund management, leasing and also the building societies segment.

Principal subsidiaries of the Issuer

As of the day hereof the Issuer has the following principal subsidiaries:

S.A.I. Raiffeisen Asset Management S.A. is the asset management company of the Group in Romania. The objective of S.A.I. Raiffeisen Asset Management S.A. is to develop a large range of products to best serve the Group’s clients’ financial objectives. At the end of 2019, S.A.I. Raiffeisen Asset Management S.A. was the only asset management company in Romania offering both open investment funds and voluntary pension funds. The share capital amounting RON 10,656,000 is 99.99% owned by the Issuer. The total assets of the company exceeded EUR 15.5 million as at 31 December 2019. By the end of 2019, S.A.I. Raiffeisen Asset Management S.A. was the second largest player on the local funds market, with a market share of 24% and assets under management equivalent to approximately EUR 1.3 billion.

Raiffeisen Leasing IFN S.A. has been representing the 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. Raiffeisen Leasing offer is also available in over 350 agencies of the Issuer.

As of December 2019, Raiffeisen Leasing IFN S.A.’s assets amounted to EUR 235 million and its active contracts database included about 10.300 contracts.

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Aedificium Banca pentru Locuințe S.A. (“ABL”) (former name - *Raiffeisen Banca pentru Locuințe S.A.*) is the first company in Romania promoting the savings-lending (known as Bauspar) system, established in 2004 and focused on developing the housing sector.

Starting with 2019, ABL is majority owned by the Issuer, whose stake represents 99.9993% of the entire share capital, prior to that having been owned by non-resident companies within the Raiffeisen Group.

The product offered by is a combination between savings and loans and, besides the state premium granted by the Romanian state, the Issuer offers fixed interest both on savings and on loans. The “Bauspar” system for housing purposes has a social role, encouraging the long-term savings and improving the housing conditions in Romania.

At the end of 2019, ABL had a share capital of RON 131 million and assets amounting to RON 398,4 million.

ABL’s current activity level is limited due to the ongoing litigation in connection with the alleged deficiencies identified by the Romanian Court of Accounts (See “ – *Litigation*”).

Administrative, management and supervisory bodies

Corporate governance

The Issuer 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 partici-pants’ on the capital market). Therefore, the Issuer 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.

MANAGEMENT STRUCTURE

The Issuer is managed in a two-tier management system consisting of the Management Board and the Supervisory Board. The two-tier management system allows for the segregation of the Issuer’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 Issuer’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.

At the Date of this Prospectus, 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

Hannes Mösenbacher – Deputy Chairman

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

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Peter Lennkh – Member

Master's degree 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

Andrii Stepanenko – Member

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

Lukasz Janusz Januszewski – Member

Master's degree of Economics, University of Warsaw, Poland

On 29 April 2020, the ordinary general meeting of the Issuer has appointed Mr. Pedro Miguel Weiss as independent member of the Supervisory Board of the Issuer, following the resignation on 16 March 2020 of Mr. Martin Gruell from his position. As of the date of this Prospectus, the appointment of Mr. Pedro Miguel Weiss as independent member of the Supervisory Board of the Issuer is pending NBR approval.

The main attributions of the Supervisory Board are the following:

- 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 Issuer'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 Issuer;
- To establish advisory committees as required by law, but not only, as these will be considered necessary in order to develop the Issuer'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.

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.

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Management Board

The Management Board ensures the managing of the Issuer'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.

At the date of this Prospectus, 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 Iaşi, 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 Management Board:

- Convening the General Meeting of Shareholders according to the legal requirements and the Articles of Incorporation of the Issuer
- Establishing the reference date for the shareholders entitled to vote in the General Meeting of Shareholders
- Making proposals for changes to the Articles of Incorporation of the Issuer
- Preparing and submitting the Supervisory Board, at least every 3 months, a written report regarding the management of the Issuer, its activity and its possible evolution as well as information regarding any other matters that could significantly influence the Issuer;
- Preparing and providing Supervisory Board periodically a report regarding the quality of the compliance management, including the assessment of compliance risks;

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- Providing the Supervisory Board 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 approval of the General Meeting of Shareholders;
- Elaborating and periodically, at least once a year, revising the business plan and overall policies and strategies related to the credit institution activity; and
- Forecasting the investment plan and income statement and submitting it to the General Meeting of Shareholders approval.

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

- assessment of the actual financial situation of the Issuer and of the potential threats;
- decision to initiate a recovery measure;
- nomination of the recovery team responsible to implement the initiated measure; and
- 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 the General Meeting of Shareholders to the Management Board:

- 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 Issuer'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 Extraordinary General Meeting of Shareholders unanimously; and
- Establishment and closing down of any territorial bank units with no legal personality.

The main attributions of the Management Board:

- The Management Board has all the powers of management and disposal and of authorization of all transactions falling within the Issuer'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 General Meeting of Shareholders' competence(s);
- Take measures to adopt all business decisions for the implementation of the provisions of the business plan and the budget of the Issuer;
- 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 Vicepresident, coordinator of Retail Banking Division;

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- Approve the acquisition/sale/disposal of assets;
- Approve the set-up/closure of new subsidiaries;
- Approve capital increase/decrease of subsidiaries;
- Approve the Issuer's 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 Issuer;
- Approve the number of personnel and establish the remuneration policy in the Issuer;
- 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 Issuer'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 Issuer'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 the Issuer, 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 Issuer's balance-sheet and the drawing up of the overall financial policy of the Issuer; 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 Issuer.

Conflict of interest

Management and Supervisory bodies' Potential Conflicts of Interest

The Issuer is not aware of any undisclosed respectively unmanaged conflicts of interest between the obligations of the Supervisory Board members and/or the Management Board members and their private or other interests.

In addition, has internal provisions pursuant to the NBR regulation no 5/2013 regarding the prudential

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requirements for credit institutions as well as compliance rules (taking into account respective Romanian legal provisions as well as the EBA Guidelines for internal governance (EBA/GL/2017/11), the Joint ESMA and EBA Guidelines on the assessment of suitability of members of the management body and key function holders.

Their objective is to prevent conflicts of interests which may adversely affect the interests of customers or of the Issuer. If any conflicts of interest are identified with respect to the members of the Management Board, Supervisory Board, procedures will be in place or measures will be taken in order to cope with and in particular to disclose such conflicts of interest:

- The guidelines and rules related to *potential or actual conflicts which may affect the Issuer, the employees themselves (including management), their spouses/partners, children or other family members living in the same household to the extent that these persons have a close relationship with customers or other contractual partners (in particular suppliers) or issuers of financial instruments.*

Each member of the Management Board must promptly disclose any conflict of interest to the Supervisory Board and inform the other members of the Management Board of the conflict.

The various functions held by the members of the Supervisory Board might cause a potential conflict of interest in specific circumstances. However, the members of the Supervisory Board are required to disclose immediately any conflict of interest to the Chairman of the Supervisory Board, especially if such conflicts may arise as a result of consultancy services or by holding a board position with a business partner. In the event that the Chairman himself should encounter a conflict of interest, he must report this immediately to the Deputy Chairman.

No potential conflict of interests exists in respect of any member of the Management Board or Supervisory Board between his duties to the Issuer and his private or other duties. Members of the Management Board or Supervisory Board may enter into business transactions with the Raiffeisen Group in the ordinary course of business on an arm's length basis.

- *Members of the Management Board of the Issuer serving on the management boards or supervisory boards or performing any similar functions in other companies/foundations.*

Members of the administrative, management and supervisory bodies of the Issuer, may, in individual cases, be confronted with conflicts of interest arising in the context of the Issuer's banking operations if the Issuer maintains active business relations with such other companies.

Generally, members of the Issuer's executive bodies serving on management or supervisory boards outside the Issuer, including customers of and investors in the Issuer, in individual cases, may be confronted with potential conflicts of interest if the Issuer maintains active business relations with said companies.

Based on the information available to the Issuer at the date of this Prospectus, there is no conflict between the duties of the Issuer's administrative, management and supervisory bodies concerning the Issuer and their private interests and/or other duties.

Insofar as new situations of conflicts of interest arise, the persons concerned will fully comply with the applicable legal and internal provisions addressing conflicts of interest.

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Risk Management

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

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 Issuer'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 Issuer's risk management policies in the specified areas.

The Issuer's risk management policies are established to identify and analyze the risks faced by the Issuer, 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.

Following the enactment of national transposition measures of CRDIV and the entry into force of CRR, the Issuer reports to the BNR the Leverage Ratio, the Liquidity Cover Ratio (LCR) and Net Stable Funding Ratio (NSFR). The Issuer also completed in 2014 the implementation and reporting of the European Banking Authority (EBA) standards concerning forbearance and non-performing exposures. The Issuer also complies with the provisions on the recovery and resolution of credit institutions.

Starting from 2018 the Issuer applies the IFRS9 requirements.

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

A. Risk Management Principles

The Issuer has put in place a set of risk management principles, as well as procedures for risk(s) identification, measr Risk management principles are established by the Board of Directors and they are:

- Risk awareness: the Issuer maintains an environment of full awareness and understanding of the inherent risks appearing in its normal course of activity. This is obtained by providing relevant information, transparency of processes and adequate utilization of the risk methods and tools. Whenever a situation seem to be unclear, the principle of prudence will prevail and will be followed
- Risk Undertaking: the Issuer has a cautious approach with regard to the risks assumed and for any risk undertaken a minimum return must be considered. The risks undertaken by the Issuer are in line with the existing policies and strategies. The risk premium must be both adequate as well as sufficient to obtain a minimum risk adjusted return. In consequence, the Issuer will assume risks in relation to its activity only if (i) there are adequate risk measurements evaluation and (ii) the estimated return is higher than the expected losses plus a percentage applied to the capital utilization in order to cover the unexpected losses
- Risk management: the management, limitation and monitoring of various risks are adapted and in line with the probability and impact (materiality) of a certain risk for the Issuer. This means that the sophistication of the methods applied is higher if the risk materiality is higher. Also, the methodologies of risk management, control and limitation are permanently improved, in terms of both quantitative and qualitative tools applied.

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- Legal requirements: the Issuer implements the risk management prudential policies in its activity.
- Integrated Approach: based on the risk evaluation process, it resulted that the main risk categories for the Issuer, both at individual as well as consolidated level, are: credit risk, market risk, operational risk and liquidity risk. The Issuer integrates all these risks in a unique risk measurement, namely the economic capital.
- Unitary Treatment: the Risks are benefitting of an unitary treatment in ex-ante calculations (when risk limits are established and economic capital allocation) but also ex-post (when the limit utilization is determined). This unitary approach allows transparent and acceptable measures to be taken for various business lines, whenever the risks are outside the established limits.
- Independent control: the Issuer practices a strict and explicit separation between the business activity, where the risks are undertaken or assumed, and the activity of risk management and control. This separation is insured both functional and organizational at all levels, including at the management level, as the Chief Risk Officer, responsible for risk management activity is member of the the Issuer's Board of Directors.
- Periodical Reviews: all the Risk Policies are at least annually reviewed, in line and taking into account the business Plan and the Budget, with the possibility of more frequent review in case of events or the developments requiring this review.
- New products: whenever a new product is introduced or launched, supposing to assume certain risks, a thorough risk analysis is made in advance in order to identify the risks involved. An important instrument in this process is the PAP – The Product Approval Process, covering all the important aspects regarding the respective product (organization, expected profitability, associated risks) which is approved by all the management bodies as well as at Group Level.
- Risk Management Activity Organization.

The risk management activity is fundamental for the Issuer and this is the reason why, almost all the Issuer's structures are involved in a way or another. Below are presented the main structures involved and their main attributions with regard to risk management activity.

The Board of Directors ensures the adequate organization and the continuous development of the risk management activity. Periodically, it elaborates and revises the Business Plan and the overall Strategy of the Issuer, including the approval of the Risk Profile and Strategy. This body is responsible for setting up the Risk Capital Targets and approves the economic capital allocation as well as the economic capital Limits.

Risk committees

Risk committee (CARS) approves the main principles of risk management and ensures that the risks are maintained within approved limits, through policies, standards and adequate measures of risk management. By supervising the implementation of these policies, standards and methodologies, CARS ensures risk prevention and/or when produced, limitates the impact.

The Asset and Liability Committee (ALCO) is in charge with the management of the Issuer's Balance Sheet structure, as well as for the liquidity risk management, defining also standards for internal transfer prices utilization. In this context, ALCO plays an important role in the long term financing planning and interest rate risk and FX risk coverage. In the same time, the committee establishes limits for liquidity and market risk, also monitoring these limits, and also ensuring an efficient steering of the Issuer's capital with the purpose of generating sufficient revenues according to the Issuer's risk parameters.

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The Credit Committee ensures the credit risk management, approves the credit policies and credit decisions, within the existing approval competencies.

The Executive Credit Committee is empowered to approve credit facilities, credit lines included, as well as contingent transactions/off balance sheet towards a single debtor (or towards one or several debtors belonging to a single “economic entity”) and takes decisions regarding the country risk, that requires the approval of the Supervision Committee, according to the Credit Committee By Laws, also approved by the Supervision Council.

The Risk Committee of the Supervision Council offers advice to the Supervision Council and to the Board of Directors with regard to the risk strategy and appetite, also assisting the two bodies in the process of implementation of the risk strategy. Also, the Risk Committee of the Supervision Council analyses if the assets and liabilities prices took into consideration the business model of the Issuer and its risk strategy, and if necessary, presents to the two respective bodies, the Supervision Council and the Board of Directors a plan with actions to be taken aiming to correct the situation; also analyses if the remuneration system takes into consideration the risk, the capital, the liquidity as well as the probability and time synchronization with revenues obtained.

The Issuer’s general risk profile for 2019 is moderate. The Issuer defines as significant the risks which have major impact on the financial standing or reputation of the Issuer. These risks, which are further described are assessed for 2019 in the range of low, moderate or moderate to high. This leads to the assessment of the Issuer's general risk profile as moderate for 2019.

Credit Risk

The Credit Risk is the risk of loss that can result from the adverse modification of the financial standing of the counterparty; this definition includes the risk for the debtor being unable to fulfill its payment obligations (in time and in full amount) from whatever reasons: non-payment, bankruptcy, transfer restrictions and currency conversion etc. Also, the potential loss due to the change of the debtor’s rating or to the financial situation deterioration represents credit risk. Additionally, the residual risk from the credit risk mitigation techniques is also considered credit risk, due to the fact that the actual value of the collateral could be lower than the anticipated one. Due to the fact the losses from the credit risk are inevitable in the credit activity, it is worthwhile to make the difference between the losses anticipated and the unexpected losses.

The objective and the strategy of the Issuer regarding the Credit Risk are formalized in the specific credit policies for every client segment (Corporations, IMM Medium, IMM Micro, LRG and Private Individuals) are annually revised and approved by the Issuer’s management.

In addition, the Issuer has employed strong credit risk management instruments and procedures covering the credit risk process from the stage of granting the loans until their repayments, for all client segments. The instruments and procedures focus on the in-depth assessment and the regular review of the clients’ financial standing and on their capacity to sustain debt repayment, including in stressed foreign exchange and interest rate conditions.

The Issuer applies a very strict FX policy for the FX loans granted to its clients. All the clients benefiting from FX loans must be naturally hedged or must demonstrate that their loan repayment capacity remains strong even when stressed foreign exchange and interest rate conditions are applied.

For the scope of policy monitoring, periodic reports are presented to the Credit Committee and the management of the Issuer. These reports present the current situation reported to the proposed objectives, the restrictions imposed or the recommendations made in the Credit Policies.

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The credit portfolio evolution is monthly analysed in the Monthly Portfolio Report, which includes the portfolio limits and the situation with regard to the limits established per type of client (segments) in the credit policies.

In addition, the issuer conducts regular stress tests in order to assess the resilience of the credit portfolio to adverse market conditions and the impact on the credit portfolio indicators.

Credit risk analysis and assessment functions for all activity segments are fully centralized and currently represent a single point of contact for the Issuer. 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 the Issuer or its customers.

Starting with 2009, the Issuer 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, the customer portfolio is split into risk groups and actions/ strategies are proposed for the customers considered problematic.

The Issuer received NBR's approval to determine the capital requirement for credit risk according to internal rating models approach (IRB), starting with 2009, July 1st. As regards the retail portfolio, the Issuer received NBR's approval to determine the capital requirement for credit risk according to the advanced internal rating models approach (AIRB), starting with 2013, December 1st.

The overall credit risk has been moderate to high for 2019.

Market Risk

Regarding market risk, the Issuer currently uses the standard approach for capital requirement calculation. The market risk management is currently implemented through market risk limits and warning levels structure applied to the Issuer'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 the Issuer. The counterparty products on the local market are plain vanilla, mostly collateralised.

The Issuer's objective and strategy with regard to the market risk are implemented with the help of the existing policies and the norms in place regulating the market risk management.

The interest rate risk is the risk of loss from the market values of the Issuer's positions bearing interest rate sensitivity, as a result of interest rate variations.

For the Issuer, the interest rate risk for the trading portfolio is low to moderate in 2019.

The interest rate risk for portfolios other than the trading portfolio is moderate to high.

The Issuer has implemented hedge accounting in 2018.

The FX risk is the risk of loss due to the loss of assets and liabilities value, which are denominated in various currencies, other than RON, as a result of exchange rate variation.

The FX risk for 2019 is low to moderate.

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Operational Risk

The operational risk is defined as the risk of loss from either internal inadequate processes, human resources and systems or from external events and actions.

Starting with 1 January 2010, the Issuer determines and reports the capital requirement for operational risk, using the standard approach based on the NBR's approval from November 2009.

This approval was based on the operational risk management framework developed throughout the Issuer using the three line 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 Raiffeisen Group received ECB approval for using the Advanced Measurement Approach (AMA).

The operational risk management of the Issuer includes the identification, measurement, monitoring and controlling of the operational risks and the calculation of the capital requirement for operational risk. The issuer uses all the AMA specific tools for operational risk management and controlling: incidents collection, annual risk assessment, scenario analysis.

In 2019 the Operational risk is moderate.

Liquidity Risk

The Management Board defines the liquidity risk strategy based on recommendations made by the units responsible for liquidity and funding management in cooperation with the area responsible for monitoring and controlling the liquidity risk. The main tools used for liquidity risk management and control purposes are: liquidity gap report, liquidity scorecard, regulatory liquidity indicator, early warning system, regulatory liquidity coverage ratio (LCR), internal stress test.

Reputational Risk

The activity of reputational risk control is mainly based on a strict enforcement and monitoring, in compliance with the following principles: respect for the vision, mission and the values of the Issuer, to inform all employees about the relevant issues related to reduction / reputation risk management, compliance with Code of Conduct, Rules of Ethics, prevention and controlling of fraud and corruption, respecting the rules of internal and external communication.

Main activities employed internally refer to:

- Tracking and recording reputational risk events in the dedicated database, within agreed deadlines;
- Defining and monitoring relevant reputational risk indicators and reporting these indicators toward the risk control function, within agreed deadlines
- Proposing appropriate measures to control / reduce exposure to reputational risk and provide support for the implementation of the measures
- Providing an environment and a culture of reputational risk awareness by disseminating relevant information about reputational risk, by contributing to training of personnel in the field of reputation risk and by providing feedback based on the collected data.

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Capital adequacy

The management body of the Issuer hereby confirms that as of the date of this Prospectus the risk management systems of the Issuer are adequate in view of the profile and the strategy of the bank. Also, the management body of the Issuer hereby confirms that the liquidity risk management systems in place are adequate with regard to the Issuer’s risk profile and strategy.

Implementation of the risk profile at the Issuer’s level is realized by establishing a strategy for each significant risk and implementation of corresponding policies. The Issuer has adopted policies for managing significant risks, ensuring the implementation of the adequate risk profile.

The main objective of the risk management activity in the Issuer is to maintain an adequate level of internal capital in relation to the risks taken, both from a regulatory (sustainability perspective) and economic (target rating perspective) point of view.

It is considered that the Issuer has an adequate level of capital for covering risks when economic capital is less than or equal to the risk capital, for all risks.

In 2019 the Issuer improved its capital position by issuing two capital instruments: AT1 and the Bonds, which are Tier 2 capital instruments.

As at 31 December 2019, the internal capital of the Group (risk capacity) amounted to 5,079 RON million, resulting in an amount of risk tolerance of 4,571 RON million, calculated as 90% from internal capital.

As the risk tolerance of 4,571 RON million is higher than the economic capital in total amount of 2,663 RON million, on 31 December 2019 the Group had an adequate level of internal capital for covering risks.

Capital structure for the Group (sub-consolidated level)

Capital structure(% RWA)	Regulatory requirements 2018	Actual 2018	Regulatory requirements 2019	Actual 2019
SREP requirements:				
CET1	6.52%		6.27%	
Tier1	8.70%		8.48%	
CAR, out of which:	11.60%		11.20%	
<i>SREP</i>	3.60%		3.20%	
Capital buffers	3.88%		4.50%	
Conservation	1.88%		2.50%	
Countercyclical	0.00%		0.00%	
O-SII	2.00%		2.00%	
Systemic Risk	2.00%		1.00%	
Total capital requirements:				
CET1	10.40%	15.09%	10.77%	14.69%
Tier1	12.58%	15.09%	12.98%	15.66%
CAR	15.48%	17.14%	15.70%	19.41%

* max between O-SII and Systemic risk buffer applies

Source: The Issuer

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Capital ratios are at a comfortable level, above the minimum requirements. The current levels for 2019 do not include the profit incorporation, approved in the general meeting of shareholders dated 29th April 2020.

Material agreements

The Issuer and its subsidiaries have not entered into any material contracts, other than contracts entered into in the ordinary course of business, which could result in any member of the Issuer's group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligation to holders of the Bonds.

Trend Information

There have been no material adverse changes in the prospects of the Issuer, nor any significant changes in the performance of the Group since the end of the last financial period for which financial information has been published to the date of this Prospectus.

The macro assumptions and perspectives changed after the recent COVID-19 pandemic. The Issuer will also be affected by these developments and the its prospects for 2020 point towards a movement with the market, namely a shrinkage in lending and transactional activity due to negative consumer sentiment and deteriorated macro environment, leading to lower gross income than originally anticipated. In addition to the negative impact in operational revenues, the Issuer also expects a worsening of the risk profile in a hard-tested economy, at a magnitude that is still difficult to be grasped. However, the Issuer'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.

Therefore despite the current difficulties due to the unexpected COVID-19 pandemic and its effects on the economy, the Issuer still sees 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.

Selected financial information

Financial information extracted from the Annual Consolidated Financial Statements

The selected financial information is extracted from the consolidated and separate financial statements as of December 31, 2019 and are to be read in conjunction with these financial statements. The consolidated and separate financial statements have been prepared in accordance with Order no. 27/2010 of the NBR and subsequent amendments, which require that these consolidated and separate financial statements are prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ("IFRS"). The financial statements have been audited by an external auditor.

Consolidated statement of financial position as at 31 December 2018 and 31 December 2019, respectively

	Group	
	31 December 2019	31 December 2018
<i>In RON thousand</i>	audited	audited

Assets

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Cash and cash with Central Bank	6,506,880	7,197,230
Loans and advances to banks at amortised cost	207,307	437,854
Derivative assets held for risk management	8,843	8,620
Trading assets	402,931	299,045
Financial assets mandatorily at fair value through profit or loss	363,525	380,228
Investment securities at fair value through other comprehensive income	2,398,161	3,204,307
Equity instruments at fair value through other comprehensive income	61,902	48,023
Investment in subsidiaries, associates and joint ventures	17,780	24,980
Loans and advances to customers at amortised cost	27,593,634	26,144,360
Fair value changes of the hedged items-hedge accounting	3,204	1,124
Investment securities at amortised cost	4,952,776	2,333,367
Current tax receivable	365	-
Other assets	495,663	302,939
Deferred tax assets	21,175	28,071
Property, equipment and right-of-use assets	588,570	203,274
Intangible assets	233,512	181,115
Total assets	43,856,228	40,794,537
Liabilities		
Trading liabilities	15,091	18,322
Derivative liabilities held for risk management	25,304	7,478
Deposits from banks	308,670	536,070
Deposits from customers	36,108,826	33,051,203
Loans from banks and other financial institutions	512,962	809,898
Derivatives – hedge accounting	3,497	1,433
Current tax liabilities	7,413	84,677
Other liabilities	914,721	599,416
Debt securities issued	480,617	512,458
Subordinated liabilities	408,645	855,678
Provisions	239,777	133,681
Total liabilities	39,025,523	36,610,314

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Equity		
Share capital	1,200,000	1,200,000
Other equity instruments	238,599	-
Retained earnings	3,112,004	2,721,294
Other reserves	280,102	262,929
Total equity	4,830,705	4,184,223
Total liabilities and equity	43,856,228	40,794,537

Source: Annual Consolidated Financial Statements

Statement of financial position

In 2019, the loan production had a good evolution for the Issuer, with 8% increase in new approved limits while new drawdowns exceeded RON 9.6 billion (representing 13% yearly increase). The Issuer thus has an active role in supporting the local economy growth through its wide offering 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 billion. Without this variation, the underlying growth in loans granted to customers is around 11%. This increase was achieved in a balanced manner, on all business segments and for the most relevant products in the Issuer's portfolio.

Notable positive outcomes for the investment loans for corporate customers (22% increase) and for SME (13% increase), while on Private Individuals' segment the development was also noteworthy with 10% higher net loans year-over-year registered in 2018. 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 in 2013 (registering 13% increase in stock), while demand in the market for personal loans was still significant, fuelled by the double-digit wage increases in the local economy; the Issuer's 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. Increase in other assets balances comes mainly from the payment made to ANAF of RON 242 million in 2019, considered as a payment in advance for charges regarding the fiscal audit.

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

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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 the Issuer registered a 10% decrease in liabilities, mainly due to it no longer accepting negotiated deposits, as a result of adequate liquidity of the Issuer.

The decrease in subordinated liabilities in 2019 when compared to 2018 is a consequence of the early repayment of a EUR 480 million subordinated loan, as well as of the issuance of the Bonds (Tier 2 capital instruments) on 19 December 2019 (included in "Debt securities issued" in the table above). In May 2019, the previous bond issue of the Issuer in the amount of RON 500 million reached its final maturity.

With regards to the liabilities' denomination, the structure between RON and foreign currencies has moved towards the latter and closed the year around 62/38.

The Group's foundations are in excellent shape, with access to stable and diverse funding sources. The Group continues 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, the Issuer issued EUR 50 million AT1 capital, in perpetual bond format.

Consolidated statement of changes in shareholders' equity as at 31 December 2018 and 31 December 2019, respectively

<i>In RON thousand</i>	Share capital	Other equity instruments	Other reserves	Retained earnings	Total
Balance at 1 January 2018	1,200,000	-	237,829	2,079,505	3,517,334
Net profit for the year	-	-	-	893,789	893,789
Other comprehensive income, net of income tax	-	-	25,100	-	25,100
Total comprehensive income for the period, net of income tax	-	-	25,100	893,789	918,889
Distribution of dividends	-	-	-	(252,000)	(252,000)
Balance at 31 December 2018	1,200,000	-	262,929	2,721,294	4,184,223
Balance at 1 January 2019	1,200,000	-	262,929	2,721,294	4,184,223
Issue Additional Tier 1 instrument	-	238,599	-	-	238,599
Net profit for the year	-	-	-	834,710	834,710
Other comprehensive income, net of income tax	-	-	17,173	-	17,173
Total comprehensive income for the period, net of income tax	-	-	17,173	834,710	851,883

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Distribution of dividends	-	-	-	(444,000)	(444,000)
Balance at 31 December 2019	1,200,000	238,599	280,102	3,112,004	4,830,705

Source: Annual Consolidated Financial Statements

Positive evolution regarding the Group's equity balances in 2019, with a year-over-year increase of 15%, up to RON 4,831 million at the end of the financial exercise. This development comes following the movement in retained earnings and the issue of the additional Tier 1 equity instrument. Retained earnings are higher with 14% year-over-year as a result of the incorporation of the profit of RON 835 million registered in 2019 and the payment of dividends of 50% from the 2018 results. The issuance for the first time in the Romanian market of the additional Tier 1 equity instrument in the amount of EUR 50 million, in perpetual bond format, further improved our capital position, bringing the Group's capital adequacy ratio at 19.41%.

Consolidated Statements of Profit or Loss for the year ended 31 December 2018 and 31 December 2019, respectively

<i>In RON thousand</i>	Group	
	2019 audited	2018 audited
Interest income	1,920,841	1,675,119
Interest expense	(161,537)	(141,857)
Net interest income	1,759,304	1,533,262
Fees and commissions income	835,416	839,743
Fees and commissions expense	(251,674)	(200,612)
Net fee and commission income	583,742	639,131
Net trading income	332,812	358,043
Gains or (-) losses on non-trading financial assets mandatorily at fair value through profit or loss, net	40,300	38,811
Net gains/(losses) on derecognition of financial assets measured at fair value through other comprehensive income	4,054	480
Gains or (-) losses from hedge accounting, net	34	145
Other operating income	25,693	26,529
Operating income	2,745,939	2,596,401
Operating expenses	(948,222)	(754,116)

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Personnel expenses	(608,021)	(599,863)
Net provisioning for impairment losses on financial assets	(176,429)	(176,124)
Negative goodwill	7,204	-
Share of gain from associates and joint ventures	1,909	1,027
Profit before income tax	1,022,380	1,067,325
Income tax expense	(187,670)	(173,536)
Net profit for the year	834,710	893,789
Items that may be reclassified subsequently to profit or loss		
Net gains (losses) on financial assets at fair value through other comprehensive income	7,321	21,319
Related tax for above positions	(1,171)	(3,408)
Items that may not be reclassified subsequently to profit or loss		
Fair value changes of the equity instruments at fair value through other comprehensive income	13,123	7,872
Related tax for above positions	(2,100)	(683)
Total comprehensive income for the year, net of income tax	851,883	918,889

Source: Annual Consolidated Financial Statements

Net profit of the Group stood at a RON 835 million in 2019, second-best in the Issuer's history so far. 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 of the Issuer 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, the Issuer 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; since then the Issuer 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. Secondly, upward moving market rates for the local currency positively impacted our net interest income, and this evolution also prompted the Issuer to increase the interest rates offered for customer deposits, in line with the Issuer 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 the Issuer's clients through digital channels and higher penetration for 'zero fees' current account packages provided to

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individuals. The Issuer sees this trend as an integral part of its efforts to tighten the relationship with its clients and make concrete steps towards a transactional activity that is cost-effective for the Issuer 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. The Issuer's goal 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 GEO 114/2018 (currently repealed), which brought a cost of around RON 50 million in the Issuer's operating expenses. Another noteworthy development with a regulatory background was the RON 30 million higher expenses year-over-year related to deposit insurance and single resolution framework. Further notable non-recurring event in 2019 with a negative impact was the provisioning for possible future losses arising from litigations concerning allegedly abusive clauses in PI loan contracts of RON 68 million. The underlying cost base (the three elements above carved out) shows RON 40 million increase year-over-year in 2019 (3% increase when compared to the previous year), with main areas of growth identified in IT depreciation and gross salaries; these developments are fully aligned with the Issuer's 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 spirit, it is worth noting that over the past year the Issuer optimised its branch network from 419 to 351 units (a 16% decrease), while keeping a constant focus on big items like rent or cash-related costs.

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

Consolidated statements of cash flows as at 31 December 2018 and 31 December 2019

<i>In RON thousand</i>	Group	
	2019	2018
	audited	audited
Cash flows from operating activities		
Net profit for the year	834,710	893,789
Adjustments for non-cash items:		
Depreciation and amortization	230,119	117,313
Net impairment loss on financial assets (release from recoveries is not included)	267,836	256,640
Negative goodwill	(7,204)	-
Group share of gain from associates and joint ventures	(1,909)	(1,027)
Loss on the sale of property, plant and equipment and of intangible assets	31,397	21,475
Net charge of provisions for litigation and other provisions	96,379	10,258
Income tax expense	187,670	173,536

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Net gains on non-trading financial assets mandatorily at fair value through profit or loss	(40,300)	(38,811)
Other fair value adjustments	17,603	(30,998)
Net interest income	(1,759,304)	(1,533,262)
Unrealized foreign exchange losses	5,178	24,238
Income from dividends	(1,665)	(2,014)
Operating profit before changes in operating assets and liabilities	(139,490)	(108,863)

Change in operating assets:

(Increase) in trading assets and derivatives held for risk management	(103,886)	(212,747)
(Increase)/Decrease in loans and advances to banks at amortised cost	437	43,644
(Increase) in loans and advances to customers at amortised cost	(1,434,043)	(4,630,406)
Decrease in investment securities at fair value through profit or loss	-	1,017,856
(Increase)/Decrease in investment securities at fair value through other comprehensive income	869,654	(256,797)
(Increase) in investment securities at amortised cost	(2,320,982)	(1,014,854)
(Increase) in other assets	(206,938)	(38,001)
Proceeds from sale of loans	91,407	82,035

Change in operating liabilities

(Decrease) in trading liabilities	(3,231)	(10,969)
Increase/(Decrease) in deposits from banks	(227,400)	27,386
Increase in deposits from customers	2,681,001	3,276,360
Increase in other liabilities	(32,263)	62,740
Taxation paid	(261,637)	(126,293)
Interest paid	(159,803)	(140,022)
Interest received	1,696,290	1,635,366

Cash flows from operating activities

449,116 **(393,565)**

Investing activities

Proceeds from sale of property, plant and equipment	375	22,962
Acquisition of property, plant and equipment	(149,447)	(58,133)

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Acquisition of intangible assets	(140,895)	(81,844)
Acquisition of investment in subsidiaries	(9,471)	-
Increase in equity investments	-	-
Proceeds from sale of equity investments	9	-
Dividends received	1,665	2,014
Cash flows used in investing activities	(297,764)	(115,001)

Source: Annual Consolidated Financial Statements

In RON thousand

	Group	
	2019 audited	2018 audited
Financing activities		
Cash from loans from banks	191,172	116,598
Repayment of loans from banks	(297,023)	(122,083)
Proceeds from debt securities issued	480,617	-
Repayment of debt securities	(512,458)	-
Repayments of subordinated liabilities	(640,287)	(116,598)
Proceeds from issue of additional Tier I instrument	238,599	-
Dividends paid	(444,000)	(252,000)
Repayment of principal portion of lease liability	(92,181)	-
Cash flow from financing activities	(1,075,561)	(374,083)
Net (decrease) in cash and cash equivalents	(924,209)	(882,649)
Cash and cash equivalents at 1 January	7,633,895	8,516,544
Cash and cash equivalents at 31 December	6,709,686	7,633,895

Source: Annual Consolidated Financial Statements

Analysis of cash and cash equivalents

In RON thousand

	Group	
	2019 audited	2018 audited

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Cash and cash equivalents comprise:

Cash on hand	2,701,387	4,235,697
Cash with Central Bank	3,805,493	2,961,533
	6,506,880	7,197,230
Loans and advances to banks – less than 3 months	202,806	436,665
Cash and cash equivalents in the cash flow statement	6,709,686	7,633,895

Source: Annual Consolidated Financial Statements

Total net cash from operating activities of the Group turned to positive ground in 2019 to almost RON 450 million, as the Issuer continued to deliver strong Net Profit. This development was influenced by lower growth in loans & advances to customers at amortized cost and investment securities at amortized cost in 2019.

The net loans stock evolution when compared to 2018 was negatively influenced by the drop in volatile balances of reverse-repo with non-bank financial institutions with RON 1.1 billion this year. Without this variation, the underlying growth in lending regarding customers business is around 11%. In addition to this, the higher variation, more than double growth in 2019 compared with 2018, in investment securities at amortized cost had a positive impact over the cash from operating activities. At the same time deposit growth remained strong and outpaced the loan portfolio growth (including reverse-repo transactions).

Regarding the adjustments on non-cash items made on the net profit for 2019, notable variations year-over-year came due to the increase in depreciation expenses and in net interest income in 2019. Increase in depreciation resulted from the acquisition of fixed assets and commissioning of internally executed intangible assets made during the year, but also from the implementation of IFRS 16 standard starting with January 2019. This change brought a reclassification of the rent expense, from operating expense, to depreciation expense on the rights of use asset.

Cash flows from investing activities were lower year-over-year with more than doubled expenditure in 2019 when compared to 2018. This comes due to the increase fixed assets acquisitions made during 2019, of both tangibles and intangibles assets. This year was marked by several launches of digital solutions, online platforms and benefits added to the Issuer’s offer, to simplify and improve the client experience with the Issuer. In order to support the digitalisation trend, some significant investments were made in branch modernization and acquisition of multifunctional machines to replace old ATM’s and take over most of the cash handling operations from the branches.

Litigation

The Issuer is involved and has been involved in the twelve months preceding the date of this Prospectus in certain legal, governmental or arbitration proceedings before various courts and governmental agencies arising in the ordinary course of business involving contractual and other matters.

The following is a description of the most significant proceedings in which the Issuer is currently involved:

- (i) Following an audit review of the Romanian Court of Accounts regarding the activity of Aedificium Banca pentru Locuinte S.A. (“**ABL**”), former Raiffeisen Banca pentru Locuinte S.A, a savings-lending subsidiary of the Issuer, the Romanian Court of Accounts claimed that several deficiencies were identified and that conditions for payment by the bank of the state premiums on savings have not been met. Thus, allegedly, such premiums may have to be repaid. Should ABL not succeed in

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reclaiming said amounts from its customers or providing satisfactory documentation, ABL would be liable for the payment of such funds. ABL has initiated a court dispute against the findings of the Romanian Court of Accounts. ABL has won the court dispute on the merits in what concerns the most relevant alleged deficiencies. The case is in appeal at the High Court of Cassation and Justice. Under the circumstances, on 31 December 2019 the Group has constituted a provision relating to an estimated loss of approximately RON 47.9 million, which represents the amount estimated to be paid in relation to the possible outcomes of different scenarios (regarding the repayment of premiums and related penalties), weighted by the associated probabilities of such scenarios materialising.

- (ii) In October 2017, the consumer protection authority (“ANPC”) has issued an order for the Issuer to stop its alleged practice of “not informing its customers about future changes in the interest rate charged to the customers” (the order does not imply, however, any monetary restitution or payment from the Issuer). The interest rate was fixed for the first year of the loan and variable following the first anniversary and according to the authority the Issuer knew what the interest rate was going to apply in the future. The Issuer has disputed this order as well as requested the stay of the order until a final decision on the validity of the order is obtained. Following the Issuer’s actions, it has obtained a final stay of its enforcement pending a final decision on the ANPC order. These proceedings are currently in the appeal phase, the first ruling on merits having been in favour of ANPC. The Issuer made a provision for this litigation; the value of this provision, as of December 31, 2019, is of approximately RON 68 million (the provision has been made following the unfavourable ruling in the first court instance).
- (iii) During the period December 2017-May 2019 the Issuer was subject to a tax audit regarding the income tax and withholding tax related to January 2011-December 2016 in which the principal aspect verified by the Romanian tax authorities was the intragroup transactions performed by the Issuer with its related parties mainly the financial transactions. In 2019, such tax inspections resulted in a fiscal audit report which imposed on the Issuer an extraordinary additional charge in the amount of approximately RON 262.4 million, which includes income tax, withholding tax and related penalties (as of the date of this Prospectus, the Issuer has paid all the charges resulting from the fiscal inspection). The Issuer contested the decision of the tax authorities in a preliminary administrative appeal, requesting its cancellation. Subsequently to 31 December 2019 and until the date of this Prospectus, the appeal was partially admitted by the issuing public authority and the fiscal charge was reduced by 10% of the principal charges included in the tax report. The Issuer will continue legal procedures for the recovery of the remaining amounts and will initiate court proceedings in this respect. As of the date of this Prospectus, the Issuer recognised as expense the amount of approximately RON 21.5 million in connection with these proceedings, while the remaining amount of approximately RON 240.9 million (paid by the Issuer) is reflected as prepayment in the Issuer’s Annual Consolidated Financial Statements.

Information in connection with the Group’s accounting policies

The Group’s accounting policies applied in preparing the Annual Consolidated Financial Statements are described in Note 3 to the Annual Consolidated Financial Statements.

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PART 3

OVERVIEW OF THE ROMANIAN BANKING SERVICES SECTOR

1. OVERVIEW

The Romanian banking system has gone through a consolidation process during the recent years, marked by portfolio purchases in targeted business segments, as well as merger and acquisition deals involving credit institutions, the consolidation trend continuing in 2019. In line with this trend, over the past few years, the number of active banks in Romania gradually decreased from 43 registered banks in 2009 to 34 (seven of which are foreign bank branches) as of 30 September 2019 (Source: NBR). In addition, credit institutions from other EU Member States can provide services in Romania on a cross-border basis without establishing a presence in Romania. As of the date of this Prospectus, a total number of 307 credit institutions from other EU Member States had notified the NBR of their intention to provide services in Romania on a cross-border basis (Source: NBR).

The market share of foreign-owned credit institutions (including branches of foreign credit institutions) decreased to 74.1%, by reference to total assets at 30 September 2019 in comparison to 75% at 31 December 2018 and 77% at 31 December 2017 on the background of the mergers and acquisitions in the Romanian banking sector. The main countries of origin of the foreign credit institutions owning share capital in Romanian banks are currently Austria, Greece and France (Source: NBR). As at 31 December 2019, the Romanian banking sector included two credit institutions wholly or majority owned by the Romanian state, four credit institutions with majority domestic private capital, 21 with majority foreign private capital and seven branches of foreign banks (Source: *Romanian Association of Banks*).

2. BALANCE SHEET INDICATORS

The Romanian banking sector has been experiencing positive, single-digit loan growth over the last few years, *e.g.* in the period between 31 December 2018 and 31 December 2019 the sector overall has registered an increase by 9.8%, with total net assets being in the amount of over RON 495 billion (Source: NBR).

Lending to the private sector (households and non-financial companies) prevails, with a share of 79% in total loans, 66.6% of such loans being RON denominated (as at September 2019), which have increased in proportion by 9.7% as at September 2019, when compared to the previous year. (Source: NBR)

Funding of the banking sector relies on financing sources from the domestic market with the stock of private sector residents' deposits representing 68% of the liabilities of the Romanian banking sector (in September 2019). Both main categories of depositors, *i.e.* households and corporations, had a favourable contribution to deposit expansion, in particular to the local currency (LCY) component. (Source: **NBR**)

These developments consolidated the downward trend of the loan-to-deposit ratio reached almost 77% as at September 2019 (Source: NBR)

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	2016	2017	2018	2019
Number of banks	37	35	34	34
of which foreign banks branches	8	7	7	7
Total net assets (RON million)	393,647.9	427,792.6	451,169.7	495,297.9
Total loans to residents (RON million)	230,586.3	241,873.2	260,165.8	277,236.2
Total loans to private sector - households and non-financial corporations (RON million)	214,678.2	225,978.5	243,753.5	260,807.2
• % of total loans to residents	93.1%	93.4%	93.7%	94.1%
Loans to private - sector households and non-financial corporations - in LCY (RON million)	122,573.3	142,035.2	161,510	177,345.0
• % of total loans to private sector	57.0%	62.8%	66.2%	67.9%
Total deposits (RON million)	393,101.7	411,435.4	431,894.9	450,935.5
Loan-to-deposit ratio	79.05%	74.74%	73.64%	70.98%
Return on Assets - ROA	1.1%	1.3%	1.55%	1.35%
Return on Equity - ROE	10.4%	12.5%	14.6%	12.3%

Source: *NBR*

The quality of bank assets has improved in past years due to the progress made in balance sheet clean up. Once the highest in the Central and Eastern Europe (CEE) region, Romania's NPL ratio (based on EBA definition) has declined sharply from 20.7% in December 2014 to 4.1% as at 31 December 2019. The level

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is below the EBA’s red threshold (8%) but still higher than the EU average (3% in June 2019). (*Source: The NBR*)

Romania distinguishes itself among EU Member States through the significant efforts undertaken in order to lower its NPL ratio. From 2015 to 2017, sales of non-performing loans in Romania amounted to EUR 8.5 billion, while for the first half of 2018, NPL sales were estimated at around EUR 1.01 billion in Romania. Starting 2018, there is not significant information available regarding sales of non-performing loans in Romania (*Source: The NBR*).

The balance sheet clean-up efforts also paid off in terms of the profitability of the Romanian banking sector, which returned to positive territory in 2015 on the back of the reduction in net impairment charges on loans after a maximum recorded during 2014. Profitability was also driven by an increase in operating profit amid low funding costs, a favourable domestic macroeconomic environment. According to the NBR, ROE levels recorded in 2017 and 2018 were 12.5% and 14.6%, respectively, and further to 12.3% at 31 December 2019. In terms of operating efficiency, the aggregate level operating income-to-operating expense ratio of the Romanian banking sector was 192.6% at September 2019). (*Source: NBR*).

According to the NBR, capital adequacy indicators are at an adequate level, which helps ensure a good capacity to absorb unexpected losses and to further sustain lending. The average level of solvency indicators (total capital ratio of 20%, Tier 1 capital ratio of 18.04% at the end of December 2019) places Romania’s banking sector in the lowest risk bucket defined by the European Banking Authority (*Source: The NBR*).

	2016	2017	2018	2019
Total capital ratio	19.7%	20.0%	20.7%	20.0%
Tier 1 CAR	17.6%	18.0%	18.6%	18.0%
Leverage ratio	8.9%	8.9%	9.3%	9.2%

Source: NBR

REGULATION AND SUPERVISION OF BANKS IN ROMANIA

1. Overview of relevant regulations

1.1. Regulatory environment

Government Emergency Ordinance No. 99/2006 on credit institutions and capital adequacy, as amended to the date of this Base Prospectus (the Romanian Banking Act), sets out the regulatory framework for all types of credit institutions (banks, state supported savings and lending systems in the Romanian housing field, credit co-operatives, mortgage loan banks). Law No. 312/2004 regarding the Statute of the NBR, Law 209/2019 on payment services, the Romanian Insolvency Law No. 85/2014, Law No. 312/2015 on recovery and resolution of credit institutions and investment firms and for amending and supplementing certain normative acts relating to financial matters, NBR Regulation No. 4/2005 on the foreign exchange regime as subsequently amended, and NBR Regulation No. 5/2013 on prudential requirements for credit

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institutions are other significant legal acts of the Romanian banking regulatory framework.

In addition, European Union regulations are binding in their entirety and directly applicable in Romania, as a European Union member state. Therefore, national transposition measures are not required but Member States must however take all the necessary steps to ensure that the regulations are actually applied in their national law. Among such regulations, the CRR, together with CRD IV, as implemented under Romanian law, are of high importance for the banking sector.

1.2. Recent legislative changes with impact on the banking sector

MiFID II

As of 3 January 2018, the EU regulatory framework set by the Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (Markets in Financial Instruments Directive II or “**MiFID II**”) and the Regulation (EU) No. 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No. 648/2012 (Markets in Financial Instruments Regulation or “**MiFIR**”) became applicable.

MiFID II has been transposed into Romanian legislation by Law No. 126/2018 on markets of financial instruments, and by several regulations issued by the FSA and the NBR.

MiFID II replaced, extended and improved the former European rules on markets in financial instruments its high level goals being increased transparency of markets, a shift in trading towards more structured marketplaces, lower cost market data, improved best execution, orderly trading behaviour within markets, more explicit costs of trading and investing, trade reporting. It gives more extensive powers to supervisory authorities and introduces the possibility to impose higher fines in case of infringement of its requirements. Under MiFID II and MiFIR, rules on transparency and oversight of financial markets, including derivatives markets, are extended to have a broader application. MiFID II strengthens investor protection by introducing additional organisational and conduct requirements.

MiFID II has a significant impact on credit institutions and other financial institutions from the perspective of their strategy and operations (e.g. redefine what sort of products they offer in the market (identification of target market), interaction with clients, clients’ categorisation, technological development due to significant data and reporting requirements, training of employees who provide information or advice on financial products or investment services), increased costs and increased regulatory requirements.

Payment Service Directive

The Directive 2015/2366/EU of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No. 1093/2010, and repealing Directive 2007/64/EC (“**PSD 2**”) became applicable on 13 January 2018. PSD 2 was implemented into the Romanian legislation by Law 209/2019 on payment services. The aim of PSD 2 is to provide the legal foundation for the further development of a better integrated internal market for electronic payments within the EU, to put in place comprehensive rules for payment services with the goal of making international payments (within the EU) as easy, efficient and secure as payments within a single country and it seeks to open up payment markets to new entrants leading to more competition, greater choice and better prices for consumers. It also provides the necessary legal platform for the Single Euro Payments Area.

PSD 2 supports the emergence of new players in the payment services area and the development of innovative mobile and internet payments in Europe. Credit institutions will be obliged to allow access to

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the accounts of their customers for the so-called third-party payment services providers offering payment initiation services or account information services.

PSD 2 is complemented by Regulation (EU) 2015/751 which puts a cap on interchange fees charged between credit institutions for card-based transactions. This is expected to drive down the costs for merchants in accepting consumer debit and credit cards.

General Data Protection Regulation

Regulation (EU) No. 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (“**GDPR**”) was adopted by the European Parliament in May 2016 and replaces the 1995 General Data Protection Directive 95/46/EC. GDPR took effect starting on 25 May 2018.

Companies are subject to the GDPR as far as they process personal data of EU data subjects for their goods or service offerings in the EU and/or for the monitoring of the behaviour of EU data subjects taking place within the EU.

The GDPR introduces new requirements and more stringent data protection challenges, backed by extremely high fines of up to 4% of total annual worldwide turnover or €20 million for non-compliance.

The high-level goals of the regulation refer mainly to:

- A harmonised legal framework leading to a uniform application of rules to the benefit of the EU digital single market. This means one single set of rules for citizens and businesses;
- A level-playing field for all companies operating in the EU market. GDPR requires companies based outside the EU to apply the same rules as companies based in the EU if they are offering goods and services related to the personal data or are monitoring the behaviour of individuals in the European Union;
- Stronger individuals’ rights: GDPR introduces new transparency requirements; strengthened rights of information, access and erasure (‘right to be forgotten’); silence or inactivity are no longer considered as valid consent as a clear affirmative action to express the consent is required; protecting children’s online activity;
- More control over personal data for individuals. GDPR establishes a new right to data portability, allowing citizens to ask a company or an organisation to return personal data provided to the respective entity on the basis of consent or contract; it will also allow for such personal data to be transmitted directly to another company or organisation, when it is technically feasible;
- Stronger protection against data breaches - it clearly defines what is a ‘personal data breach’ and introduces an obligation to notify the supervisory authority;
- More clarity on the obligations of processors and the responsibility of controllers when selecting a processor;
- The protection of the personal data guaranteed by GDPR travels with the data outside the EU ensuring a high level of protection.

GDPR directly affects European credit institutions and it has major implications on the three core banking areas of organisation, processes and systems. Entities must, inter alia, have in place a target operating model for data protection governance with policies and a framework including organisation, processes and roles/responsibilities, implement processes for relevant personal data scope identification, or customer consent management, disclosure of stored personal data, correction of wrong personal data, right to erasure

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and portability, implement and document privacy impact assessments, review and adapt existing IT architecture regarding data storage, transformation and processing of personal data.

Anti-money laundering (AML)

Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No. 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC (“**AML IV**”) came into force on June 2015, while member states were supposed to fully implement it into their domestic legislation by 26 June 2017.

The areas of focus primarily addressed in AML IV are as follows:

- Risk based approach - Furthermore, obliged entities are required to document their risk assessments (taking into account risk factors including those relating to their customers, countries or geographic areas, products, services, transactions or delivery channels), and have in place policies, controls, and procedures to mitigate and manage effectively AML/counter-terrorist financing risks.
- Ultimate Beneficial Owners - All corporate and legal entities incorporated within Member States, as well as any trustees of any express trust governed under Member States’ law are required to obtain and hold adequate, accurate and current information on their beneficial ownership. This information will be held in a central register by the Member State and will be accessible, by competent authorities, financial intelligence units and, in the context of customer due diligence, to “obliged entities” (such as credit institutions and financial institutions: insurance companies and investment firms) or persons or organisations that can demonstrate a “legitimate interest”.
- Customer Due Diligence (CDD) - The automatic entitlement to apply Simplified Due Diligence (SDD) when obliged entities deal with specified categories of customers is removed under AML IV. The use of SDD procedures is still allowed, but must now be justified on the basis that the business relationship or transaction carries a lower degree of risk.
- Politically Exposed Persons (PEPs) - obliged entities are required to apply enhanced due diligence measures on PEPs, regardless of their country of residence. Obligated entities will therefore need to review their customer registers to ascertain if they need to reclassify and apply enhanced CDD to any existing customers as PEPs under the new definition, as well as applying these measures to new customers.

AML IV has been implemented in Romania through Law 129/2019 on the prevention and fight against money laundering and terrorism financing, as well as for amending and supplementing certain regulatory acts (the “**Law no. 129/2019**”), which came into force on 21 July 2019. Law no. 129/2019 brings much awaited clarifications in the private field, both regarding the applicable KYC rules and the identification of the beneficial owner, together with changes of a major importance for companies in terms of their obligation to make public more information about the shareholding and beneficial ownership structure of the respective companies.

Amongst other significant changes, the value of cash transactions triggering a reporting obligation has decreased from the RON equivalent of EUR 15,000 to EUR 10,000. Therefore, entities subject to Law no. 129/2019 shall notify the Office for the Prevention of Money Laundering and Terrorism Financing of all cash transactions, whether in RON or foreign currency which involve amounts of at least the RON equivalent of EUR 10,000 irrespective on whether the transaction is made via one (i.e. an occasional

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operation) or several operations which seem to be linked and where such transactions are not made via credit or financial institutions.

AML IV has been subsequently amended by Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU (“**AML V**”), with a transposition deadline of 10 January 2020. As at the date of this Prospectus, Romania has not yet implemented AML V, receiving in February 2020 formal notice from the European Commission regarding the transposition delay.

The provisions of AML V:

- extend the scope to virtual currency platforms and wallet providers, tax related services and traders of art
- grant access to the general public to beneficial ownership information of EU based companies
- make it an obligation to consult the beneficial ownership register when performing due diligence
- obliges member states to create a list of national public offices and functions that qualify as PEP
- introduce strict enhanced due diligence measures for financial flows from high-risk third countries
- end the anonymity of bank and savings accounts, as well as safe deposit boxes and create central access mechanisms to bank account and safe deposit boxes holder information throughout the EU
- make information on real estate holders centrally available to public authorities
- lower thresholds for identifying purchasers of prepaid cards and for the use of e-money
- further enhance the powers of the financial intelligence units and facilitate cooperation and information exchange among authorities

National Bank of Romania Regulation No. 2/2019 on the Prevention of Money Laundering and Terrorist Financing

Regulation No 2/2019 on the prevention of money laundering and terrorism financing (“**NBR AML Regulation**”) was published in the Official Gazette of Romania on 9 September 2019 and applies starting with 17 January 2020 to existing: (i) Romanian credit institutions; (ii) Romanian non-banking institutions registered into the special registry held by the NBR as well as to those registered with the general registry and which were also licensed as payment institutions or e-money institutions; (iii) Romanian payment institutions; (iv) Romanian e-money institutions; and (v) Romanian branches of foreign credit institutions, payment institutions and e-money institutions.

The main obligations established by the NBR AML Regulation for the above mentioned entities include an assessment of the money laundering risks they are facing, based on a methodology of their own, the establishment of a policy at the level of the management bodies to ensure the decreasing of their money laundering risks, the establishment and update, at least on an annual basis, of their internal KYC norms, documentation for standards for employing personnel responsible for the implementation of the KYC norms and the organization of an independent auditing of their policies, internal norms, mechanisms, IT systems and money laundering and terrorism financing risk management procedures.

Supervision of the Romanian banking sector

The main regulator in the banking sector is the National Bank of Romania, which is the Romanian central bank. The NBR exercises licensing and prudential oversight and issues regulations in the banking sector. The NBR’s objectives are also to ensure and maintain price stability and define and implement monetary policy and the exchange rate policy.

Romanian credit institutions are organised as joint stock companies and must be licensed by the NBR. In

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addition, prior approval from the NBR is required in case of mergers between two or more credit institutions. The prior written approval of the NBR is also mandatory in the case of changes occurring within credit institutions related, inter alia, to: supplementing the object of activity, the persons nominated to discharge managerial responsibilities, the financial auditors, setting up a subsidiary in third countries or expanding a network of subsidiaries within Romania (if the NBR imposed limitations in this respect on a credit institution due to risk management deficiencies or the inappropriate evolution of banking prudential indicators in relation to the credit institution). Any changes related, among others, to a credit institution's registered office, name, and increase and, in certain circumstances, decrease in share capital must be notified to the NBR.

Provision of banking services in Romania by EU and EEA credit institutions

EU and EEA credit institutions can provide services into Romania on a professional basis by establishing a branch or providing the services directly. Thus, Romanian branches of credit institutions established in other EU Member States may operate in Romania on the basis of a notification sent to the NBR by the home Member State supervisory authority and by registering the local branch with the Romanian Trade Registry. Credit institutions authorised and supervised in another EU or EEA Member State may provide services in Romania also directly and immediately, without the establishment of a local presence, on the basis of a notification sent to the NBR by their home supervisory authority.

The NBR monitors compliance with the Romanian Banking Act and with the regulations applicable to Romanian credit institutions. To this end, the NBR performs prudential supervision of credit institutions based on, inter alia, reports sent by the latter on a periodical basis. These reports reflect the activities carried out by credit institutions and their observance of the regulations in force.

Regulatory capital and liquidity

Measures adopted by the NBR in the context of the COVID-19 pandemic

In the context of the COVID-19 pandemic, NBR has adopted a series of mitigating measures aimed at addressing various concerns of the Romanian financial sector, including:

- allowing banks to temporarily use the previously built capital buffers (up to a date that will be subsequently communicated), while also keeping in place the legal requirements for such flexibilities;
- allowing banks not to comply temporarily with the minimum liquidity ratios, for the purpose of using built-up liquidity reserves to contribute to the smooth functioning of the banking sector and to help banks ensure sufficient liquidity to firms and households;
- correlate the terms and conditions of the minimum requirements for own funds and eligible liabilities (MREL) with the measures referred to at the previous two items;
- cutting down the monetary policy rate by 0.50 percentage points, from 2.5 percent to 2.0 percent, starting with 23 March 2020;
- narrowing the symmetrical corridor defined by interest rates on standing facilities around the monetary policy rate to ± 0.5 percentage points from ± 1.0 percentage points. Thus, starting with 23 March 2020, the deposit facility rate stays at 1.50 percent, while the lending (Lombard) facility rate is lowered to 2.50 percent from 3.50 percent. Against this background, the main ROBOR rates are expected to witness a significant downward adjustment.

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- providing liquidity to credit institutions via repo transactions (repurchase transactions in government securities) with a view to ensuring the smooth functioning of money market and of other financial market segments;
- purchasing leu-denominated government securities on the secondary market with a view to consolidating structural liquidity in the banking system that should contribute to the smooth financing of real economy and the public sector;
- extending the deadline for collecting the annual contributions to the bank resolution fund for 2020 by 3 months, with the possibility of extension to up to 6 months; and
- extending the reporting deadlines of some information on resolution planning, in line with the approach communicated by the European Banking Authority.

The NBR also indicated that, depending on the developments in the banking sector in the context of the COVID-19 pandemic, it may also proceed to cutting the minimum reserve requirement ratios on RON and foreign currency-denominated liabilities of credit institutions.

Capital adequacy

Romanian banking regulations closely follow EU legislation in the field, without national exceptions or carve outs.

In terms of regulatory capital and liquidity requirements starting from 1 January 2014, the CRR became directly applicable in Romania, and the national execution measures implementing CRD IV entered into force.

Romanian legislation requires a minimum level of the initial capital of credit institutions. At the time of their authorisation, Romanian banks and local branches of foreign banks must hold an initial capital of RON 37 million.

The CRR requires credit institutions to have set aside enough capital to cover unexpected losses and keep an adequate solvency level in a crisis. As a main principle, the amount of capital required depends on the risk attached to the assets of a particular credit institution. This is referred to as the 'own funds requirement' and is expressed as a percentage of risk-weighted assets. In other words, the riskier the assets, the more capital the credit institution has to set aside.

The own funds consist of the following:

- a) Tier 1 capital which consists of the sum of the following:
 - CET 1 capital made up of capital instruments (under the conditions laid down in Article 28 or 29 of the CRR, as applicable), share premium accounts, retained earnings, accumulated other comprehensive income, other reserves, funds for general banking risk after application of some adjustments and deductions; and
 - Additional Tier 1 capital which consists of capital instruments, under the conditions laid down in Article 52(1) of the CRR and share premium accounts related to the instruments referred to in this bullet after application of adjustments.
- b) Tier 2 capital, which includes capital instruments and subordinated loans under the conditions laid down in Article 63 of the CRR, the share premium accounts related to instruments referred to in this bullet and some adjustments depending on the method of calculating risk-weighted exposure amounts.

A total amount of capital that credit institutions and investment firms are required to hold should be equal to at least 8% of risk-weighted assets. The share that has to be of the highest quality capital - CET 1 -

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should make up 4.5% of risk-weighted assets (up to December 2014 - between 4% and 4.5%).

In addition, in accordance with the supervisory review and evaluation process (“**SREP**”), the NBR continuously assesses the risk profile of institutions under its supervision, in order to determine the adequacy of their own funds and of their liquidity resources, the appropriateness of their governance, strategy etc. Following its SREP assessment, the NBR may apply certain measures, such as requiring institutions to hold additional capital, apply specific provisioning policies or treatment of assets in terms of own funds requirements, restrict or limit the business, operations or network, reduce the inherent risk in their activities, reinforce the governance arrangements, processes, mechanisms and strategies implemented.

Liquidity requirements

Basel III introduced two new liquidity ratios: the Liquidity Coverage Ratio (“**LCR**”) and the Net Stable Funding Ratio (“**NSFR**”). They are monitored by EBA from the beginning of 2012 on a quarterly basis, but since 2013 LCR has been switched to monthly monitoring. LCR and NSFR are reported on both stand-alone (individual) and consolidated levels. By imposing limits to the LCR indicator, EBA ensures that a credit institution maintains an adequate level of high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a liquidity pre-specified stress scenario. The limit regarding the liquidity coverage ratio - unencumbered high-quality assets against net cash outflows over a 30-day stress period - has been phased in gradually, starting at 60% in 2015 and reaching 100% in 2018.

NSFR focuses on the long-term funding and serves to define the minimum acceptable amount of stable funding, based on the credit institution’s liquidity characteristics of assets and activities over a one-year time horizon.

Additionally to EBA requirements, the NBR requires the calculation and monitoring of a monthly liquidity indicator reported to the NBR according to NBR Regulation No. 25/2011 and NBR Order No. 22/2011. The level of the liquidity indicator is calculated as a ratio between effective liquidity (on-balance sheet assets, off-balance sheet received commitments and amounts to be received related to derivatives) and the necessary liquidity (on-balance sheet liabilities, off-balance sheet given commitments and amounts to be paid related to derivatives) for a predefined set of maturity bands. The indicator is calculated and reported per significant currencies (i.e. RON, EUR) and per total currencies and has a minimum regulatory limit of 1 for the maturity bands of less than one month, between one and three months, between three and six months and between six and 12 months.

Leverage

The leverage ratio is an additional prudential measure to enhance financial stability by determining capital requirements on the basis of non-risk-weighted assets so as to prevent the building up of excessive leverage during economic upswings and to act as a backstop to internal model-based capital requirements.

Pursuant to the CRR, “leverage” means the relative size of an institution’s assets, off-balance sheet obligations and contingent obligations to pay or to deliver or to provide collateral, including obligations from received funding, made commitments, derivatives or repurchase agreements, but excluding obligations which can only be enforced during the liquidation of an institution, compared to that institution’s own funds.

Reporting and calculating the leverage ratio is done in accordance with the provisions of CRR (including relevant implementing regulations) and NBR Regulation 5/2013.

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Capital buffers

In addition to the mandatory CET 1 capital requirement set out in the CRR, all credit institutions are required to hold certain capital buffers to ensure that they accumulate a sufficient capital base in prosperous times to enable them to absorb losses in the event of a crisis. If a credit institution does not comply with this buffer, it will have to limit or stop payments of dividends or bonuses.

Capital conservation buffer

Credit institutions have to hold a capital conservation buffer in order to preserve its capital.

The capital conservation buffer for Romanian credit institutions has been implemented gradually during 1 January 2016-1 January 2019 and starting with 1st January 2019 it stands at 2.5% of total risk exposure.

as follows:

- 0.625% of total risk exposure during 1 January 2016-31 December 2016;
- 1.25% of total risk exposure during 1 January 2017-31 December 2017;
- 1.875% of total risk exposure during 1 January 2018-31 December 2018; and
- 2.5% of total risk exposure starting with 1 January 2019.

Countercyclical capital buffer

The countercyclical capital buffer is a prudential tool introduced by the Basel III agreement to counteract the effects of the economic cycle on credit institutions' lending activity. It requires a credit institution to have an additional amount of capital (CET 1) in good times, when credit growth is strong, so that when the economic cycle turns, and economic activity slows down or even contracts, this buffer can be released to allow the credit institution to keep lending to the real economy.

The countercyclical capital buffer can vary between 0% and 2.5%, calibrated in steps of 0.25 percentage points or multiples of 0.25 percentage points. Starting with 1 January 2016, the countercyclical capital buffer for credit institutions that have exposures from loans granted in Romania is 0% from total risk exposure.

Other systemically important institutions (O-SII) buffer

CRD IV provides for a buffer to apply to domestically important institutions as well as institutions of EU importance.

From 1 January 2018, Romanian credit institutions identified as O-SII by the NBR (including the Issuer) must maintain at individual, sub-consolidated or consolidated level, as the case may be, an O-SII capital buffer of 1% to 2% (the Issuer's OS-II capital buffer being in the amount of 2%) of total risk exposure. According to CRD IV, the competent authority can request the relevant credit institutions to maintain an O-SII buffer of up to 2% of total risk exposure; however, further to a recent change in the Romanian legislation implementing CRD IV into national law, the 2% threshold has been eliminated, which would allow the NBR, if it so decided, to require a higher buffer.

Systemic risk buffer

Member states have the right to require credit institutions to hold a systemic risk buffer of CET 1 capital. The requirement may be applied to the entire financial sector or its separate parts. The aim is to prevent and mitigate long-term non-cyclical systemic or macro-prudential risks which may have serious negative consequences for the real economy. Currently, in Romania, this buffer applies to only a few credit

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institutions nominated by the NBR which fulfil the requirements set under NBR Regulation No. 5/2013 and NBR Order No. 4/2018, ranging between 0.1% and 2%, depending on the NPL and risk cost coverage ratio for the previous 12 months.

Large exposures

The so-called “large exposures” are the exposures of an institution to a single client or a group of connected clients, representing more than 10% of its eligible capital (therefore “large” compared to an institution’s overall capital resources). According to the CRR, a large exposure cannot exceed 25% of the institution’s eligible capital (or EUR 150 million, whichever is higher, in respect of such institution). The purpose of this limit is to protect institutions from significant losses caused by the sudden default of an individual counterparty or a group of connected counterparties.

Minimum Reserves Requirement (MRR)

All Romanian credit institutions, including branches of foreign credit institutions, are obliged to maintain in accounts opened with the NBR amounts of cash denominated in RON or in foreign currency as minimum reserves. The minimum reserve requirements imposed by the NBR and the interest rates for the deposits placed as reserves are an important tool for implementing the NBR’s monetary policy, as it allows the central bank to influence the volume of funds available for banks to make loans and, implicitly, the level of borrowing costs.

The amounts of the minimum reserves which must be maintained by credit institutions during the reserves maintenance period are computed as the average daily balances of either RON and foreign currency denominated liabilities from credit institutions’ balance sheets (except interbank liabilities with Romanian credit institutions, obligations to the NBR and own capital) during the reserves observation period multiplied with the applicable minimum mandatory reserves ratio (evidenced in the table below as at the date of this Base Prospectus). The observance period and the maintenance period are one month long and successive (the observance period lasts from the 24th of the previous month to the 23rd of the current month, while the maintenance period lasts from the 24th of the current month to the 23rd of the subsequent month).

Reserve requirements ratios can be different in terms of currency and residual maturities of the items included in the reserve base (shorter or longer than two years).

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Reserve base	Reserve ratio (%)		
	FCY	RON	
Liabilities with residual maturity shorter than two years from the end of the observance period	6	8	
Liabilities with residual maturity longer than two years from the end of the observance period	with clauses referring to early withdrawal, repayment, transfer	6	8
	without clauses referring to early withdrawal, repayment, transfer	0	0
Non-repayable loans	0	0	

Source: NBR

The NBR pays interest for deposits placed as minimum reserves. No interest is paid by the NBR for amounts placed with the NBR during the reserves maintenance period which exceed the minimum reserves amounts computed during the reserves' observation period.

Bank Deposit Guarantee Fund (FGDB)

In Romania, credit institutions which are authorised by the NBR to collect deposits from the public are required to participate in a deposit guarantee scheme. The Bank Deposit Guarantee Fund is recognised as a statutory deposit guarantee scheme. If a credit institution is not capable of repaying a deposit, for reasons directly related to its financial standing, or becomes subject to bankruptcy proceedings, FGDB will reimburse each of that credit institution's customers up to the RON equivalent of EUR 100,000.

FGDB also administers the bank resolution fund and may operate as special administrator, temporary administrator, sole liquidator, court-appointed liquidator or shareholder of a bridge institution or of an asset management vehicle, according to the legislation on the recovery and resolution of credit institutions and investment firms.

Although the guarantee threshold per guaranteed depositor per credit institution is set at the RON equivalent of EUR 100,000, a temporarily higher coverage limit was set for several categories of natural persons' deposits. These categories include deposits resulting from:

- residential real estate transactions;
- the retirement, dismissal, invalidity or death of the depositor; or
- receipt of insurance benefits or compensation for criminal injuries or wrongful convictions.

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Participations in credit institutions

Changes of shareholding of credit institutions follow Directive 2007/44/EC amending Council Directive 92/49/EEC and Directives 2002/83/EC, 2004/39/EC, 2005/68/EC and 2006/48/EC as regards procedural rules and evaluation criteria for the prudential assessment of acquisitions and increase of holdings in the financial sector, which Romania has implemented. The acquisition (whether directly or indirectly) of a qualifying holding in a Romanian credit institution (i.e., 10% of its share capital or voting rights), or of participations which would lead to the increase of the qualifying holding over 20%, 33% or 50% of the share capital or voting rights of that credit institution or in such a way that the credit institution becomes a subsidiary of the acquirer must be approved by the NBR. Similarly, the NBR must be notified in advance by any shareholder intending to dispose of its qualifying holding or to reduce its qualifying holding in the Romanian credit institution leading to its voting rights or quota in the share capital to fall below the following thresholds: 50%, 33% or 20% or to the credit institution no longer being a subsidiary of the disposing shareholder.

The proposed acquirer is evaluated by the NBR taking into account the following cumulative criteria: the reputation of the proposed acquirer, its integrity and professional capacity; the reputation, knowledge, skills and experience of the persons which shall be appointed as directors/managers following the acquisition; the financial solidity of the proposed acquirer, the ability of the Romanian credit institution to comply with the capital adequacy rules (in particular as regards the requirement that the group of the credit institution has in place a structure allowing for an efficient supervision, efficient exchange of information between competent authorities and sharing responsibilities between such authorities), and whether there are reasonable grounds to suspect that in relation to the proposed acquisition a criminal offence was committed related to money laundering and terrorism financing risks.

A less stringent notification regime is available if the NBR already possesses the necessary information or may obtain it from another supervisory authority. If the proposed acquirer is a regulated entity from a state other than an EU member state, the NBR may collaborate with the supervisory authority if the following conditions are met: the supervisory regime of the respective state is considered similar by the NBR, there are no laws, regulations or administrative measures of the respective state which would impede the exchange of information, and the supervisory authority from the respective state agreed to conclude an agreement with the NBR with respect to the exchange of information.

The voting rights of the prospective or current significant shareholder are automatically suspended if it fails to comply with these notification requirements or if the NBR objects to the transaction.

If the provisions on the notification requirements are not observed (or upon the NBR's opposition to the relevant acquisition), the person that acquired shares or voting rights in excess of the aforementioned thresholds must sell its participation within three months as of the NBR's opposition. If the acquirer does not comply, the NBR may instruct the respective credit institution to cancel the relevant shares and further dispose the issuance of shares in replacement of the cancelled ones or the decrease of the credit institution's share capital.

Shareholdings in non-financial entities

Any qualifying holding held directly or indirectly by a credit institution in shares or other equities in entities other than credit institutions may not exceed 15% of the credit institution's eligible capital. The total value of a credit institution's qualifying holding in non-financial entities may not exceed 60% of the credit institution's eligible capital. Credit institutions are generally not allowed to hold participations granting control over non-financial entities.

In order to facilitate the performance of financial reconstruction or rescue operations of non-financial

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entities by means of debt-to-equity swap operations, the NBR adopted a regulation which, provided that several prudential requirements are met, allows derogations from the aforementioned limitations on holdings in nonfinancial entities. The net value (after impairment adjustment) of shares temporarily held is fully deducted from the credit institution's Tier 1 capital. Credit institutions are allowed to hold such shares resulting from a financial assistance or restructuring operation for a maximum period of 36 months (which may be extended only one time to 48 months, based on justified reasons, by the Supervision Division of the NBR).

Recovery and resolution

Banking resolution is the process of restructuring a credit institution in order to ensure the continuity of the critical function of the credit institution, to restore its viability, wholly or partially, and to liquidate the residual part under normal insolvency proceedings. The NBR is the resolution authority for the banking sector and has responsibilities regarding planning and carrying out of resolution actions.

In order to ensure the efficiency of potential resolution actions, the NBR prepares resolution plans for credit institutions, which include measures that could be taken, if need be, in accordance with the established resolution strategy. The resolution plan contains, mainly, the following elements: a demonstration of how critical functions could be maintained, identification of major impediments related to the assessment of resolvability and measures to remove them, different resolution strategies that could be applied, arrangements for financing the resolution tools, minimum requirements of own funds and eligible liabilities, options for preserving access to payment services, and an estimation of the timeframe for executing each material aspect of the plan.

The NBR carries out resolution actions only in case three cumulative conditions have been fulfilled:

- the credit institution encounters or is likely to encounter a major difficulty;
- having regard to timing and other relevant circumstances, there is no reasonable prospect that any alternative private sector measures, taken in respect of the institution, would prevent the major difficulty status of the credit institution within a reasonable timeframe; and
- the resolution action is necessary in the public interest.

A credit institution shall be deemed to encounter or to be likely to encounter a major difficulty in one or more of the following circumstances:

- a) the institution infringes or there are objective elements to support a determination that the institution will, in the near future, infringe the requirements for continuing authorisation in a way that would justify the withdrawal of the authorisation by the NBR including but not limited to because the institution has incurred or is likely to incur losses that will deplete all or a significant amount of its own funds;
- b) the assets of the credit institution are or there are objective elements to support a determination that the assets of the institution will, in the near future, be less than its liabilities;
- c) the institution is or there are objective elements to support a determination by the NBR that the institution will, in the near future, be unable to pay its debts or other liabilities as they fall due; and/or
- d) extraordinary public financial support is required.

Resolution actions, which include resolution tools and resolution powers, aim to fulfil any of the following objectives:

- to ensure the continuity of critical functions;

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- to avoid a significant adverse effect on the financial stability, in particular by preventing contagion, including to market infrastructures, and by maintaining market discipline;
- to protect public funds by minimising reliance on extraordinary public financial support;
- to protect depositors covered by the deposit guarantee scheme and of the investors covered by the compensation scheme according to capital markets' legislation; or
- to protect client funds and client assets.

The resolution tools that can be used, individually or in any combination, are:

- sale of business;
- bridge institution;
- asset separation (this tool can only be used together with another tool); and
- bail-in.

Within the NBR the resolution function is structurally separated from and subject to separate reporting/subordination lines from the credit institution supervision function as well as from the other functions and activities of the central bank. The resolution function is organised within the bank resolution division.

In the event of failure by a credit institution to comply with the applicable regulations, the NBR may apply penalties ranging from written warnings to fines (of up to 10% of the previous year net turnover for legal entities or up to the RON equivalent of EUR 5 million for natural persons, as well as up to twice the amount of the benefit derived from the misconduct, if applicable). The NBR may also order temporary prohibition to exercise certain functions within the credit institution, order cease of misconduct, withdraw the approval granted to persons discharging managerial responsibilities within the credit institution or even withdraw the banking licence (thus leading to its unwinding) or suspend the exercise by the responsible shareholders of its voting rights within the credit institution.

In case a credit institution undergoes significant deterioration of prudential and financial performance indicators, or to prevent a potentially significant deterioration thereof, the NBR may institute certain measures in relation to the respective credit institution and its stakeholders in order to restore or maintain its financial soundness. Such measures include requesting persons owning a qualified shareholding in the respective credit institution to financially support the institution by contributing to a share capital increase or by granting thereto loans or prohibiting distribution of profits to shareholders.

The Group has received approval from NBR to adopt a multiple point-of-entry (MPE) resolution strategy, meaning that in case of resolution the Group will be recapitalised by instruments issued by the Group and not by instruments issued by the Raiffeisen Group parent entity (as would happen in a single point of entry resolution).

Reporting

Credit institutions in Romania must regularly file reports with the NBR including, but not limited to:

- Monthly financial reports;
- Large exposures (individual quarterly and half year levels);
- Capital adequacy (individual quarterly and half year levels);
- Monthly liquidity coverage ratio (LCR) and additional liquidity metrics (ALMM);

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- Quarterly net stable funding ratio (NSFR);
- Minimum Reserves Requirement (MRR);
- Monthly liquidity indicator according to NBR Regulation No. 25/2011 and NBR Order No. 22/2011; and
- Annual audited financial statements and semi-annual financial data.

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PART 4 USE OF PROCEEDS

The Issuer will incur various expenses in connection with the admission to trading of the Bonds on the Regulated Market operated by the BSE, including, *inter alia*, legal counsel fees, broker fees, audit costs and. The total estimated cost for admission to trading of the Bonds on the Regulated Market operated by the BSE amounts to RON 10,600.

The net proceeds of the Bonds, after paying the commissions, fees and other expenses (including any expenses incurred in connection with the issuance of the Bonds), will be used for general funding purposes of the Issuer's activity. The net proceeds amount to RON 479,072,000.

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**PART 5
TERMS AND CONDITIONS OF THE BONDS ISSUED**

Prospective investors should carefully review the information contained in the Prospectus and the information incorporated by reference herein, as well as the information found elsewhere relevant for an investment in the Bonds (as such term is defined below) thereunder. Prospective Bondholders are likewise encouraged to consult their legal and financial counsels in order to be better advised of the circumstances surrounding the Bonds.

*The following are the terms and conditions of the Bonds (“**Terms and Conditions**”), which constitute the only terms and conditions regulating the Issuer’s obligations in connection with the Bonds, irrespective of any separate arrangements that may exist between the Issuer and any of the Bondholders.*

1. DEFINITIONS

In these Terms and Conditions, the following terms will have the following meaning:

“ Additional Tier 1 instrument ”	has the meaning given to it in the Capital Regulations.
“ Applicable Law ”	means the legislation of Romania and the European Union as applicable in Romania (including secondary or delegated legislation, and any regulations, decisions or rules of any public authority which are legally binding) in force, as the same may be amended or replaced from time to time.
“ Bondholder ”	means a person or an entity registered as holder of Bonds with the Registry of Bondholders.
“ Bonds ”	means unsecured, subordinated, dematerialized RON-denominated bonds, having the aggregate principal amount of RON 480,000,000 and a “ Bond ” means any of them.
“ BRRD ”	means Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council, as the same may be amended or replaced from time to time.
“ BSE ”	means the Bucharest Stock Exchange S.A., a Romanian joint stock company having its registered office at 34–

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36 Carol I Blvd., 14th floor, district 2, Bucharest, Romania.

“BSE Regulations”

means the rules and other regulations in force relating to the regulated market of the BSE and/or the securities or issuers of securities admitted to trading on this market.

“Business Day”

means a day other than a Saturday or Sunday or a public holiday in Romania, on which the Central Depository carries out its business operations in a manner that enables performance of activities defined in these Terms and Conditions, including operations in the RoClear system;

“Calculation Agent”

the initial calculation agent in connection with the Bonds is the Issuer; the term “Calculation Agent” shall include any successor Calculation Agent, as appointed from time to time by the Issuer.

“Capital Regulations”

means, at any time, the laws, regulations, requirements, standards, guidelines and policies relating to capital adequacy and/or minimum requirement for own funds and eligible liabilities and/or loss absorbing capacity for credit institutions of either (i) the National Bank of Romania and/or (ii) any other national or European authority, in each case then in effect in Romania and applicable to the Issuer, including, as at the date hereof, CRR, CRD, BRRD, as well as any delegated or implementing acts adopted by the European Commission and guidelines issued by the European Banking Authority, each as amended from time to time, or such other acts as may come into effect in place thereof and any references in these Terms and Conditions to relevant articles of the Capital Regulations include references to any applicable provisions of law amending or replacing such articles from time to time.

“Central Depository”

means Depozitarul Central S.A., a Romanian joint stock company having its registered office at 34-36 Carol I Blvd., 3rd, 8th and 9th floors, Bucharest, 020922, Romania.

“Central Depository Regulations”

means rules and regulations, resolutions, procedures and other regulations adopted by the Central Depository, defining the conduct of the Central Depository system, in particular the code of the Central Depository.

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“Common Equity Tier 1 instrument”	has the meaning given to it in the Capital Regulations.
“Company Law”	means the Law no. 31/1990 on companies, republished, as amended and restated from time to time.
“CRD”	means Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, as the same may be amended or replaced from time to time.
“CRR”	means Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms of the European Parliament and of the Council of 26 June 2013, as the same may be amended or replaced from time to time.
“Delegated Regulation 2019/980”	means Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004 as the same may be amended or replaced from time to time.
“Discontinuation Event”	has the meaning ascribed to it in Section 12.6.2 of these Terms and Conditions.
“Early Redemption Date”	means a date when any of the Early Redemption for Tax Purposes or Early Redemption for Change in Regulatory Classification occurs or the Optional Redemption Date.
“Eligible Investor”	persons in member states of the European Economic Area who are “qualified investors” within the meaning of Article 2 (e) of the Prospectus Regulation.
“Eligible Recipient”	has the meaning ascribed to it in Section 11.3.1 below.
“Final Maturity Date”	means 19 December 2029, the due date of the final redemption of the Bonds, namely the date falling ten (10) years after the Issue Date.
“FSA”	means the Romanian Financial Supervisory Authority.
“General Meeting”	has the meaning ascribed to it in Section 17.1 below.

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“Independent Agent”	means a leading local independent credit institution experienced in the local capital markets, not affiliated with the Issuer’s group, or, to the extent such local credit institution is not available or accessible, any leading non-affiliated international credit institution experienced in the local capital markets and/or EU capital markets, in each case appointed by the Issuer at Issuer’s own expense.
“Interest”	means the variable amount of interest payable by the Issuer for the Bonds.
“Interest Determination Date”	means, (i) for the first Interest Period, the Transaction Date and (ii) for each subsequent Interest Period, the second Business Day preceding each relevant Interest Period.
“Interest Payment Date”	means each date on which Interest is paid on Bonds, <i>i.e.</i> , means 19 March, 19 June, 19 September and 19 December of each year, except for the date of 19 December 2019.
“Interest Period”	means the period for which interest is calculated, determined in accordance with Section 12.5 (<i>Interest Periods</i>) of these Terms and Conditions.
“Interest Rate”	means the Reference Rate + 3.5% per annum, based on which the calculation of the Interest takes place, in accordance with Section 12.2 (<i>Interest Rate</i>) of these Terms and Conditions.
“Intermediary”	means Raiffeisen Centrobank AG.
“Issue Date”	means the second Business Date following the Transaction Date, when the Bonds are delivered to the Bondholders pursuant to these Terms and Conditions, <i>i.e.</i> , 19 December 2019.
“Issuer”	means Raiffeisen Bank S.A., a credit institution organized and existing in accordance with the laws of Romania, with its registered office at 246C Calea Floreasca, Sky Tower Building, floors 2nd – 7th, 10 th and 15 th , Bucharest 1st District, Romania, registered with the Trade Registry under no. J40/44/1991, EUID ROONRC J40/44/1991 sole registration code 361820,

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registered with the Credit Institutions Registry held by NBR under number RB-PJR-40-009.

“Law 24/2017”

means Law no. 24/2017 on issuers of financial instruments and market operations as the same may be amended or replaced from time to time.

“Make Whole Amount”

means the aggregate amount determined by and payable to the Bondholders of all cost, expense or loss that the Bondholders may incur due to a redemption, resulting from:

(1) in the following order of priority (a) prepaying or terminating borrowings or swaps or other hedging transactions maintained for funding or hedging all or any part of the Bond; or, to the extent the Bondholders cannot effect the transactions referred in letter (a) due to a refusal from their counterpart (b) entering into any offsetting swaps or other hedging transactions; or, to the extent the Bondholders cannot enter into any of the transactions referred in letter (b) (c) reinvesting the amounts prepaid in respect of the Bonds (excluding, for the avoidance of doubt, any amounts calculated as difference between the Bond’s yield to maturity and the reinvestment yield), in each case taking into account the prevailing market conditions at the time of prepayment / redemption of the Bonds and determined by the Bondholders in a reasonable manner and being properly documented; as well as from (2) carrying out the trades via the Bucharest Stock Exchange, in case the Issuer redeems the Bonds by using the system of the Bucharest Stock Exchange.

“NBR”

the National Bank of Romania.

“Notice regarding Early Redemption at the Issuer’s Option”

has the meaning ascribed to it in Section 16.2 of these Terms and Conditions.

“Notice regarding Early Redemption”

has the meaning ascribed to it in Section 16.1 of these Terms and Conditions.

“Offering”

means the offering of Bonds by the Issuer, effected by means of private placements, on the basis of the exemptions provided in article 1(4) of the Prospectus Regulation (*i.e.*, an offering exempted from the obligation to draft and publish a prospectus).

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“Optional Early Redemption Date”	has the meaning ascribed to it in Section 16.2 of these Terms and Conditions.
“Participant”	means any entity authorized to open securities accounts with the Central Depository, whether on its own behalf or on behalf of its clients.
“Paying Agent”	the initial paying agent in connection with the Bonds is the Issuer; the term “Paying Agent” shall include any successor Paying Agent, as appointed from time to time by the Issuer.
“Payment Date”	means, depending on the context, each Interest Payment Date, the Final Maturity Date or the date on which payments should be made as per these Terms and Conditions as a result of redemption on an Early Redemption Date.
“Procedures”	has the meaning ascribed to it under Section 11.4.1 herein.
“Prospectus”	means the listing prospectus to be prepared by the Issuer and which will be submitted to be approved by the FSA in view of the admission of the Bonds to trading on the regulated market of the BSE, together with the annexes, updates, messages and supplements thereto.
“Prospectus Regulation”	means Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC.
“Record Date”	means the date on which Bondholders which are entitled to payments under the Bonds are determined, being (i) in relation to the Final Redemption Date, or each Interest Payment Date, the date falling 15 Business Day prior to the respective date, and (ii) in relation to an Early Redemption Date, that particular date, in each case provided that, in case such date does not comply with BSE Regulations and/or Central Depository Regulations and/or Capital Regulations, it will be postponed to the immediately following Business Date which corresponds to such Regulations.
“Recovery and Resolution Act”	means Law 312/2015 regarding the recovery and resolution of the credit institutions and investment

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firms, as well as for the alteration and completion of certain normative acts in the financial area, as the same may be amended or replaced from time to time.

“Reference Banks”

means the offices of not less than four (4) major banks in the Romanian interbank market.

“Reference Page”

means the display of Romanian interbank offered rates for deposits taken in RON designated as page RBOR on Reuters screen (or such other page as may replace RBOR on Reuters screen, for the purpose of displaying ROBOR).

“Reference Rate”

means ROBOR3M. If, other than in case of a Discontinuation Event, ROBOR3M is not available, the Reference Rate will be determined by the Calculation Agent in accordance with the provisions under Section 1.12.6 (*Benchmark Replacement*) of these Terms and Conditions.

“Registry of Bondholders”

means the registry of bondholders maintained electronically by the Central Depository on the basis of the contractual arrangements entered into with the Issuer.

“Regulation 5/2018”

means FSA Regulation no. 5/2018 on issuers of financial instruments and market operations as the same may be amended or replaced from time to time

“Regulatory Events”

has the meaning ascribed to it in Section 16.1 of these Terms and Conditions.

“Representative”

has the meaning ascribed to it under Section 17.1 herein.

“ROBOR”

means Romanian Interbank Offered Rate.

“ROBOR 3M”

means the three-month offered rate for deposits in RON, as displayed on the Reference Page on the relevant Interest Determination Date, as of 11:00 hours, Bucharest time.

“RoClear”

means the clearing, settlement and registry system for RON payments, operated by the Central Depository.

“Settlement Date”

means the date on which trades in relation to the Bonds are settled through the Central Depository and which

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	falls two (2) Business Days following the Transaction Date, in accordance with the T+2 settlement cycle.
“ Subscription Date ”	means 16 December 2019.
“ Successor Reference Rate ”	has the meaning ascribed to it in Section 12.6.2 of these Terms and Conditions.
“ Transaction Date ”	means the date on which trades in relation to the Bonds are executed through the BSE electronic system, on the POF market, <i>i.e.</i> , 17 December 2019.
“ Tier 2 instrument ”	has the meaning given in Capital Regulations.
“ Transparency Directive ”	means Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC.

2. INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

The Intermediary and/or certain of their affiliates have provided and/or may provide in the future various financial, investment, marketing and other services to the Issuer or its subsidiaries, their shareholders or their directors in exchange for which they have received or will receive compensation.

3. REASONS FOR THE OFFERING AND USE OF PROCEEDS

The proceeds from the Offering will be used for general funding purposes of the Issuer.

4. INFORMATION CONCERNING BONDS

The issue of a number of 960 Bonds due 19 December 2029 in an aggregate nominal amount of RON 480,000,000 was authorised (i) in generic terms by resolution of the extraordinary general meeting of shareholders no. 1 dated 23 April 2019 and (ii) in specific terms by decision of the Management Board dated 9 December 2019 of the Issuer.

Investors may subscribe the Bonds on the Subscription Date.

5. TYPE, CLASS AND RIGHTS ENTITLEMENT DATE OF THE SECURITIES OFFERED AND INTENDED TO BE ADMITTED TO TRADING

The Bonds are negotiable debt instruments offered to Eligible Investors, in reliance on the exemptions set out in article 1(4) of the Prospectus Regulation.

The Bonds are floating rate RON-denominated Bonds in the denomination of RON 500,000 each and in an aggregate nominal amount of RON 480,000,000 and are due on 19 December 2029. No fractional bonds will be issued.

The Issuer will make an application for Bonds to be admitted to trading on the Regulated Spot Market of the Bucharest Stock Exchange on a date expected to fall on or around 14 May 2020.

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Once admitted to trading, the Bonds will be quoted, traded and settled under ISIN code: ROJX86UZW1R4, CFI DBVQGR and FISN RB RO/VARI BD20291219 JR.

6. GOVERNING LAW AND JURISDICTION

The Bonds will be issued in accordance with, and the Terms and Conditions will be governed by, Romanian law.

7. FORM OF BONDS, ISSUANCE AND DELIVERY

- a) *Form*: The Bonds are intended to be issued on Issue Date in dematerialised registered form in the denomination of RON 500,000 each and delivered to the subscribers on the same date. Title to the Bonds will be evidenced by book-entries in the Registry of Bondholders and transfer of Bonds may only be effected through, registration of the transfer in such books. No physical document will be issued in respect of the Bonds.
- b) *Issuance and delivery*: The Bonds will be issued and delivered to Bondholders on the Issue Date. Upon their issue, application will be made for the Bonds to be inscribed in the books of the Central Depository, which will credit, at the option of the Bondholder, (i) the Bondholder's individual accounts (*cont individual*) opened by the Bondholder or by a Participant on behalf of the Bondholder with the Central Depository, (ii) the omnibus account (*cont global*) opened by a Participant (as indicated by the relevant Bondholder) with the Central Depository or (iii) an account otherwise opened by the Bondholder, directly or indirectly, with the Central Depository.

8. CURRENCY OF THE ISSUE

The Bonds will be denominated in RON. Following the admission to trading of the Bonds on the Regulated Spot Market operated by BSE, the Bonds will be traded in RON.

9. RANKING AND STATUS OF THE BONDS

9.1 Ranking of the Bonds

The Bonds are Tier 2 instruments of the Issuer and direct, unconditional and unsecured obligations of the Issuer.

Subject to such exceptions as are from time to time mandatory under Applicable Law, the Bonds shall rank:

- (a) *pari passu* without any preference among themselves, at all times;
- (b) *pari passu* with (i) any existing Tier 2 instruments of the Issuer, and (ii) any other obligations or capital instruments of the Issuer that rank or are expressed to rank equally with the Bonds in the event of a liquidation or insolvency of the Issuer and the right to receive repayment of capital in the event of a liquidation or insolvency of the Issuer;
- (c) senior to holders of the Issuer's Common Equity Tier 1 instruments and Additional Tier 1 instruments and any other obligations or capital instruments of the Issuer that rank or are expressed to rank junior to the Bonds in the event of a liquidation or insolvency of the Issuer and the right to receive repayment of capital in the event of a liquidation or insolvency of the Issuer; and
- (d) junior to present or future claims (i) of unsubordinated creditors of the Issuer, including creditors of any senior unsecured non-preferred liabilities expressed to rank senior to the

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class of obligations fulfilling the conditions set out in Article 108 para. (2) letters (a)-(c) of the BRRD, (ii) junior to any present or future claims which are excluded from the application of the write-down or conversion powers under the bail in tool (as such term is defined in the BRRD), in accordance with the provisions of Article 44 para. (2) and para. (3) of the BRRD, and (iii) to the extent they do not fall under the categories referred at items (i) to (ii) above, subordinated liabilities of the Issuer, other than claims of creditors that by law rank or by their terms are expressed to rank *pari passu* with or junior to the Bonds in the event of a liquidation or insolvency of the Issuer.

9.2 Status of the Bonds. Possibility of statutory resolution measures.

Prior to any insolvency or liquidation of the Issuer, under the Recovery and Resolution Act, as well as any other applicable provisions of the Capital Regulations and of the Applicable Law, the NBR and/or any other relevant national or European authority, acting as resolution authority, may exercise the power to write down (including to zero) the obligations of the Issuer under the Bonds, convert them into shares or other instruments of ownership of the Issuer, in each case in whole or in part, or apply any other resolution tool or action, including (but not limited to) any deferral or transfer of the obligations to another entity, an amendment of the Terms and Conditions or a cancellation of the Bonds.

10. RIGHTS AND RESTRICTIONS ATTACHED TO THE BONDS AND CONDITIONS FOR EXERCISE OF SUCH RIGHTS

10.1 Creation of rights

Rights under the Bonds are created as of the Issue Date. The Bonds entitle their holders to quarterly Interest payments and will be redeemed at their par value at maturity or on the relevant early redemption date in accordance with these Terms and Conditions.

10.2 Entitlement to rights

The Bondholders are the persons registered as owners of the Bonds as of the Record Date (i) in the Registry of Bondholders or (ii) in the internal account of a Participant registered in the Registry of Bondholders. In this latter case, the Issuer reserves the right to rely on the authority of each Participant to fully represent (directly or indirectly) the Bondholder and perform vis-a-vis the Issuer and to the account of the Bondholder all legal acts (either in the Bondholder's name or in its own name) associated with the Bonds as if this person were their owner. Unless the laws or a decision of the court delivered to the Issuer provides otherwise, the Issuer and the Paying Agent will deem every Bondholder the authorized owner of the Bonds in all respects and make the payments under the Bonds to that Bondholder.

10.3 Transfer of rights

- a) Transferability of the Bonds and the rights attached to the Bonds are not restricted, except for any general restrictions applicable to creditor rights in general and the individual restrictions applicable to each Bondholder (if any).
- b) The ownership right over the Bonds is transferred on a delivery versus payment basis (i.e., the securities being delivered only if the corresponding purchase price is paid), by the registration of the Bonds in the relevant account of the Bondholders, in accordance with the regulations of the Central Depository and the applicable legislation. All costs related to the transfer of the Bonds are incurred by the relevant Bondholder.

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- c) No rights of exchange or pre-emption rights are attached to the Bonds.
- d) No transfer of Bonds may be registered in the Registry of Bondholders starting with and including the Business Day preceding a Record Date which is immediately prior to the Final Maturity Date and until and including the Final Maturity Date.

11. PAYMENTS UNDER THE BONDS

11.1 Payment obligation of the Issuer

The Issuer undertakes to pay each Bondholder the nominal value of the Bonds held by the respective Bondholder and the applicable Interest on such Bonds.

11.2 Payment Dates

- 11.2.1. All payments under the Bonds will be made by the Paying Agent, on the Payment Dates determined pursuant to these Terms and Conditions, in accordance with Section 11.4 below.
- 11.2.2. If the day in which a payment under the Bonds should be made is not a Business Day, the payment will be made in the next Business Day after that day, without the right to claim interest for late payment or delay or any other additional payments.

11.3 Determination of the right to receive payments

- 11.3.1 All payments under the Bonds will be made to the entities registered as Bondholders in the Registry of Bondholders at the end of business hours of the relevant Record Date (the “**Eligible Recipient**”). All payments made to Eligible Recipients shall be deemed as effective and irrevocable discharge of the Issuer’s and the Paying Agent’s payment obligations towards Bondholders on the relevant Payment Dates.
- 11.3.2 For the purposes of the determination of the Eligible Recipients, neither the Issuer nor the Paying Agent will take into consideration any transfers of Bonds occurring after the Record Date and until the relevant Payment Date and the respective transferee shall not have the right to claim or receive the relevant payment for the purposes of which they were not duly registered as Bondholders by the aforementioned time on the Record Date.

11.4 Making of payments

- 11.4.1 The Paying Agent will make all payments under the Bonds in accordance with the applicable law, the procedures set out in the agreement to be concluded between the Central Depository and the Issuer and/or notified to the Bondholders by the Central Depository and/or the Paying Agent with respect to payments under the Bonds (the “**Procedures**”).
- 11.4.2 The obligation to pay any amount under the Bonds is deemed to be satisfied properly and on time if, on the relevant due date, the relevant amount is transferred to the Eligible Recipients in accordance with the Procedures.
- 11.4.3 The Issuer and the Paying Agent are under no obligation to effect payments to Eligible Recipients unless and until such persons have provided all relevant information requested to be provided by them in accordance with the Procedures and neither the Issuer nor the Calculation Agent or the Paying Agent is liable for any delay in paying any outstanding amount due to (i) Central Depository’s or the Eligible Recipients’

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failure to deliver proper information or other documents or information under the Procedures and these Terms and Conditions on time, (ii) any relevant documents or information having been incomplete, incorrect or untrue, or (iii) the delay having been caused by circumstances outside the control of the Issuer or the Paying Agent or the Calculation Agent. In these cases, the Bondholders do not become entitled to any extra payment or interest for the delay of that payment.

11.4.4 For the avoidance of doubt, Central Depository fees payable upon the effectuation payments in respect of the Bonds shall be incurred by the Issuer.

11.4.5 All payments to be made by the Issuer under the Bonds shall be calculated and be made without any set-off against any claims the Issuer might have against a Bondholder.

11.5 Final repayment

If the Bonds are not redeemed early under these Terms and Conditions, their nominal value is payable as a bullet payment on the respective Final Maturity Date.

12. INTEREST

12.1 Interest

The Bonds bear interest on their principal amount from and including the Issue Date and up to and excluding the Final Maturity Date at the Interest Rate, payable in RON, always on each Interest Payment Date.

For purposes of clarity, the first Interest Payment Date is 19 March 2020 and the last Interest Payment Date on the Bonds shall fall on 19 December 2029, the relevant Final Maturity Date.

12.2 Interest Rate

The Bonds will have a variable Interest Rate.

12.3 Calculation of interest

The Interest Rate is equal to the Reference Rate + 3.5% per annum.

The Interest Rate will automatically update on each relevant Interest Determination Date, in accordance with the Reference Rate applicable on each relevant Interest Determination Date.

Save for manifest error, the calculation of in accordance with the rules set forth herein will be final and binding on all Bondholders, and Bondholders shall have no right to contest or oppose such calculation.

12.4 Interest calculation convention

The “Actual/360” interest calculation convention will be used (i.e., for the purposes of calculation of interest income, the actual number of days in the relevant Interest Period will be taken into account, but a year is deemed to have 360 (three hundred and sixty) days).

12.5 Interest Periods

The Interest shall be calculated separately for each Interest Period. Interest Period means the period beginning on the Issue Date (inclusive) and ending on the first relevant Interest Payment Date (exclusive) and each following period beginning on an Interest Payment Date (inclusive) and ending on the next following Interest Payment Date (exclusive), until and excluding the Final Maturity Date.

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Bonds will cease to bear interest from, and including, the date provided for their redemption, unless the Issuer defaults in making their redemption on such date. In such event, interest will continue to accrue on the nominal amount of such Bonds at the Interest Rate (both before and after the relevant judicial decision, as the case may be) until whichever is the earlier of (i) the day on which all sums due in respect of such Bonds up to that day are received by or on behalf of the relevant Bondholder or (ii) the day after the Paying Agent has notified the Bondholders in accordance with Section 19 (“**Notices**”) of receipt of all sums due in respect of all the Bonds up to that day. In this case, interest will not be capitalised and there will be no interest payable upon interest.

12.6 Benchmark Replacement

12.6.1. Reference Rate replacement other than in a case of Discontinuation Event

If, other than in case of a Discontinuation Event, the relevant Reference Page is not available or if no such quotation appears as at such time, the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum for three (3) months period) for the Reference Rate at approximately 11.00 a.m., Bucharest time, on the Interest Determination Date. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Reference Rate for such Interest Period shall be the arithmetic mean (rounded, if necessary, to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards) of such offered quotations, all as determined by the Calculation Agent.

If on any Interest Determination Date only one of the Reference Banks provides the Calculation Agent with such offered quotations as provided in the preceding paragraph, the Reference Rate for the relevant Interest Period shall be the rate (expressed as a rate per annum for three (3) months period).

If the Reference Rate cannot be determined in accordance with the foregoing provisions the Calculation Agent will determine the Reference Rate relating to the next succeeding Interest Period as the offered quotation for the Reference Rate which appeared on the Reference Page, on the last day preceding the relevant Interest Determination Date on which such quotations were offered and shall thereafter inform the Bondholders in accordance with Section 19 (*Notices*) of these Terms and Conditions.

12.6.2. Reference Rate replacement in case of a Discontinuation Event

If the Issuer determines in its reasonable discretion that (i) it becomes unlawful for the Issuer or the Calculation Agent to use the Reference Rate, or (ii) the administrator of the Reference Rate ceases to calculate and publish the Reference Rate permanently or for an indefinite period of time, or (iii) the administrator of the Reference Rate becomes insolvent or an insolvency, a bankruptcy, restructuring or similar proceeding (affecting the administrator) is commenced by the administrator or its supervisory or regulatory authority, or (iv) the Reference Rate is otherwise being discontinued or otherwise ceases to be provided (each of the events in (i) through (iv) a “**Discontinuation Event**”), the Reference Rate shall be replaced, on each relevant Interest Determination Date, by a rate determined or procured, as the case may be, by the Issuer (the “**Successor Reference Rate**”) according to the following procedure:

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- (i) The Reference Rate shall be replaced with the reference rate, and if applicable, an interest adjustment factor or fraction or spread (to be added or subtracted), determined by the Applicable Law or announced by the administrator of the Reference Rate, the NBR or any other competent central bank or a regulatory or supervisory authority as the successor rate for the Reference Rate. The Issuer shall thereafter inform the Bondholders of such Successor Reference Rate in accordance with Section 19 (*Notices*) of these Terms and Conditions. If, on any previous Interest Determination Date, the Successor Reference Rate was also determined in accordance with the provisions of this paragraph (i), no other publication obligations will apply for the Issuer in connection with such Successor Reference Rate or any adjustments or changes made in relation hereto.
- (ii) If the Issuer determines (acting in good faith and in a commercially reasonable manner), that the source of the successor rate for the Reference Rate, and if applicable, the interest adjustment factor or fraction or spread, determined in accordance with the above paragraph is not accessible or is not consistent with the economic substance of the Reference Rate before the Discontinuation Event occurred or the period to determine a Successor Reference Rate according to the provisions above was not sufficient, then the Issuer shall appoint an Independent Agent, for the latter to determine (acting in good faith and in a commercially reasonable manner) in its reasonable discretion and not less than five (5) Business Days prior to the Interest Determination Date relating to the next succeeding Interest Period the applicable Reference Rate and, if relevant, any interest adjustment factor/ fraction or spread, in a manner consistent with the market practice in relation to the Successor Reference Rate. Thereafter, the Issuer shall inform the Bondholders in accordance with Section 19 (*Notices*) of these Terms and Conditions.

13. ANNUAL YIELD TO MATURITY

The gross yield at the time of issue is equal to the Interest Rate, assuming that no early redemption is performed.

14. NO GROSS-UP

14.1 All payments under the Bonds shall be made in accordance with these Terms and Conditions and applicable tax legislation and other laws of Romania, valid and effective at the time of making of the payment.

14.2 All payments of principal and interest made by or on behalf of the Issuer in connection with the Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by Romania or any authority of the Romanian State or in Romania having fiscal competence, unless such withholding or deduction is required by law. In that event the Issuer shall not be required to pay such additional amounts as would result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required. In addition, the Issuer may effect payment without applying the deduction or the withholding tax described above or applying a deduction or withholding less than the applicable rate stipulated in the Romanian laws, provided that a convention for avoidance of double taxation concluded between the state of tax residence of the Issuer (*i.e.*, Romania) and the state of tax

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residence of the Bondholder is applicable. The applicability of such convention is conditional upon the fulfilment of the conditions stipulated in the applicable law and on the requirements in connection with providing the Paying Agent and the Issuer, prior to effecting a payment, with a valid tax residence certificate of the beneficial owner (i.e. Bondholder) or other document issued by an authority, other than fiscal, which holds prerogatives for residence attestation, as per the internal legislation of the respective state. For the avoidance of any doubt, in case that no valid tax residence certificate or other document issued by an authority, other than fiscal, which holds prerogatives for residence attestation, as per the internal legislation of the respective state is provided or in case of a delayed provision of such documents, any following endeavour to adjust the supplementary income tax paid or in order to receive reimbursement of such supplementary income tax paid, shall be exclusively incumbent on the Bondholder.

- 14.3 The Paying Agent shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence for any particular Bondholders, except to the extent already provided for above.

15. REDEMPTION OF BONDS AND APPLICABLE RESTRICTIONS

The Bonds will be redeemed on the Final Maturity Date or on the Early Redemption Date in accordance with Section 16 (*Early Redemption*)., Other than in case of insolvency or liquidation of the Issuer, the Bondholders do not have the right to accelerate the future scheduled payment of the principal amount of the Bonds or Interest. If the Issuer fails to pay the principal of the Bonds or accrued Interest on the Bonds within 7 Business Days as of the relevant due date, any Bondholder may, in compliance with applicable law, commence the insolvency or bankruptcy (and, respectively, liquidation) proceedings against the Issuer, subject to approval of the opening of such proceedings against the Issuer by the NBR, in accordance with the provisions of the Recovery and Resolution Act and those of Romanian Law no. 85/2014 on insolvency proceedings and any other applicable legislation. If the Issuer's insolvency or bankruptcy (and, respectively, liquidation) is approved by the syndic judge, then, any Bondholder may declare the Bonds and all accrued Interest immediately due and payable by the Issuer, subject to the subordination of the Bonds, in accordance with Tier 2 requirements under the CRR, as set out under Section 9 (*Ranking of the Bonds. Subordination*) of these Terms and Conditions and those of Law no. 85/2014 on insolvency proceedings and any other applicable legislation.

16. EARLY REDEMPTION

16.1 Early redemption for Tax Purposes and for Change in Regulatory Classification Events

The Bondholders irrevocably agree that the Issuer may, without having the obligation to, early redeem all, and not partially, the Bonds, at any moment, with at least 30 days prior notice sent in accordance with Section 19 (*Notices*) of these Terms and Conditions (the “**Notice regarding Early Redemption**”) and any applicable legal provisions.

This option of the Issuer is applicable in case one of the following conditions is met and, in any case, with the observance of the provisions included in Section 16.1.1 and 16.1.2, as applicable:

(A) Early Redemption for Tax Purposes

The Issuer is or will be required to pay additional amounts on the next Interest Payment Date, as a result of any changes or amendments of the Romanian laws and regulations or any changes at the level of any Romanian authority having fiscal competences or any changes in the official applicability or interpretation of such laws or regulations (including

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any relevant court decisions). Such changes or amendments became applicable on or after the Issue Date and such obligation cannot be avoided by the Issuer by taking reasonable measures at its disposal (“**Early Redemption for Tax Purposes**”).

- (B) There is a change in the regulatory classification of Bonds that would be likely to result in their exclusion from own funds (as such term is defined in the Capital Regulations) or reclassification (as such term is defined in the Capital Regulations) as own funds of lower quality (a “**Regulatory Event**”) (“**Early Redemption for Change in Regulatory Classification Events**”).

16.1.1 *Early Redemption of Bonds for Tax Purposes and for Change in Regulatory Classification Events to the extent of and for as long as they qualify as Tier 2 instruments*

To the extent of and as long as the Bonds qualify as Tier 2 instruments for the purposes of the Capital Regulations, the Issuer may redeem the Bonds in accordance with the provisions of this Section 16.1 only if it has obtained the prior consent of the NBR (and/or any other relevant national or European authority, which may be designated as competent authority for the purposes of the Capital Regulations), in either case, if such consent is then required by the Capital Regulations, for the redemption of the relevant Bonds and provided that either of the following conditions is met:

- (i) on or before the redemption of the Bonds, the Issuer replaces the Bonds with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or
- (ii) the Issuer has demonstrated to the satisfaction of the NBR (and/or any other relevant national or European authority, which may be designated as competent authority for the purposes of the Capital Regulations), in either case, if such consent is then required by the Capital Regulations, that its own funds and eligible liabilities would, following such redemption, exceed the requirements laid down in CRR, CRD and BRRD (and/or any other Capital Regulations as may supplement and/or amend these and/or come into effect in place thereof) by a margin that the NBR (and/or any other relevant national or European authority, which may be designated as competent authority for the purposes of the Capital Regulations), in either case, if such consent is then required by the Capital Regulations, may consider necessary.

In addition to the above, the rules under CRR provide that the NBR (and/or any other relevant national or European authority, which may be designated as competent authority for the purposes of the Capital Regulations), in either case, if such consent is then required by the Capital Regulations, may only permit the Issuer to redeem the Bonds in accordance with this Section 16.1 of these Terms and Conditions before five (5) years after their date of issuance, if:

- a) **In case of Early Redemption for Tax Purposes**, there is a change in the applicable tax treatment of the Bonds, which the Issuer demonstrates to the satisfaction of the NBR (and/or any other relevant national or European authority, which may be designated as competent authority for the purposes of the Capital Regulations), in either case, if such consent is then required by the Capital Regulations, is material and was not reasonably foreseeable at the time of issuance of such Bonds; and

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- b) **In case Early Redemption for Change in Regulatory Classification Events**, if the NBR (and/or any other relevant national or European authority, which may be designated as competent authority for the purposes of the Capital Regulations), in either case, if such consent is then required by the Capital Regulations, deems the Regulatory Event to be sufficiently certain and the Issuer demonstrates to the satisfaction of the NBR (and/or any other relevant national or European authority, which may be designated as competent authority for the purposes of the Capital Regulations), in either case, if such consent is then required by the Capital Regulations, that such Regulatory Event was not reasonably foreseeable at the time of issuance of such Bonds.

16.1.2 Early redemption of Bonds for Tax Purposes and for Change in Regulatory Classification Events to the extent they do not qualify as Tier 2 instruments

To the extent the Bonds do not qualify as Tier 2 instruments, but qualify as eligible liabilities for the purposes of the Capital Regulations, the Issuer may redeem the Bonds in accordance with the provisions of this Section 16.1 of these Terms and Conditions only if it has obtained the prior consent of the NBR (and/or any other relevant national or European authority, which may be designated as resolution authority for the purposes of the Capital Regulations), in either case, if such consent is then required by the Capital Regulations, for the redemption of the relevant Bonds and provided that either of the following conditions is met:

- (i) on or before the redemption of the Bonds, the Issuer replaces the Bonds with own funds or eligible liabilities instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or
- (ii) the Issuer has demonstrated to the satisfaction of the NBR (and/or any other relevant national or European authority, which may be designated as resolution authority for the purposes of the Capital Regulations), in either case, if such consent is then required by the Capital Regulations, that its own funds and eligible liabilities would, following such redemption, exceed the requirements for own funds and eligible liabilities laid down in CRR, CRD and BRRD (and/or any other Capital Regulations as may supplement and/or amend these and/or come into effect in place thereof), by a margin that the NBR, acting as resolution authority and competent authority for the purposes of the Capital Regulations (and/or any other relevant national or European authority, which may be designated as resolution authority and/or competent authority for the purposes of the Capital Regulations; in case of designation of different authorities as resolution authority and competent authority for the purposes of the Capital Regulations, the resolution authority shall, in this instance, act in agreement with the competent authority), in either case, if such consent is then required by the Capital Regulations, may consider necessary; or
- (iii) the Issuer has demonstrated to the satisfaction of the NBR (and/or any other relevant national or European authority, which may be designated as resolution authority for the purposes of the Capital Regulations), in either case, if such consent is then required by the Capital Regulations, that the partial or full replacement of the Bonds with own funds instruments is necessary to ensure compliance with the own funds requirements laid down in CRR and CRD (and/or

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any other Capital Regulations as may supplement and/or amend these and/or come into effect in place thereof) for continuing authorisation.

Notwithstanding the above conditions, if, at the time of any Early Redemption for Tax Purposes or Early Redemption for Change in Regulatory Classification Events, the prevailing Applicable Law permit the early redemption only after compliance with one or more alternative or additional pre-conditions to those set out above, the Issuer shall comply with such other and/or, as appropriate, additional pre-conditions, if any. For the avoidance of doubt, any refusal of the NBR (and/or any other relevant national or European authority, which may be designated as competent and/or resolution authority for the purposes of the Capital Regulations, as applicable), in either case, if such consent is then required by the Capital Regulations, to grant any required permission, approval or other consent shall not constitute a default for any purpose.

The Notice regarding Early Redemption will indicate the redemption procedure in detail. This procedure will specify the date on which the Bonds will be redeemed (the “**Early Redemption Date**”), in accordance with the applicable laws and regulations on bonds transactions.

In case of early redemption in accordance with this Section 16.1 of these Terms and Conditions, the Bonds will be redeemed at their nominal value, plus Interest.

If the Early Redemption Date falls on a date which is not an Interest Payment Date, Interest shall be calculated and redeemed based on the actual number of days (but in any case, applying the interest calculation convention set out in Section 12.4 of these Terms and Conditions) in that period from and including the preceding Interest Payment Date or Issue Date (if no such preceding Interest Payment Date exists) and until but excluding the last day of that period.

16.2 Early redemption at the Issuer’s option, upon prior approval by the NBR

The Bondholders irrevocably agree that the Issuer may, with at least 30 days prior notice sent in accordance with Section 19 (Notices) and any applicable requirements under the Capital Regulations or as otherwise imposed by the NBR (“**Notice Regarding Early Redemption at the Issuer’s Option**”), without having the obligation to, early redeem all, and not partially, the Bonds:

- (A) After the lapse of five year after Issue Date, on 19 December 2024, the Bonds will be redeemed at their nominal value, plus Interest The Issuer will pay the interest accrued on the principal to but excluding the date of redemption specified in the “**Notice Regarding Early Redemption at the Issuer’s Option**” (*i.e.*, 19 December 2024). To the extent the Issuer does not want to exercise its early redemption option in accordance with the provisions of this Section 16.2 (A), it shall deliver a notice to the Bondholders to this effect, with at least 30 days prior to 19 December 2024.
- (B) At any time after 19 December 2024, the Bonds will be redeemed at their nominal value, plus Interest, plus Make Whole Amount. If the Optional Early Redemption Date falls on a date which is not an Interest Payment Date, Interest shall be calculated and redeemed based on the actual number of days (but in any case, applying the interest calculation convention set out in Section 12.4 of these Terms and Conditions) in that period from and including the preceding Interest Payment Date or Issue Date (if no such preceding Interest Payment Date exists) and until but excluding the last day of that period.

The Notice regarding the Early Redemption at the Issuer’s Option will indicate the redemption procedure in detail. This procedure will specify the date on which the Bonds will be redeemed (the

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“**Optional Early Redemption Date**”), in accordance with the applicable laws and regulations on bonds transactions.

16.2.1 Early redemption of Bonds at the Issuer’s option to the extent of and for as long as they qualify as Tier 2 instruments

The Issuer may redeem the Bonds in accordance with the provisions of this Section 16.2 of these Terms and Conditions only if it has obtained the prior consent of the NBR (and/or any other relevant national or European authority, which may be designated as competent authority for the purposes of the Capital Regulations), in either case, if such consent is then required by the Capital Regulations, for the redemption of the relevant Bonds and provided that either of the following conditions is met:

- (i) on or before the redemption of the Bonds, the Issuer replaces the Bonds with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or
- (ii) the Issuer has demonstrated to the satisfaction of the NBR (and/or any other relevant national or European authority, which may be designated as competent authority for the purposes of the Capital Regulations), in either case, if such consent is then required by the Capital Regulations, that its own funds and eligible liabilities would, following such redemption, exceed the requirements laid down in CRR, CRD and BRRD (and/or any other Capital Regulations as may supplement and/or amend these and/or come into effect in place thereof), by a margin that the NBR (and/or any other relevant national or European authority, which may be designated as competent authority for the purposes of the Capital Regulations), in either case, if such consent is then required by the Capital Regulations, may consider necessary.

16.2.2 Early redemption of Bonds at the Issuer’s option to the extent they do not qualify as Tier 2 instruments

To the extent the Bonds do not qualify as Tier 2 instruments, but qualify as eligible liabilities for the purposes of the Capital Regulations, the Issuer may redeem the Bonds in accordance with the provisions of this Section 16.2 of these Terms and Conditions only if it has obtained the prior consent of the NBR (and/or any other relevant national or European authority, which may be designated as resolution authority for the purposes of the Capital Regulations), in either case, if such consent is then required by the Capital Regulations, for the redemption of the relevant Bonds and provided that either of the following conditions is met:

- (i) on or before the redemption of the Bonds, the Issuer replaces the Bonds with own funds and eligible liabilities instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or
- (ii) the Issuer has demonstrated to the satisfaction of the NBR (and/or any other relevant national or European authority, which may be designated as resolution authority for the purposes of the Capital Regulations), in either case, if such consent is then required by the Capital Regulations, that its own funds and eligible liabilities would, following such redemption, exceed the requirements for own funds and eligible liabilities laid down in CRR, CRD and BRRD (and/or any other Capital Regulations as may supplement and/or amend these and/or come into

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effect in place thereof), by a margin that the NBR, acting as resolution authority and competent authority for the purposes of the Capital Regulations (and/or any other relevant national or European authority, which may be designated as resolution authority and/or competent authority for the purposes of the Capital Regulations; in case of designation of different authorities as resolution authority and competent authority for the purposes of the Capital Regulations, the resolution authority shall, in this instance, act in agreement with the competent authority), in either case, if such consent is then required by the Capital Regulations, may consider necessary; or

- (iii) the Issuer has demonstrated to the satisfaction of the NBR (and/or any other relevant national or European authority, which may be designated as resolution authority for the purposes of the Capital Regulations), in either case, if such consent is then required by the Capital Regulations, that the partial or full replacement of the Bonds with own funds and eligible liabilities instruments is necessary to ensure compliance with the own funds and eligible liabilities requirements laid down in CRR and CRD (and/or any other Capital Regulations as may supplement and/or amend these and/or come into effect in place thereof) for continuing authorisation.

Notwithstanding the above conditions, if, at the time of early redemption of Bonds at the Issuer's option Bonds in accordance with the provisions of this Section 16.2 of these Terms and Conditions, the prevailing Applicable Law permit the early redemption only after compliance with one or more alternative or additional pre-conditions to those set out above, the Issuer shall comply with such other and/or, as appropriate, additional pre-conditions, if any. For the avoidance of doubt, any refusal of the NBR (and/or any other relevant national or European authority, which may be designated as competent and/or resolution authority for the purposes of the Capital Regulations, as applicable), in either case, if such consent is then required by the Capital Regulations, to grant any required permission, approval or other consent shall not constitute a default for any purpose.

17. REPRESENTATION OF BONDHOLDERS

The Bondholders may meet in general meetings of the Bondholders (a “**General Meeting**”) in order to take decisions in accordance with their interests.

The conduct and powers of the General Meeting will be governed by the provisions of the Company Law, Law 24/2017 and Regulation 5/2018. The amendment or replacement of such relevant legal provisions may result in changes to the conduct and powers of the General Meeting.

17.1 Calling of the General Meeting

The General Meeting may be called at the request of one or more Bondholders representing at least one quarter of the issued and outstanding nominal amount of Bonds, or after the appointment of the representatives of the Bondholders (the “**Representatives**”), upon the request of such Representatives.

The convening notice for the General Meeting shall be (i) published in the Official Gazette and in a newspaper of general circulation in Bucharest or (ii) served through registered post to the relevant Bondholders at the addresses shown in the Registry of Bondholders, as well as, in either case, on the Issuer's Website and, following the admission to trading of the Bonds on the Regulated Spot Market operated by the BSE, on the BSE website at www.bvb.ro. The convening

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notice for the General Meeting shall be published at least 30 days prior to the date on which the General Meeting is scheduled to take place. The convening notice shall indicate the reference date, location and date of the General Meeting as well as the agenda. The convening notice may include the date and time for a second General Meeting, in the event that the first one cannot be validly held.

One or more Bondholders representing, individually or jointly, at least 5% of the issued and outstanding nominal amount of the Bonds has the right to introduce new matters into the agenda of the General Meeting, within 15 days as of the date when the convening notice was published. The revised agenda must be published in accordance with the provisions for convening the General Meeting at least 10 days prior to the date of the General Meeting.

The Bondholders may be represented by attorneys-at-fact, other than, as applicable, the directors, managers, members of the board of directors, auditors or officers (in Romanian, *funcționari*) of the Issuer. The powers of attorney shall be submitted, in original at least 48 hours in advance of the meeting or such other term as may be set forth in the articles of association of the Issuer at the relevant time. Failure to submit such original powers of attorney in the allotted time will result in the relevant Bondholder losing its right to vote in that General Meeting.

The resolutions of the General Meeting are adopted by open vote.

17.2 Representative(s)

The General Meeting may appoint one Representative of the Bondholders and one or more substitute Representatives.

The Representative and the substitute Representative(s) cannot be involved in the management of the Issuer.

The office of Representative may be conferred on a person of any nationality.

In the event of incompatibility, resignation or revocation of a Representative, the General Meeting will elect a replacement representative unless a substitute Representative exists which shall assume the role of Representative.

All interested parties will at all times have the right to obtain the name and address of the Representative(s) at the primary business office of the Issuer.

17.3 Powers of the Representative(s)

The Representative(s) shall have the right to represent the Bondholders before the Issuer and the courts of justice. The Representative(s) may also be entrusted by the General Meeting to perform supervisory actions and to protect the common interests of the Bondholders.

17.4 Powers of General Meetings

A General Meeting is empowered to deliberate on the fixing of the remuneration of the Representative and of the substitute Representatives and on their dismissal and replacement, and also may act with respect to any other matter that relates to the common rights, actions and benefits which now or in the future may accrue with respect to the Bonds, including authorising the Representative to act at law as plaintiff or defendant.

A General Meeting has the following powers:

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- (i) to fulfil all supervisory actions and actions for the protection of the common interests of the Bondholders or to authorise a representative to fulfil such actions;
- (ii) to create a fund, which may be funded by the amounts representing interest to which the Bondholders are entitled, in order to cover the expenses associated with the protection of their rights, as well as establishing the rules for the management of such fund;
- (iii) to oppose any amendment of the articles of association of the Issuer or of the terms and conditions of the Bonds which may affect the rights of the Bondholders; and
- (iv) to pronounce itself on the issuance of new bonds by the Issuer.

General Meetings may take a valid decision on the appointment of the Representative and the substitute Representatives and on items (i) and (ii) above only with a majority representing at least one third of the issued and outstanding nominal amount of the Bonds represented at the General Meeting. In any other case, the General Meeting may validly take a decision in the presence of Bondholders representing at least two thirds of the issued and outstanding nominal amount of the Bonds and with a majority of at least four fifths of the issued and outstanding nominal amount of the Bonds represented at the General Meeting.

The right of each Bondholder to participate in General Meetings will be evidenced by the entries in the books of the relevant account holder of the name of such Bondholder as of the record date mentioned in the notice calling the General Meeting.

Decisions of the General Meeting are binding on all Bondholders including those who did not participate or vote at such meeting.

17.5 Information to the Bondholders

As of the calling of the General Meeting, each Bondholder or representative thereof will have the right to consult or make a copy of the text of the resolutions which will be proposed and of the reports (if any) which will be presented at the meeting, which will be available for inspection at the principal office of the Issuer and at any other place specified in the notice of meeting.

17.6 Expenses

The Issuer will pay all expenses relating to the calling and holding of meetings and more generally all administrative expenses resolved upon by a General Meeting of the Bondholders, it being expressly stipulated that no expenses may be imputed against interest payable on the Bonds.

17.7 Notice of decisions

The Issuer shall be informed of the decisions of the General Meetings within a maximum of three days as of their adoption. The Issuer shall thereafter comply with any transparency and other obligations it may have under applicable laws in relation to such decisions. The decisions made by the General Meetings will be opposable to the Issuer, who will comply with such decisions to the extent these are deemed mandatory under these Terms and Conditions or otherwise under the provisions of applicable legal provisions.

18. CALCULATION AGENT AND PAYING AGENT

- 18.1** In matters relating to the Bonds, the Calculation Agent and the Paying Agent (if different from the Issuer) shall have no liability to the Bondholders in respect of payments under the Bonds and/or any other obligations of the Issuer under the Bonds and/or any other aspects under or relating to the Bonds.

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- 18.2** Additionally, the Calculation Agent and the Paying Agent (if different from the Issuer), whether individually or jointly, acting in these capacities:
- 18.2.1 are not responsible for the correctness, completeness and reliability of the representations and warranties of the Issuer in connection with the Bonds, except where the Calculation Agent or the Paying Agent are the same entity as the Issuer;
 - 18.2.2 do not provide advisory services in connection with the Bonds to Bondholders, nor in connection with any legal, tax and accounting issues related to the Bonds;
 - 18.2.3 make no recommendations regarding the purchase of Bonds, nor are they required to assess or monitor the legal and/or financial standing of the Issuer and/or the risks associated with the purchase of the Bonds; if they make such assessment for their own purposes, they are not required to share the results with Bondholders; and
 - 18.2.4 may purchase Bonds on their own account (to the extent they are not the same person as the Issuer).
- 18.3** By virtue of the services provided by them, each of the Calculation Agent and the Paying Agent may have or gain access to information regarding the Issuer and its ability to meet its obligations resulting from the Bonds, however without having the right to share it with Bondholders. Each of the Calculation Agent and the Paying Agent, as well as any affiliate thereof may, from time to time, provide other services to the Issuer, advise the Issuer or cooperate with the Issuer in any other scope or form, without being required to disclose such to Bondholders.
- 18.4** The applicable Interest payable to Bondholders on the Bonds in accordance with these Terms and Conditions shall be calculated, and the determination of the variable Interest Rate (where the case), shall be made by the Calculation Agent. The Calculation Agent shall not be liable for the damage suffered by the Bondholder in respect of miscalculation of Interest or the variable Interest Rate (if the case), including due to the inaccuracy of the data received from the Reference Banks, unless an error is solely due to wilful misconduct or gross negligence of the Calculation Agent.
- 18.5** The Issuer may appoint another or an additional calculation agent and, respectively, paying agent in accordance with the contractual arrangements entered into with the Calculation Agent and, respectively, the Paying Agent. Any such change shall be notified to the Bondholders.
- 18.6** The Issuer may not dispose of the funds paid by the Issuer to the account opened with the Paying Agent to be used to make payments on the Bonds. These funds are not owned by the Paying Agent; the Paying Agent must use them only for payments to Bondholders in accordance with these Terms and Conditions.
- 18.7** Copies of the agreements whereby the calculation agent(s) and the paying agent(s) are appointed in such capacity (capacities) in respect of the Bonds shall be available for inspection by the Bondholders at the respective addresses of the Paying Agent and, respectively the Calculation Agent, the mentioned herein or otherwise notified to the Bondholders in accordance with Section 19 below, during normal business hours.
- 19. NOTICES**
- 19.1** Any notices addressed to Bondholders will be published on the Issuer's Website and, following the admission of Bonds to trading on the Regulated Spot Market operated by the BSE, on the website of the BSE www.bvb.ro. If a law or regulation or these Terms and Conditions require its publication by other means, the notice will be published also by those other means. If a notice is

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published by several means, the publication date of such notice will be deemed to be the date of its first publication. The date of publication is also deemed to be the date of delivery of the notice to the Bondholders. Notices will be published in English language (unless Romanian language is required under law).

- 19.2** Any notice from Bondholders to the Issuer (in its capacity as Issuer, Calculation Agent and Paying Agent) will be deemed effective if sent by registered mail or courier and delivered to the address mentioned below, or to such other address notified to the Bondholders:

Raiffeisen Bank S.A.

246C Calea Floreasca

Sky Tower building, floors 2-7, 10 and 15

014476, Bucharest, 1st District

Romania.

- 19.3** Any notice from Bondholders to the Intermediary will be deemed effective if sent by registered mail or courier and delivered to the address mentioned below, or to such other address notified to the Bondholders:

Raiffeisen Centrobank AG.

Tegetthoffstrasse 1

1015 Vienna

Austria

- 19.4** If a notice is delivered (or published by the Issuer) after 5.00 pm on a Business Day or on a day which is not a Business Day, it will be deemed to have been delivered on the first Business Day following the day on which such notice was actually delivered (or published).

20. INFORMATION COVENANTS

Starting with earliest of listing date or 31 May 2020, for as long as any Bond is outstanding, the Issuer will be subject to and/or comply with the ongoing transparency and disclosure obligations, as set out in Directive 2004/109/EC (also known as the Transparency Directive, as amended by Directive 2010/73/EU), as implemented in the Romanian law by the Law 24/2017 and Regulation 5/2018, including (but not limited to):

- 20.1** publication of an annual report, including the Issuer's annual accounts together with the report of the Board of Directors, the statement of responsible persons, as well as the independent auditor's report, within four months after the end of each financial year; and

- 20.2** publication of a half-year report, including the Issuer's half-yearly figures, together with the report of the Board of Directors, the statement of responsible persons, as well as the independent auditor's report, to the extent the accounts have been audited, within three months after the end of the first six months of each financial year.

21. ISSUER'S UNDERTAKING TO LIST THE BONDS

The Issuer undertakes to prepare the Prospectus in accordance with the provisions of the Prospectus Regulation and the provisions of Article 8 and Article 16 of the Delegated Regulation

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2019/980. The Issuer will file the Prospectus with the FSA, for the purpose of admission to trading of the Bonds on the Regulated Spot Market operated by the BSE by 31 May 2020.

22. STATUTE OF LIMITATIONS

The rights under the Bonds are subject to statute of limitations (in Romanian: *prescriptie extinctiva*) of three years from their respective due date.

23. FURTHER ISSUES

The Issuer may from time to time, without the consent of the Bondholders and in accordance with the provisions of these Terms and Conditions, create and issue further bonds having the same terms and conditions as the Bonds in all respects so as to form a single series with the Bonds.

24. AMENDMENTS

These Terms and Conditions may be amended, in any manner which does not adversely affect the interests of the Bondholders, without the consent of the Bondholders for the purposes of the rectification of manifest errors as well as to align, within the first six (6) months from the Issue Date, their provisions with the requirements made by the NBR and/or the FSA, of technical and/or non-substantive nature, in order to recognise the Bonds following the Issue Date as Tier 2 instruments and/or for the approval of the Prospectus for the listing of the Bonds on the BSE. For the avoidance of any doubt, the consent of Bondholders representing 90% of the outstanding amount of Bonds will be required to the extent the amendment of these Terms and Conditions is required for *aligning the provisions of these Terms and Conditions with the requirements made by the NBR and/or the FSA, following the lapse of a six-month period after the Issue Date* and/or to the extent the amendment is not limited to technical and/or non-substantive matters or in the case where the issuer decides to make amendments to these terms and Conditions without being required to do so by the NBR or the FSA. In addition, the Issuer and the Paying Agent, as parties to the Paying Agency Agreement, may agree to modify any provision thereof, for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained therein or in any manner which the parties may mutually deem necessary or desirable and which does not adversely affect the interests of the Bondholders. Any amendment to these Terms and Conditions will be published in Romanian and in English language on the Issuer's Website and/or the website of the Bucharest Stock Exchange www.bvb.ro.

25. REPRESENTATION OF THE ISSUER

The Issuer represents to each Bondholder that all information in these Terms and Conditions is true and complete.

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**PART6
TAXATION**

Potential purchasers and sellers of the Bonds should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Bonds are transferred or other jurisdictions. Potential investors are advised to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition and sale of Bonds. Only these advisers are in a position to duly consider the specific situation of the potential investor.

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**PART 7
DEFINITIONS AND GLOSSARY**

“Additional instrument”	Tier 1	has the meaning given to it in the Capital Regulations.
“Admission”		admission of the Bonds to trading on the Regulated Spot Market of the Bucharest Stock Exchange.
“Affiliate”		means with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with, such Person (where "control" means the power to direct the management or policies of a Person, directly or indirectly, provided that the direct or indirect ownership of twenty per cent (20%) or more of the voting share capital of a Person is deemed to constitute control of such Person, and "controlling" and "controlled" have corresponding meanings).
“AML”		means Anti-Money Laundering.
“AML IV”		Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No. 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC.
“Annual Consolidated Financial Statements”		means the Issuer and its consolidated subsidiaries (the “Group”) audited consolidated financial statements for the year ended 31 December 2019 that include the comparative figures for the year ended 31 December 2018, prepared in accordance with IFRS.
“ANPC”		the National Authority for Consumer Protection.
“Articles of Association”		the articles of association of the Issuer.
“Applicable Law”		means the legislation of Romania and the European Union as applicable in Romania (including secondary or delegated legislation, and any regulations, decisions or rules of any public authority which are legally binding) in force, as the same may be amended or replaced from time to time.
“Auditor”		Ernst & Young Assurance Services SRL.
“Bondholder”		means a person or an entity registered as holder of Bonds with the Registry of Bondholders.

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- “Bonds”** means unsecured, subordinated, dematerialized RON-denominated bonds, having the aggregate principal amount of RON 480,000,000 and a **“Bond”** means any of them.
- “Brexit”** the United Kingdom referendum resulting in a vote for the United Kingdom to leave the European Union.
- “BRRD”** means Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council, as the same may be amended or replaced from time to time.
- “BSE” or “BVB”** Bucharest Stock Exchange, a Romanian joint stock company having its registered office at 34–36 Carol I Blvd., 14th floor, district 2, Bucharest, Romania.
- “BSE Regulations”** means the rules and other regulations in force relating to the regulated market of the BSE and/or the securities or issuers of securities admitted to trading on this market.
- “Business Day”** means a day other than a Saturday or Sunday or a public holiday in Romania, on which the Central Depository carries out its business operations in a manner that enables performance of activities defined in these Terms and Conditions, including operations in the RoClear system.
- “Calculation Agent”** the initial calculation agent in connection with the Bonds is the Issuer; the term **“Calculation Agent”** shall include any successor Calculation Agent, as appointed from time to time by the Issuer.
- “Capital Regulations”** means, at any time, the laws, regulations, requirements, standards, guidelines and policies relating to capital adequacy and/or minimum requirement for own funds and eligible liabilities and/or loss absorbing capacity for credit institutions of either (i) the National Bank of Romania and/or (ii) any other national or European authority, in each case then in effect in Romania and applicable to the Issuer, including, as at the date hereof, CRR, CRD, BRRD, as well as any delegated or implementing acts adopted by the European Commission and guidelines issued by the European Banking Authority, each as amended from time to time, or such other acts as may come into effect in place thereof and any references in these Terms and Conditions to relevant articles of the Capital Regulations include references to any applicable provisions of law amending or replacing such articles from time to time.

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“CEE”	Central and Eastern Europe.
“Central Depository” or “Romanian Central Depository”	means Depozitarul Central S.A., a Romanian joint stock company having its registered office at 34-36 Carol I Blvd., 3rd, 8th and 9th floors, Bucharest, 020922, Romania.
“Central Depository Regulations”	means rules and regulations, resolutions, procedures and other regulations adopted by the Central Depository, defining the conduct of the Central Depository system, in particular the code of the Central Depository.
“Common Equity Tier 1 instrument”	has the meaning given to it in the Capital Regulations.
“Company Law”	means the Law no. 31/1990 on companies, republished, as amended and restated from time to time.
“CRR”	means Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms of the European Parliament and of the Council of 26 June 2013, as the same may be amended or replaced from time to time.
“CRD IV”	Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC and Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.
“CRR”	means Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms of the European Parliament and of the Council of 26 June 2013, as the same may be amended or replaced from time to time.
“Delegated Regulation 2019/980”	means Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004 as the same may be amended or replaced from time to time.
“Manager”	a member of the Management Board.
“Discontinuation Event”	has the meaning ascribed to it in Section 12.6.2 of the Terms and Conditions herein.

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“EBA”	means the European Banking Authority.
“EBRD”	the European Bank for Reconstruction and Development.
“EEA”	the European Economic Area.
“Early Redemption Date”	means a date when any of the Early Redemption for Tax Purposes or Early Redemption for Change in Regulatory Classification occurs or the Optional Redemption Date.
“EIF”	European Investment Fund.
“Eligible Investor”	persons in member states of the European Economic Area who are “qualified investors” within the meaning of Article 2 (e) of the Prospectus Regulation.
“Eligible Recipient”	has the meaning ascribed to it in Section 11.3.1 of the Terms and Conditions herein.
“EU”	the European Union
“EUR”/“cents”/ „EUR”	„€” means references to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.
“Fitch”	Fitch Ratings Ltd
“Final Maturity Date”	means 19 December 2029, the due date of the final redemption of the Bonds, namely the date falling ten (10) years after the Issue Date.
“Fiscal Code”	means law no. 227/2015 on the Fiscal code, with subsequent amendments and completions.
“FSA”	the Romanian Financial Supervisory Authority.
“General Data Protection Regulation”	Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC.
“General Meeting”	has the meaning ascribed to it in Section 17.1 of the Terms and Conditions herein.
“Group”	means the Issuer and its consolidated subsidiaries.
“IFRS”	International Financial Reporting Standards, as adopted by the European Union.

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“IFRS 9”	International Financial Reporting Standard IFRS 9 “Financial Instruments”.
“Independent Agent”	means a leading local independent credit institution experienced in the local capital markets, not affiliated with the Issuer’s group, or, to the extent such local credit institution is not available or accessible, any leading non-affiliated international credit institution experienced in the local capital markets and/or EU capital markets, in each case appointed by the Issuer at Issuer’s own expense.
“Interest”	means the variable amount of interest payable by the Issuer for the Bonds.
“Interest Period”	means the period for which interest is calculated, determined in accordance with Section 12.5 (Interest Periods) of the Terms and Conditions herein.
“Interest Payment Dates”	means each date on which Interest is paid on Bonds, <i>i.e.</i> , means 19 March, 19 June, 19 September and 19 December of each year, except for the date of 19 December 2019.
“Interest Rate”	has the meaning ascribed to it in Section 12.2 of the Terms and Conditions herein.
“ISIN”	International Security Identification Number, that is an international identification code assigned to securities issued in financial markets.
“Issue Date”	has the meaning ascribed to it in Section 1 of the Terms and Conditions herein.
“Issuer” “Company”	or the Raiffeisen Bank S.A.
“Issuer’s Website”	the website with the address https://www.raiffeisen.ro/ .
“Intermediary”	Raiffeisen Centrobank AG., Tegetthoffstrasse 1, 1015 Vienna, Austria.
“Law 24/2017”	means Law no. 24/2017 on issuers of financial instruments and market operations as the same may be amended or replaced from time to time.
“Make Whole Amount”	means the aggregate amount determined by and payable to the Bondholders of all cost, expense or loss that the Bondholders may incur due to a redemption, resulting from: (1) in the following order of priority (a) prepaying or terminating borrowings or swaps or other hedging transactions maintained for funding or hedging all or any part of the Bond; or, to the extent the Bondholders cannot effect the transactions referred in letter (a) due to a refusal from their counterpart (b) entering into any offsetting swaps or other hedging transactions; or, to the extent the Bondholders cannot enter into any of the

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transactions referred in letter (b) (c) reinvesting the amounts prepaid in respect of the Bonds (excluding, for the avoidance of doubt, any amounts calculated as difference between the Bond's yield to maturity and the reinvestment yield), in each case taking into account the prevailing market conditions at the time of prepayment / redemption of the Bonds and determined by the Bondholders in a reasonable manner and being properly documented; as well as from (2) carrying out the trades via the Bucharest Stock Exchange, in case the Issuer redeems the Bonds by using the system of the Bucharest Stock Exchange.

“Management Board”	means the management board of the Issuer.
“Markets in Financial Instruments Directive”	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU Markets in Financial Instruments Directive.
“Member State”	a member state of the EEA.
“MiFID II”	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU
“MiFIR”	Regulation (EU) No. 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No. 648/2012 (Markets in Financial Instruments Regulation).
“Moody’s”	Moody's Investors Service, Inc.
“NBR”	the National Bank of Romania.
“Notice regarding Early Redemption”	has the meaning ascribed to it in Section 16.1 of the Terms and Conditions herein.
“Notices”	means the notices sent in accordance with Section 19 of the Terms and Conditions herein.
“Offering”	means the offering of Bonds by the Issuer, effected by means of private placements, on the basis of the exemptions provided in article 1(4) of the Prospectus Regulation (<i>i.e.</i> , an offering exempted from the obligation to draft and publish a prospectus).
“Optional Early Redemption Date”	has the meaning ascribed to it in Section 16.2 of the Terms and Conditions herein

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“Paying Agent”		the initial paying agent in connection with the Bonds is the Issuer; the term “Paying Agent” shall include any successor Paying Agent, as appointed from time to time by the Issuer.
“Paying Agency Agreement”	Agency	means the agreement entered into between the Issuer and the Paying Agent.
“Payment Date”		means, depending on the context, each Interest Payment Date, the Final Maturity Date or the date on which payments should be made as per these Terms and Conditions as a result of redemption on an Early Redemption Date.
“Payment Directive”	Service	Directive 2015/2366/EU of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No. 1093/2010, and repealing Directive 2007/64/EC (PSD II)
“Participant”		means any entity authorized to open securities accounts with the Central Depository, whether on its own behalf or on behalf of its clients.
“Paying Agent”		the initial paying agent in connection with the Bonds is the Issuer; the term “Paying Agent” shall include any successor Paying Agent, as appointed from time to time by the Issuer.
“PRIIPs Regulation”		Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products.
“Procedures”		has the meaning ascribed to it under Section 11.4.1 of the Terms and Conditions herein.
“Prospectus”		means the listing prospectus to be prepared by the Issuer and which will be submitted to be approved by the FSA in view of the admission of the Bonds to trading on the regulated market of the BSE, together with the annexes, updates, messages and supplements thereto.
“Prospectus Regulation”		means Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC.
“Qualified Investors”		persons who are “qualified investors” within the meaning of Article 2(e) of the Prospectus Regulation.
“Raiffeisen Group”		means Raiffeisen Bank International AG and its subsidiaries.

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- “Record Date”** means the date on which Bondholders which are entitled to payments under the Bonds are determined, being (i) in relation to the Final Redemption Date, or each Interest Payment Date, the date falling 15 Business Day prior to the respective date, and (ii) in relation to an Early Redemption Date, that particular date, in each case provided that, in case such date does not comply with BSE Regulations and/or Central Depository Regulations and/or Capital Regulations, it will be postponed to the immediately following Business Date which corresponds to such Regulations.
- “Recovery and Resolution Act”** means Law 312/2015 regarding the recovery and resolution of the credit institutions and investment firms, as well as for the alteration and completion of certain normative acts in the financial area, as the same may be amended or replaced from time to time.
- “Reference Banks”** means the offices of not less than four (4) major banks in the Romanian interbank market.
- “Reference Page”** means the display of Romanian interbank offered rates for deposits taken in RON designated as page RBOR on Reuters screen (or such other page as may replace RBOR on Reuters screen, for the purpose of displaying ROBOR).
- “Reference Date”** means the calendar date which serves to identify the Bondholders who are entitled to participate and vote in the Bondholders’ Meeting.
- “Registry of Bondholders”** means the registry of bondholders maintained electronically by the Central Depository on the basis of the contractual arrangements entered into with the Issuer.
- “Regulation 5/2018”** means FSA Regulation no. 5/2018 on issuers of financial instruments and market operations as the same may be amended or replaced from time to time.
- “Representative”** has the meaning ascribed to it in Section 17.1 of the Terms and Conditions herein.
- “ROBOR”** means Romanian Interbank Offered Rate.
- “ROBOR 3M”** means the three-month offered rate for deposits in RON, as displayed on the Reference Page on the relevant Interest Determination Date, as of 11:00 hours, Bucharest time.
- “RoClear”** means the clearing, settlement and registry system for RON payments, operated by the Central Depository.
- “Romanian Banking Act”** Government Emergency Ordinance No. 99/2006 on credit institutions and capital adequacy as further amended.

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“Romanian Law”	Insolvency	Law no. 85/2014 on insolvency prevention procedures and on insolvency procedure as amended from time to time.
“RON”		the currency of Romania.
“Related Parties”		means with respect to any Person, any other person meeting any of the following criteria: (i) each member of such Person’s board of directors, supervisory board or equivalent body; (ii) each member of such Person’s executive management; (iii) each Person holding, directly or indirectly, more than 5% of the voting or non-voting share capital of such Person; (iv) each of the parents, children and siblings of the Persons falling under clauses (i) through (iii) above; (v) each of the spouses of the Persons falling under clauses (i) through (iv) above; and (vi) each of the Affiliates of the Persons falling under clauses (i) through (v) above.
“Securities Act”		United States Securities Act of 1933, as further amended.
“Settlement Date”		means the date on which trades in relation to the Bonds are settled through the Central Depository and which falls two (2) Business Days following the Transaction Date, in accordance with the T+2 settlement cycle.
“Subscription Date”		means 16 December 2019.
“Successor Rate”	Reference	has the meaning ascribed to it in Section 12.6.2 of the Terms and Conditions herein.
“SME”		small and medium enterprise.
“SEE”		South Eastern Europe.
“Supervisory Board”		means the supervisory board of the Issuer.
“Tier 2 instrument”		has the meaning given in Capital Regulations.
“Transaction Date”		has the meaning ascribed to it in Section 1 of the Terms and Conditions herein.
“Transparency Directive”		Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC.
“United States” or “U.S.”		the United States of America, its territories and possessions, any State of the United States of America, and the District of Columbia
“UK”		United Kingdom

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**“USD”/ “dollars”/ “\$” / the lawfully currency of the United States of America
“American dollars”**

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PART 8 GENERAL INFORMATION

Authorisation

The issue of the Bonds was authorised by resolution of the extraordinary general meeting of shareholders no. 1 dated 23 April 2019 and by decision of the Management Board dated 9 December 2019 of the Issuer. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds and their admission to trading on the Regulated Market operated by the Bucharest Stock Exchange.

Legal and Arbitration Proceedings

Save as disclosed in this Prospectus, there are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer.

Significant/Material Change

Save as disclosed in this Prospectus, since 31 December 2019 there has been no material adverse change in the prospects of the Issuer, nor any significant change in the financial or trading position of the Issuer.

Incorporation of Certain Information by Reference

This Prospectus incorporates by reference, and should be read and construed in conjunction with, the following information:

1. The audited consolidated financial statements of the Group for the years ended 31 December 2018 and 31 December 2019, respectively; and
2. The Articles of Association.

The information contained in each document incorporated by reference herein is given as of the date of such document. Such information shall be deemed to be incorporated in, and form part of, this Prospectus, save that any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this document to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Independent Auditors

Ernst & Young Assurance Services S.R.L., an independent audit company, audited the Group's Consolidated Financial Statements for the years ended 31 December 2018 and 31 December 2019 and issued unqualified audit reports on these consolidated financial statements, as stated in their reports appearing therein.

Ernst & Young Assurance Services S.R.L. has its registered office in Romania, Bucharest, district 1, 15-17 Ion Mihalache Bld, Bucharest Tower Building, 21st Floor, is registered with the Trade Registry under no. J40/5964/1999 has its sole registration number 11909783 and it is registered in the Public Electronic Register under no. FA77.

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Documents on display

Copies of the following documents (together with translations thereof) may be inspected during normal business hours at the offices of the Issuer (246C Calea Floreasca, Sky Tower Building, floors 2nd – 7th[, 10th and 15th], Bucharest 1st District, Romania), as well as in electronic form on Issuer's website <https://www.raiffeisen.ro/> and on the BSE's website www.bvb.ro.

1. The Prospectus;
2. The audited consolidated financial statements of the Group for the year ended 31 December 2019 and 31 December 2018, respectively; and
3. The Articles of Association.

THE ISSUER

RAIFFEISEN BANK S.A.

By: JAMES D. STEWART, JR.

Signature: [*SIGNATURE APPLIED*]

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REGISTERED OFFICE OF THE ISSUER

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