Raiffeisen Bank S.A.

Directors' Report

31 December 2022

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

Raiffeisen BANK

DIRECTORS' REPORT ON CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2022

1. GROUP DESCRIPTION

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

The Bank holds:

- 99.99% investment in Raiffeisen Asset Management S.A., an asset management company with the purpose of administrating funds launched by the Group;
- 99.99% interest in Raiffeisen Leasing IFN S.A.;
- 99.99% interest in Aedificium Banca pentru Locuinte S.A., an entity exclusively dedicated to saving and lending business.

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

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

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

During 2020, ICS Raiffeisen Leasing S.R.L. from the Republic of Moldova, a company held 100% by Raiffeisen Leasing IFN S.A., has ceased its activity and has been liquidated.

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

2. RAIFFEISEN BANK'S STRATEGY

In a challenging, rapidly changing macroeconomic environment, RBRO continues to be a pillar of the Romanian economy, remaining faithful to 'proper banking' culture and swiftly coming to the aid of clients, whenever they are in need. We offer accessible financing solutions to our clients in key sectors of the local economy and we aim to bring convenience and ease in their financial and business lives through an increasingly digital banking experience.

As a top universal bank, with the ambition to become the most recommended financial institution in Romania, Raiffeisen Bank helps its customers achieve their objectives and makes every effort to build enduring home banking relations. Our commitment remains to provide safe, sustainable, and quality banking products by actively promoting and reflecting a climate of responsibility, trust and competence.

In addition, we persevere in bringing innovative products to the market, promote continuing education, develop and strengthen business ties within the local economy and run programs that provide great support to local start-ups. We also aim to provide financing solutions that contribute to and support the transition to a green economy.

3. ECONOMIC & BANKING ENVIRONMENT IN 2022

The economy showed a strong resilience to the major adverse shocks it faced in 2022. Hence, the economic activity remained on an upward trend throughout the year, while the real Gross Domestic Product (GDP) increased by 4.8% compared to 2021. Economic growth was quite fast at the beginning of the year, but it decelerated later, on the background of a negative influence brought by the sharp rise in the prices of goods and services, the higher uncertainty about future developments in the economy, and the weakening of external demand. The quick increase of prices for consumer goods and services (especially the prices of food and energy sector) has eroded the purchasing power of the population, gradually slowing down the advance of consumption during the year. In addition to having a negative impact on households' consumption, the sharp increase in electricity and natural gas prices has also led to a significant reduction of activity in industrial sectors with intensive energy consumption, as well as in the industries that produce and distribute these goods. In 2022, a good performance was noticed for service-providing companies and for construction companies.

Inflationary pressures increased substantially following the outbreak of the war in Ukraine while consumer goods and services prices grew by 16.4% during 2022. In a context dominated by high inflationary pressures, the Central Bank (NBR) has continuously raised the monetary policy interest rate during 2022, from 1.75% to 6.75%. Also, starting October, the Central Bank has implemented a firm control over the liquidity conditions on the money market. These measures have led to a large increase in interest rates throughout the year for customer loans and deposits.

Outstanding loans granted by banks to the private sector increased rapidly in 2022, but a slowdown in lending activity was observed in the second half of the year. The loan stock granted by banks to households and companies increased by 12.1% during 2022. This year, the best performance was registered for the loans granted to non-financial companies, for which we noticed an increase in balances of 18.8%. Lending growth on this segment benefitted from the upward trend of the economic activity and the governmental program IMM Invest for loans contracted by small and medium-sized companies. At the same time, the fast rise of prices in the economy led to additional working capital needs for companies, which were covered by loans from banks. The demand of companies for loans in foreign currency increased substantially in 2022 because of lower costs in comparison with Ron denominated loans. Housing loans originations have weakened throughout the year because of rising interest rates and a more caution behaviour of individuals for purchasing homes. Housing loans stock increased by 5.4% in 2022, at a slower advance than the level of 12.9%, materialized in 2021. Loans originations related to consumer and other purposes showed a modest development in 2022, with outstanding amounts increasing by only 2.6%.

Banking system deposits stock growth slowed down in 2022 as the fast increase of consumer prices and production costs has reduced the saving capacity of households and companies. Thus, outstanding deposits of households and companies increased only by 7.1% in 2022 after a growth of 13.9% registered during 2021. 2022 marked an important increase in the preference of households and companies for Ron deposits to the detriment of foreign currency deposits following higher interest rates for RON products.

The NPLs ratio in the banking system continued to decrease gradually, from 3.35% in December 2021 to 2.65% in December 2022. The banking system' profitability remained at high levels in 2022 as borrowers continued to adequately fulfil their debt service (keeping banks' provisioning costs at low levels) while the net interest margin was favorably influenced by the increase in interest rates in the economy.

4. GROUP'S BUSINESS PERFORMANCE IN 2022

a) Highlights

We are very proud of our 2022 achievements. We delivered solid financial and business results in a challenging macroeconomic environment, while continuing to support the real economy. The Group's foundations are in excellent shape: strong capital position as shown by the total capital adequacy ratio before profit incorporation above 21%, loans/deposits ratio at 81%, NPLs below market average, cost-to-income ratio at around 46% and a RoE of 23.5%.

Funding the real economy remains a key objective. Newly approved loans reached Eur 5.6 bn in 2022, **+**37% YoY. In 2022, Eur 1.4 bn new loans were granted to private individuals, mainly at fixed interest rates. Companies new volumes reached an all-time high level of Eur 4.2 bn, sustained by an increasing need for working capital in a high inflation macroeconomic environment and by our active participation in Governmental programs such as IMM Invest.

Loan growth exceeded our expectations, +21% YoY confirming once again that we are a trustworthy partner for our clients, committed to provide sustainable and qualitative financing solutions. Although in 2022 we increased substantially the interest rates offered to customers for RON and FCY term deposits, the net interest income increased by 34% YoY, sustained by intensified lending activity on all business lines and higher interest rates environment.

Digitization is a top priority for us: clients actively[1] using our digital channels grew by 15% in 2022, exceeding 1.3 million (56% of our customer base). Our branches' network is almost entirely migrated to 'cashless', in line with our strategy to improve the digital capabilities and simplify our processes by offering clients the possibility to access a wide range of banking products and services with the convenience, safety and speed of our online and mobile banking applications.

First issuance of sustainable bonds. In August 2022, RBRO successfully issued its first MREL bond (Ron 500 mn) in sustainable format, a premiere also for the local banking system. With total MREL bonds issued by the Bank in 2022 exceeding Ron 1.7 bn, we comfortably cover the MREL funds regulatory requirements and we take pride in being an important pillar for the Romanian banking system's transition towards a green and sustainable banking business.

[1] Private individual and SME clients who logged in the Raiffeisen mobile or online application at least once in the last month

b) Balance sheet developments

Raiffeisen Bank Romania's success resides in the balanced and sustainable business growth. Hence, we stayed true to our 'proper banking' principles, while providing much-needed funding to the real economy in a difficult economic context brought by the inflationary pressures, high volatility on the financial markets and the escalation of the armed conflict nearby our country.

In the meantime, we made additional efforts to remain a trusted partner for our clients by offering a diversified range of banking products and services, adapted to their financial needs. Besides the standard offer of the Bank, we provided our clients with accessible financing solutions through Governmental support programs, such as IMM Invest for SME clients and Noua Casa for individual customers.

The main developments related to the asset side of the balance-sheet are seen below:

Condensed assets positions	Group			Bank		
amounts in Ron million	**2022**	**2021**	Variation	**2022**	**2021**	Variation
Cash and balances with Central Bank	8,281	11,288	-27%	8,281	11,285	-27%
Loans and advances to Banks at amortized cost	324	1,518	-79%	287	1,505	-81%
Loans and advances to customers at amortized cost	39,852	32,974	21%	39,368	32,500	21%
Financial assets mandatorily at fair value through P&L	184	258	-29%	170	243	-30%
Investment securities at fair value through OCI	3,105	3,661	-15%	3,096	3,564	-13%
Investment securities at amortized cost	9,201	8,550	8%	9,130	8,414	9%
Sundry assets	1,643	1,584	4%	1,681	1,646	2%
Total assets	**62,590**	**59,833**	**5%**	**62,013**	**59,157**	**5%**

In 2022, we witnessed an excellent performance for the loan production. One of the main objectives of our activity is to have an active role in financing the real economy growth, thus leading to an active involvement in projects and investments financing for SME and Corporate clients, by offering our customers the possibility of accessing governmental schemes such as IMM Invest, besides the standard offer of the Bank. Notably, we managed to achieve an all-time high level for Corporate new loans production, above 2021 level by 75% with outstanding results for both Large and Mid-Market companies. Furthermore, the new loans granted to SME clients are higher YoY by 10% while Private Individual originations registered a slight decline of 6% in comparison with last year due to a difficult macroeconomic context ruled by inflationary pressures and upward market rates.

The net loans stock increased by 21% YoY. Corporate clients loan stock grew by an excellent 44% with positive impact from both Large Companies (around 60% loan stock growth YoY) and Mid-Market (around 30% loan stock growth YoY). This evolution was also driven by the high inflation macroeconomic environment which led to an increasing need of working capital for companies. SME loan stock advanced by 17% in comparison with 2021 year-end with a notable contribution from governmental schemes, especially IMM Invest. Private Individuals loan stock is also on a growing trend YoY by 7%, almost evenly from personal loans and housing loans. Worth mentioning that most of the loans granted by the Bank to individuals were on fixed interest rate, thus protecting clients from potential shocks from market rates evolution.

The balance sheet is continuously leaning towards local currency business, as a share of around 60% of our loan book is RON-denominated, with main influence from Retail lending for which a weight of near 80% of the total loan stock is RON-denominated. Notably, EUR denominated loans became more attractive for Corporate clients, thus leading to a higher share of foreign currency loans during 2022.

Loans and advances to customers, before provisioning

	Group				Bank			
	2022		2021		2022		2021	
amounts in Ron million	Non-Retail[2]	Retail	Non-Retail	Retail	Non-Retail	Retail	Non-Retail	Retail
Total	20,309	20,879	14,857	19,497	20,212	20,452	14,793	19,046
LCY	8,240	17,410	6,932	16,260	8,230	17,348	6,930	16,178
FCY	12,069	3,469	7,925	3,237	11,983	3,104	7,863	2,868

We increased our securities holdings throughout 2022, in line with our strategy to lengthen the average duration of the assets, optimize the structure of the balance-sheet and the net interest margin, while proving necessary funds to the local Government in a challenging period for the local economy.

In 2022, we exceeded Ron 62 bn landmark in terms of size of the balance-sheet and we are very satisfied with almost 5% asset growth achieved YoY. We will further move to the customer liability side of the balance-sheet:

Customer liabilities stock remained roughly stable in comparison with last year in a difficult economic context, affected by inflationary pressures which affected households' revenues and also by a highly competitive interbank environment for attracting RON and foreign currencies liquidities.

Customer deposits grew by 40% YoY, largely from Private Individuals business line, thus confirming once again that we remained a trustworthy partner for our customers. In 2022, we gradually increased the interest rates offered to clients for term deposits on RON and foreign currency, encouraging them to save through a diversified range of savings products remunerated with competitive interest rates.

Current accounts stock experienced a significant decline YoY as most of our clients decided to redirect their liquidities to saving products with higher returns such as deposits/ government securities.

The Bank's capitalization and liquidity remained at solid levels during 2022. Through the four MREL eligible bond issues placed in 2022 (in amount of over Ron 1.7 billion), the Bank has further strengthened its own funds and eligible liabilities ratio to over 32%, exceeding by a consistent margin the minimum regulatory requirements and thus creating the premises for a sustainable development of the loan portfolio in the future as well. Moreover, through the green and sustainable format of the bonds issued, the bank reaffirms its commitment to contribute to Romania's transition towards a sustainable economy, supporting the reduction of regional disparities and strengthening the resilience and competitiveness of small and medium-sized enterprises.

Raiffeisen Bank continued in 2022 to develop strategic financing partnerships with international financial institutions. Thus, the bank strengthened its financing capacity through a synthetic securitization, the first transaction of its kind on the local market. The new partnership with the European Investment Bank (EIB) and the European Investment Fund (EIF) will allow Raiffeisen Bank to offer, over the next two years, financing to eligible beneficiaries, SMEs and MidCaps, of up to RON 523 million (Eur 106 million), at a reduced interest rate compared to other similar financing.

[3] Retail clients include personal individuals and legal entities with an annual turnover below Eur 1 million (Micro clients)

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

Condensed liability positions	Group			Bank		
amounts in Ron million	**2022**	**2021**	Variation	**2022**	**2021**	Variation
Deposits from Banks, loans from Banks and other FIs	968	703	38%	582	366	59%
Deposits from customers	49,234	49,701	-1%	49,281	49,641	-1%
Debt securities issued	3,888	2,119	84%	3,888	2,119	84%
Subordinated liabilities	324	323	0%	324	323	0%
Sundry liabilities	1,722	1,632	6%	1,662	1,509	10%
Equity	6,454	5,355	21%	6,276	5,199	21%
Total liabilities and equity	**62,590**	**59,833**	**5%**	**62,013**	**59,157**	**5%**

Regarding our liability's denominations, the structure between RON and foreign currencies remains in favor of the former and closed the year at around 65/35 ratio.

Deposits from customers

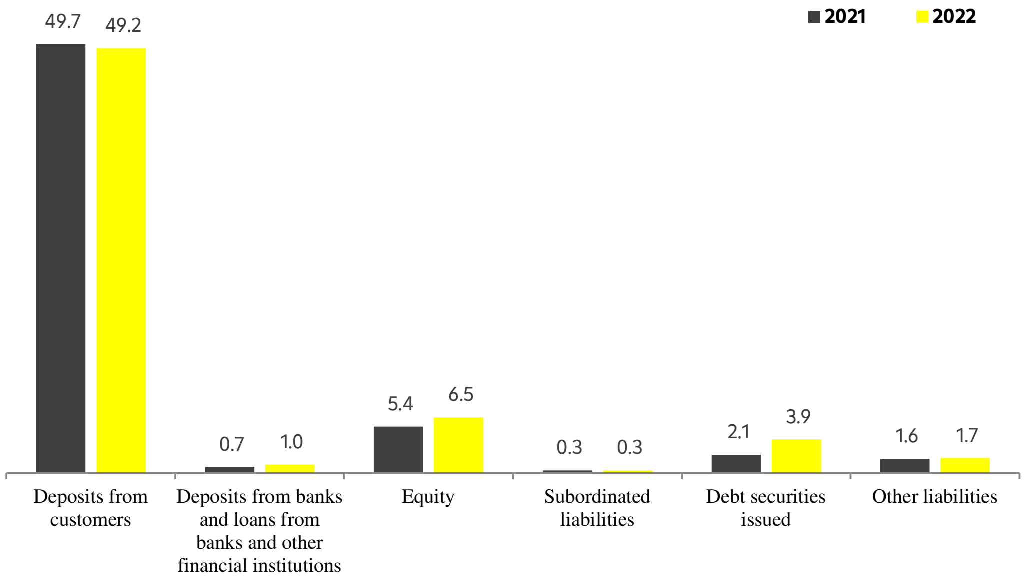
	Group				Bank			
	2022		2021		2022		2021	
amounts in Ron million	Non-Retail	Retail	Non-Retail	Retail	Non-Retail	Retail	Non-Retail	Retail
Deposits from customers	13,119	36,115	13,594	36,109	13,181	36,100	13,621	36,020
LCY	8,578	20,177	8,809	20,177	8,614	20,074	8,828	20,036
FCY	4,541	15,938	4,785	15,932	4,567	16,026	4,793	15,984

The Group has strengthened its foundations during the year. We enjoy a positive perception from the part of our clientele, as a sound and secure financial institution during times of continued uncertainty.

The strong rise in deposits from customers during the year, as well as our cautious policy to retain profits and grow the average equity position during these challenging times, have all granted the Group a solid footing for the future.

Funding Sources, end of year balances

RON billion



c) Major Profit and Loss components

	Group			Bank		
amounts in Ron million	**2022**	**2021**	**Variation**	**2022**	**2021**	**Variation**
Net interest income	2,400	1,794	34%	2,356	1,755	34%
Net fee and commission income	559	576	-3%	520	526	-1%
Net trading income	329	360	-8%	330	360	-8%
Net gain from other fin. instr. at fair value through P&L	-38	-13	<-100%	-38	-13	<-100%
Other income	51	29	76%	80	49	63%
Operating and personnel expenses	-1,668	-1,593	5%	-1,615	-1,484	9%
Net provisioning for impairment losses on financial assets	-147	-108	36%	-175	-184	-5%
Goodwill	0	0	n/m	0	0	n/m
Share of gain from associates and joint ventures	1	3	n/m	0	0	n/m
Income tax expense / revenue	-231	-229	1%	-224	-220	1%
Net profit after taxes	**1,256**	**819**	**53%**	**1,235**	**788**	**57%**

Net profit of the Group exceeded Ron 1.25 bn landmark, up by more than 50% YoY.

Net interest income experienced an increase of 34% YoY. Main drivers behind this evolution are an intensified lending activity, especially for Corporate clients, but also by the increasing market rates for both RON and foreign currencies.

Commissions remained roughly stable YoY. We noticed higher revenues from cards related payments, but also from bancassurance, in line with our strategy for 2022. On the other side, we have lower commissions from cash transactions. Starting the beginning of 2022, our footprint is almost entirely migrated to multifunctional machines and electronic channels, in line with our decision to tighten the relationship with our clients and make concrete steps towards a transactional activity that is fast, convenient and cost-effective for the Bank and clients.

Trading income dropped by 8% YoY in a context of some non-recurring events which brought a negative impact on the Bank's revenues in 2022. FX related commissions were on a slight growing trend YoY, driven by higher volumes in line with consumption demand, but also by our customers inclination to place their liquidities in stronger currencies following a high volatility after the Russia-Ukraine conflict escalation at the beginning of the year.

Net gains from other instruments at fair value through P&L experienced a drop in comparison with last year in a context of high volatility in the market, caused by inflationary pressures, increasing market rates on both local and foreign markets and a strong liquidity gap on the monetary market during most of 2022, thus leading to significant increases on bonds yields and a negative mark-to-market for Bank's portfolio of debt instruments.

Operational expenses grew YoY by 5%, mainly from higher personnel costs, in line with our strategy to attract and keep talented employees, but also through measures designed to protect employees against the negative effects of inflation on purchasing power. During 2022, we continued the IT investments to improve and develop our digital capabilities in order to cover our clients' needs by offering quicker and more accessible products and solutions using latest available technologies. Also, the effects of the general increase in prices in the economy materialized through higher costs for utilities, rents, fuels and consumables.

Provision costs booked in 2022 are higher YoY by 36% following a prudent approach of the Bank, in a difficult economic context. Despite a higher level of provisions, our clients have proven a disciplined behavior and continued to pay their installments.

d) Customers and distribution

The active customer base increased by 2% in 2022, above 2.3 million clients. At 2022 year-end, Raiffeisen Bank's network numbered 291 units (300 in 2021), over 27,100 EPOS and over 1,100 ATMs, out of which 518 MFMs (multifunction machines).

5. OUTLOOK FOR 2023

a) Economic developments

We expect to see a modest economic growth at the beginning of 2023 affected by the negative influence of quick prices increase in the economy, weak external demand and high uncertainty regarding future economic developments. However, our expectations point towards an improvement of economic growth subsequently during the year on the background of favorable impact of the governmental support measures for households and companies, strengthening the investment activity in the public sector, improvement of external demand and the moderation of inflationary pressures on both Romania and external markets. We expect real GDP to grow by 2.3% in 2023 compared to 2022. Households' consumption growth should continue in 2023 – and speed up in the second half of the year – as real disposable income is expected to increase for all segments of the population. At the same time, we expect an upward trend for investments for most of 2023. Spending on infrastructure projects financed by EU funds (from the EU regular budget and from the National Recovery and Resilience Plan - NRRP) should increase in 2023. Romania could also benefit from a potential restructuring of global production chains, which can determine a potential increase of the country's production capacity. At the same time, we expect an improvement in export activity during this year in line with the global economic activity growth.

The Government intends to reduce the public budget deficit from 5.7% of GDP in 2022 to 4.4% of GDP in 2023. In our view, the plan of reducing the public budget deficit in 2023 is ambitious, and we expect the fiscal consolidation process to proceed at a slower pace than the Government has initially assumed. We expect a reduction of the current account deficit in 2023 to 8% of GDP from the level of 9.2% of GDP recorded in 2022. Even if it will be reduced in 2023 compared to 2022, both the public budget deficit and the current account deficit would remain very high, being sources of vulnerability for the economy. The progress of the fiscal consolidation process and the successful implementation of the NRRP are important objectives, their fulfilment being necessary to ensure the coverage in adequate conditions of the high external financing needs of both the economy and of the public sector.

We expect to see a decrease in terms of intensity for the inflationary pressures in 2023 compared to 2022, but the end-year annual inflation rate (7% according to our current forecast) should remain well above the upper limit of 3.5% of the variation band attached to the central inflation target of 2.5%. In this context, we expect the Central Bank to keep the monetary policy rate unchanged at 7% throughout the year. We also expect that the interest rates for households and companies banking loans and deposits to reach in 2023 the highest levels of the current rising cycle that began in 2021.

Among the risks whose materialization could lead to a lower than expected economic performance in 2023 are: the escalation of the war in Ukraine and/or other global geopolitical conflicts, the deepening of the energy crisis in the European Union, the materialization of new inflationary shocks at the global economy, the continuous upward trend of interest rates as a result of the persistence of very high inflationary pressures, the emergence of a major fiscal slippage or the failure of PNRR implementation.

b) Developments in the banking industry

We expect the loans stock granted by banks to the private sector (households and companies) to remain on an upward trend in 2023, with positive evolutions on all lending segments (loans for consumer and other purposes, housing loans and loans to companies). Our expectations are that the loans granted by banks to non-financial companies to continue outperforming the other lending segments during this year as lending to firms should be supported by the ongoing governmental programs that provide guarantees for SME loans, an upward trend for the economic activity and the implementation of public investment programs. Also, for 2023, we expect to see an improvement for consumer loans originations granted to households in the context of the increase in economic activity and of the growth of real disposable income. At the same time, we expect the outstanding housing loans to further increase in 2023, but the elevated uncertainty in the economy and the high level of interest rates could limit this growth to a large extent. Among the factors that are likely to hold back the expansion of loans in 2023 are the tightening of credit standards by the banks and the increase of borrowing costs (both in domestic currency and in foreign currency). The banking system is very well capitalized and has sufficient resources to support the lending activity in the next period.

c) Our perspectives

The Bank's perspectives regarding business activity and financial performance largely reflect the Bank's budget for 2023. We are optimistic regarding the perspectives for business growth, and we expect that macroeconomic context will support the growth of financial intermediation in Romania. We aim to exceed the pace of the market in terms of lending, with a balanced growth on products and customer segments. However, we believe that uncertainty will persist in the short and medium term, given the fact that the period we have gone through has changed individual behavior to some extent, accelerated an already existing trend of digital adoption and influenced customer preferences in an environment affected by the challenges generated by the inflationary environment and the military conflict between Russia and Ukraine.

We are focusing on two major drivers of resilient long-term financial strength: our people and the path to a digital environment; we continue to focus on both fronts and thus strengthen our market position. Our strategy is correlated with the allocation of investments in the two crucial success factors for the future of the bank, namely our employees and the strength of our digital capabilities; this is a path that we will follow in the next period as well.

6. SUBSIDIARIES

Raiffeisen Asset Management (RAM)

S.A.I. Raiffeisen Asset Management S.A. (RAM) is the asset management company of the Group in Romania. RAM's main objective is to develop a large range of products to best serve our clients' financial purposes.

The year 2022 turned out to be one of the most difficult years in history for investors. The geopolitical crisis, its impact on the global energy market and, last but not least, inflation, had a significant impact on the financial markets. Bond yields increased by up to 4pp in the United States, respectively by up to 7pp in Romania. The impact on the investment performance of the funds managed by Raiffeisen Asset Management (RAM) was significant. The value of managed assets decreased significantly, as a result of a decrease in the unit value of the funds and higher redemptions, reaching Eur 690 mn at the end of 2022.

In this difficult context, recurring saving solutions or investing in steps represented a suitable solution for the moment. The SmartInvest investment plans also enjoyed high interest from investors this year. Denominated in both EUR and RON, SmartInvest comes with solutions for the accumulation of capital, which offer the possibility of obtaining higher returns than classic savings instruments (savings accounts or deposits), insuring in the meantime an efficient risk management.

Raiffeisen Acumulare - Pension Fund continued to have a very good investment performance, even in this difficult context. In terms of long-term performance (5 and 10 years), Raiffeisen Acumulare is still the best performing fund in the medium risk category. This performance was also recognized by the participants, their number increasing in 2022 by 65%, up to approximately 26,000.

Sustainability was a key word in 2022, and RAM continued to propose relevant and innovative solutions to investors. Together with the Raiffeisen Capital Management (RCM) team of professionals, we implemented a master-feeder structure, through which we provide Raiffeisen clients with ESG solutions. It is a premiere on Romania market, and the Sustainable Equity and Sustainable Mix funds, ESG type funds, are backed by the experience and professional recognition of the RCM team.

We continue our efforts to improve the product experience, for both investment funds and pension funds. Starting with the end of 2022, Raiffeisen Bank's SmartMobile application offers the possibility to set the recurring contribution to the Raiffeisen Accumulation pension fund in a simple and handy way.

At the end of 2022, Raiffeisen Asset Management was the only asset management company in Romania offering both open investment funds and a voluntary pension fund. The social capital amounting Ron 10,656,000 is 99.99% owned by Raiffeisen Bank S.A. The total assets reached Eur 12.8 million.

In December 2022, Raiffeisen Asset Management S.A. was the third largest player on the local mutual funds market, with a market share of 18.8% and assets under management exceeding RON 3.25 bn.

FINANCIAL LEASING ACTIVITY

Raiffeisen Leasing IFN S.A. has been representing the Raiffeisen Group on the Romanian Leasing Market since 2002. The company share capital is RON 14,935,400 and offers a wide range of products for SMEs, corporations and, in a small part, for individuals.

The company provides customized financing solutions in Ron 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 the 291 Raiffeisen Bank agencies.

On 31.12.2022, Raiffeisen Leasing IFN S.A. had Ron 1.216 mn assets and a number of approximately 10,800 active contracts. The company consolidated its portfolio, confirming in 2022 the established strategic lines, registering a balanced structure in terms of customer segments and financed assets and an adequate risk management.

In 2022, Raiffeisen Leasing financed 17% more new volumes compared to the previous year. The company continued to support the economic activity by supporting the financing needs of customers by promoting programs and products dedicated to SME companies: COSME, SME Leasing, the financing of sustainable projects in the green sector (eg photovoltaic panels).

Integrating ESG approach into Raiffeisen Leasing's business strategy, promoting together with the Bank new products and partnerships for "green" asset financing, with a positive environment impact is part of Raiffeisen Leasing's goals for the coming years.

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

SAVING AND LENDING BUSINESS

Aedificium Banca pentru Locuinte S.A. (ABL) offers a product denominated in RON based on a combination between saving and lending and offers to customers housing financing solutions with fixed interest rates, RON-denominated.

At the end of 2022, ABL registered a portfolio of 1,135 contracts; savings deposits from customers amounted to Ron 14.7 million. According to ABL business strategy of a progressive exit from the market, the loans portfolio was transferred to RBRO during 2022 financial year, so the outstanding loans balance at the year-end is not material. In 2022, ABL posted an operational negative result of Ron 15.3 million.

7. RESEARCH AND DEVELOPMENT

The main interest areas recently, have been accelerating the development of digital solutions in line with business strategy, increasing the digital experience of our customers, Agile transformation but also focusing on speed and adaptability, stability and performance of services, data analysis and machine learning.

We have launched new functionalities in Smart Mobile application in order to improve our customers digital experiences: shorter flow for pre-approved consumer loans, the possibility of marking instant payments, SmartBox feature that allows to save easily and quickly every time our customers pay with their debit cards, new payment templates for contribution to pension funds and possibility to acquire insurance policies.

In the first quarter of 2023, we have launched Smart Market application in a common area all customer segments – private individuals, SME and Corporate, contributing to an increase on our customers engagement rate and the number of banking products accessed by our customers. Smart Market is currently integrated with Smart Mobile application and has already attracted over 300,000 customers during 2022.

An important step was Instant Payment service launching, which facilitates the money transfer in a few seconds and is available from Raiffeisen Smart Mobile application regardless the payment time, payment authorization being possible with biometric authentication or PIN, in complete security. Through the Instant Payments service, funds are transferred in less than 10 seconds between two accounts at different banks, according to the rules listed in the payment scheme governing it. In practice, since launch, the transfer time for two clients of any two participating banks is of around 4 seconds. The continuous expansion of the service ensures Romania a place in the list of countries aligned to the most modern standards in payments field. Instant Payments are provided to final users of financial services, consumers or companies, as well as banks and other payments services providers wishing to operate on the local market. The service allows the achievement of one of the most important requirements of open-banking, respectively the transfer of funds in real time between clients.

Implementing new solutions and migrating the existing applications in Cloud is one of the main directions of the Bank's strategy with the target of achieving scalability and modernization for our banking applications, through easier maintenance and automation of the infrastructure provisioning.

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

The objective of financial reporting is to reflect the true and fair view of the statement of financial position, statement of comprehensive income and statement of cash flows, both consolidated and separate. Compliance with all accounting and financial reporting requirements is a prerequisite. The Management Board is responsible for defining and establishing a suitable internal control and risk management system that cover all financial reporting process.

The internal control system provides the management all the needed information to ensure continuously improving internal control for accounting. The internal control system is designed to comply with all relevant guidelines and regulations and optimize the conditions for specific control measures.

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

Control environment

The internal control system in place includes:

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

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

The Audit Committee monitors the accounting process and the effectiveness of internal control, audit and risk management system. The task of the Audit Committee includes the supervision of the annual audit of the consolidated and separate financial statements, which is done at least annually. The Audit Committee is responsible for preparing the Supervisory Board recommendation for selecting the financial auditor. The Audit Committee discusses the efficiency of the risk management system and internal control system. The internal audit must provide to the Audit Committee with quarterly reports in areas audited and with audit findings resulted from the audit performed. The consolidated and separate financial statements are prepared within the Accounting Directorate, which reports to Chief Financial Officer.

Risk assessments

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

Control measures

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

Consolidation of the financial statements

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

Information and communication

Before publication, the consolidated and separate financial statements are presented to the Board of Directors for approval and submitted to the Supervisory Board. The Supervisory Board is informed of the result of the audit by a statutory report regarding the audit of the consolidated financial statements by the auditor. The consolidated and separate financial statements are published on the company's website.

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

9. RISKS

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

Risk Management

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

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

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

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

Starting from 2018 the Bank applies the IFRS9 requirements.

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

Credit risk

Credit risk analysis and assessment functions for all activity segments are fully centralized and currently represent a single point of contact for the entire bank. Credit risk activity is organized by industries and specialized by customer segments. This allows a quick reaction to any major change in the micro or macroeconomic environment of Raiffeisen Bank or its customers. Starting with 2009, the Bank implemented a standardized early warning system in order to monitor certain categories of non-retail borrowing customers and retail borrowing customers. This system monitors, on a monthly basis, the selected portfolio in order to identify early warning signs and explain them. Based on these signs, customer portfolio is split into risk groups and actions/ strategies are proposed for the customers considered problematical.

Raiffeisen Bank received NBR approval to determine the capital requirement for credit risk according to internal rating models approach (IRB), starting with 2009, July 1st. Regarding the retail portfolio, Raiffeisen Bank received NBR approval to determine the capital requirement for credit risk according to advanced internal rating models approach (AIRB), starting with 2013, December 1st.

Market risk

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

Liquidity risk

Assets and Liabilities Committee (ALCO) defines the liquidity risk strategy based on recommendations made by Balance Sheet and Portfolio Management Directorate, which is responsible for liquidity and funding management in cooperation with Group Risk Control and Portfolio Management Directorate, the area responsible for monitoring and control of liquidity risk. ALCO approves each year the limits which are applied to measure and control liquidity risk as well as the Bank's funding plan, which subsequently is approved by the Supervisory Board. The funding plan is updated at least annually in accordance with the balance sheet funding needs, taking into consideration all regulatory requirements imposed by the competent and resolution authorities.

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

- for normal business conditions as a maximum allowed maturity mismatch between assets and liabilities, for different time buckets. This prevents the accumulation of significant liquidity risk from current activity;
- for stress conditions, as a minimum level of liquid assets held as reserve. This ensures the Bank's capacity to absorb liquidity shocks for an acceptable time without significant changes to the strategy or business model.

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

The Bank holds a sufficient buffer of liquid assets that can be used to compensate the limited access to funding sources and liquidity outflows during stress conditions. Liquidity management is performed in compliance with all regulatory requirements defined both at European and national levels. The transfer pricing mechanism represents an important instrument for the management of liquidity risks. It covers the balance sheet and off-balance sheet elements and is designed to allocate all costs and benefits to the business segments in a way that incentivizes the efficient use of liquidity.

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

Operational risks

Starting with 2010, January 1st, Raiffeisen Bank determines and reports the capital requirement for operational risk, using the standard approach based on the National Bank of Romania's approval from November 2009. This approval was based on the operational risk management framework developed throughout the bank using the three lines of defense 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.

Reputational Risk

At bank's level the management of reputational risk is structured on the following directions: defining the management framework and identification, evaluation, monitoring and management of the risk. In order to implement the risk strategy for reputational risk, the Bank defined and approved the Reputational Risk Policy which details the roles and responsibilities regarding reputational risk and also the tools used to insure a proper management and control of this risk.

Several tools specific for reputational risk are used:

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

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

Compliance risks

As defined in the local regulatory framework (NBR Regulation no. 5/2013 on prudential requirement for credit institutions) compliance risk is the current or future risk of affecting profits, own funds or liquidity, which may lead to significant financial loss or which may affect the reputation of a credit institution, as a result of violations or non-compliance with the legal and regulatory framework, with the agreements, recommended practices or ethical standards.

In Raiffeisen Bank, the compliance function is a permanent and effective second line of defense function, with the main responsibilities to identify, advice, assess, monitor and report on compliance risks and is represented by the Compliance Directorate. In RBRO, the Compliance Directorate has a periodic reporting obligation to both the management body in their executive and supervisory function and also a direct reporting line to the latter.

In RBRO, the management bodies oversee the implementation of the Compliance Policy, that is communicated and available for all staff on the Bank's intranet.

In order to properly addressing and managing compliance risk, taking also into account that compliance with laws and regulations is one of the main objectives of the organization as a whole, at RBRO level it was implemented the threes lines model, which allows for specific duties related to compliance risk and control/mitigants to be assigned and coordinated across all lines, as follows:

- FLOD (First Line of Defense) is represented by business areas, operations, IT etc, and their main responsibility is to own and manage risk by ensuring that the control environment is established as part of the day-to-day operations, considering also the provisions of art 29 alin.(3) - NBR Regulation no. 5/2013: "*The entire staff of a credit institution must be fully aware of their responsibilities in terms of risk management. The responsibility for risk management should not be limited to risk specialists or internal control functions. Operating units, under the supervision of the management body, are primarily responsible for the day-to-day risks management, taking into account the credit institution's risk appetite and risk capacity and in accordance with the credit institution's policies, procedures and controls*";

● SLOD (Second Line of Defense) is represented by the Compliance Directorate and its main responsibilities refer to: identification, advising, assessment, monitoring, and reporting and training on compliance risks;

● TLOD (Third Line of Defense) is represented by the Internal Audit function and its main responsibility refer to an independent assurance of effectiveness and efficiency of internal control framework.

In RBRO, the Compliance area includes the following topics: AML, KYC, CTFFT, FISA, MIFID, MAD, Whistleblowing, Code of Conduct, Internal Control Framework, FATCA/CRS.

The Bank is committed to combating financial crime and ensuring that its products are not misused for the purpose of money laundering, terrorism financing etc.

The Bank has zero tolerance for offering the banks products or services to clients or to parties who engage in money laundering, terrorist financing, or use banking services to facilitate illegal activities including bribery, corruption, tax evasion, human trafficking, red light businesses/adult entertainment (collectively "illicit activities").

10. CORPORATE GOVERNANCE

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

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

THE GENERAL MEETING OF SHAREHOLDERS (GMS)

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

The Ordinary General Meeting of Shareholders' main competences:

● To discuss, to approve or to modify the annual financial statements of the Bank, upon the analysis of the Management Board's and Supervisory Board's reports, as well as that of the report and the opinion issued by the financial auditor, and to establish the dividends, if any;

● To elect the members of the Supervisory Board and the financial auditor of the Bank;

● To revoke the members of the Supervisory Board and the financial auditor of the Bank, whenever considered necessary;

● To set the remuneration for the Supervisory Board members, as well as the general principles and limitations with respect to the additional remuneration of the Supervisory Board members, as well as the general principles and limitations with respect to the remuneration of the Management Board members;

● To consider the performance of the Management Board members, to discharge them of liability and to decide to sue them, as case may be;

● To approve the budget of revenues and expenses and the business plan for the next fiscal year.

The Extraordinary General Meeting of Shareholders' main competences:

- The change of the legal form of the Bank;
- The merger of the Bank with other companies;
- The dissolution or the split of the Bank;
- The issuance of bonds and conversion of such bonds from a category into another or into shares;
- Decrease the Bank's share capital;
- Any amendments to the Articles of Incorporation of the Bank.

The following competencies have been delegated to the Management Board:

- Change the Bank's HQ;
- Modify the Bank's object of activity, except for the change of the main field of activity and of the main object of activity;
- Increase of the share capital of the Bank, except when the increase of the share capital is made through an increase of the nominal value of the shares (if such is not performed by incorporation of reserves, benefits and issuance premiums) when the resolution approving the increase of the share capital shall be taken by the EGMS with unanimity of votes;
- The establishment or the closing down of certain ancillary headquarters, such as: agencies, and other similar units with no legal personality;

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

ADMINISTRATION STRUCTURE

The administration of Raiffeisen Bank S.A. is performed by the dual management system consisting of the Management Board and the Supervisory Board. The dual management system allows for the segregation of the company's management responsibilities – carried out by the Management Board – from the responsibilities of control/supervision that are fulfilled by the Supervisory Board. The dual management system ensures the operational decision-making process to become efficient, while increasing control over the decision makers.

The Supervisory Board

The Supervisory Board exercises an ongoing control over the Bank's current management activity conducted by the Management Board. The Supervisory Board consists of 9 members appointed by the General Meeting of Shareholders within four-year mandates, being possible to be re-elected for additional mandates. As of 31.12.2022, 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
Peter Lennkh – Member
Master in Economics and Business Administration at the University of Economics and Business Administration, Vienna, Austria
Andreas Gschwenter – Member
MBA at the University of Innsbruck, Austria
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, Kyiv National University of Economics, Ukraine
Lukasz Janusz Januszewski – Member
Master Degree of Economics, University of Warsaw, Poland
Pedro Miguel Weiss - Independent member
Master of Business Administration, Duke University, Fuqua School of Business, Durham, North Carolina, U.S.A., holding a certificate of Young Managers Program in 1989 from INSEAD, Fontainbleau, France

Claudia Patricia Pendred - Independent member
Graduate of the MBA program of INSEAD (France)

The main competences of the Supervisory Board:

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

During 2022, 5 Supervisory Board meetings took place and their decisions were made by the unanimous votes of the attending members. Also, a number of 34 decisions were made by circulation.

The Supervisory Board has set up a number of 4 committees from among its members, namely: the Audit Committee, the Nomination Committee, the Remuneration Committee and the Supervisory Board Risk Committee.

The 4 committees set up by the Supervisory Board:

Audit Committee

The objectives of the Audit Committee are to contribute to the improvement of the Bank activity (in developing and maintaining a good management practice) and to assist the Management Board and the Supervisory Board in their missions.

Audit Committee acts as the interface between the Bank and the statutory auditor or audit firm, and has an important contribution to keep a transparent relationship with the Bank's shareholders.

The statutory auditor or audit firm shall report to the Audit Committee on the essential issues arising from the statutory audit and, in particular, on the significant internal control deficiencies in the financial reporting process.

Audit Directorate regularly provides the Audit Committee with reliable information about its activity carried out. The Audit Committee acknowledge the synthesis of the audit reports concluded by the internal audit and informs the Management Board about the decisions considered appropriate for the improvement of the Bank's activity and of the internal control, based on the internal audit recommendations included in audit reports.

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

The Audit Committee is made up of 3 Supervisory Board members, namely:

Ana Maria Mihăescu – Chairman (Independent member on the Supervisory Board)
Hannes Mösenbacher – member (Deputy Chairman of the Supervisory Board);
Pedro Miguel Weiss – member (Independent member on the Supervisory Board).

During 2022, 4 Audit Committee meetings took place, the Committee's decisions being made by the unanimous votes of the attending members. Also, there were 3 decisions made by circulation.

Nomination Committee

The Nomination Committee identifies and recommends to the Supervisory Board or the Bank's GMS to approve of the candidates who will fill in the vacancies on the Management Board, and the Supervisory Board, respectively, and it regularly assesses the balance of knowledge, skills, diversity and experience within the Supervisory Board and Management Board as well as the knowledge, skills and experience of each member of the Supervisory Board and of the Management Board and of the management bodies (Supervisory Board and respectively Management Board) as a whole.

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

The Nomination Committee is made up of 3 Supervisory Board members, namely:

Claudia Patricia Pendred – Chairwoman (independent member on the Supervisory Board)
Johann Strobl – Member (Chairman of the Supervisory Board)
Pedro Miguel Weiss – Member (independent member on the Supervisory Board)

During 2022, the Nomination Committee held 4 meetings, their decisions being made by the unanimous votes of the attending members.

Remuneration Committee

The Remuneration Committee is responsible for preparing the decisions on remuneration, including those which have implications for the risk and risk management of the credit institution concerned and which are to be taken by the Supervisory Board. Also, the Remuneration Committee is responsible for issuing the decisions on the remuneration of the Management Board and Supervisory Board members, in accordance with the GSM decision. When preparing such decisions, The Remuneration Committee shall take into account the long-term interests of shareholders, investors and other stakeholders in the Bank.

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

The Remuneration Committee is made up of 3 Supervisory Board members, namely:

Ana Maria Mihăescu – Chairwoman (independent member on the Supervisory Board)
Claudia Patricia Pendred – Member (independent member on the Supervisory Board)

Johann Strobl – Member (Chairman of the Supervisory Board)

During 2022, the Remuneration Committee held one meeting, its decisions being made by the unanimous votes of the attending members. Also, there were 2 decisions made by circulation.

The Supervisory Board Risk Committee

The Supervisory Board Risk Committee advises the Supervisory Board and the Management Board on the Bank's risk appetite and strategy and assists the Supervisory Board and the Management Board in overseeing the implementation of that strategy. The responsibilities, organization and way of operation are defined in the Rules of Organization and Operations of Raiffeisen Bank S.A.

The Supervisory Board Risk Committee is made up of 3 Supervisory Board members, namely:

Pedro Miguel Weiss – Chairman (independent member on the Supervisory Board)
Claudia Patricia Pendred – Member (independent member on the Supervisory Board)
Hannes Mösenbacher – Member (Deputy Chairman of the Supervisory Board)

During 2022, the Supervisory Board Risk Committee held 4 meetings, its decisions being made by the unanimous votes of the attending members. Also, there was 1 decision made by circulation.

Management Board

The Management Board ensures the managing of the Bank's current business and it consists of 7 members appointed by the Supervisory Board for mandates of up to 4 years, with the possibility of being re-appointed for additional time periods.

As at 31.12.2022, the Management Board structure and the professional background of its members were:

Zdenek Romanek – President, coordinator of President Division (CEO)
MBA Program, INSEAD (Fontainbleau, France), Master of Economics: Insurance Engineering/Actuary and Banking, University of Economics, (Prague, Czech Republic) and Master of Science: Operation Research and Computer Science, Faculty of Mathematics and Physics, Charles University (Prague, Czech Republic)

Mihail Ion - Vice-president, coordinator of Capital Markets, Investment Banking and Personal Financial Planning Division
Ph.D. in Economics at the Academy of Economic Studies, Bucharest and graduate of the Faculty of Finance, Insurance, Banks and Stock Exchanges, Finance and Banks specialization, Academy of Economic Studies, Bucharest

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

Cristian Sporiș – Vice-president, coordinator of Corporate Division
Graduate of the Faculty of Finance, Insurance, Banks and Stock Exchanges, Bucharest University of Economic Studies, Romania

Mircea Busuioceanu – Vice-president, coordinator of Risk Division (CRO)
Graduate of the Executive MBA Program, University of Sheffield, and the Faculty of Finance, Banks and Accounting, Bucharest University of Economic Studies,

Bogdan Popa – Vice-president, coordinator of Operations & IT Division (COO)
MBA in Financial-Banking Management, "Alexandru Ioan Cuza" University of Iași, Romania

Alina Rus - Vice-president, coordinator of Financial Controlling & Accounting Division (CFO)
CFA, Master Degree on Financial Management and Capital Markets, Academy of Economic Studies, Bucharest, graduate of the Faculty of Finance, Insurance, Banks and Stock Exchanges, Finance and Banks specialization, Academy of Economic Studies Bucharest

The Duties of the Management Board

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

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

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

According to the Articles of Incorporation the following duties have been delegated by GSM to the 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 Bank's share capital, except for the case when this is made through an increase in the nominal value of the shares (on condition that the increase is not achieved through the incorporations of reserves, benefits and issuance premiums), in which case the decision regarding the share capital increase will be made by the Extra-ordinary GSM unanimously;
- Establishment and closing down of any territorial Bank units with no legal personality;

The main competences of the Management Board:

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

The Management Board set up a number of 10 committees, namely: Asset and Liabilities Committee, Risk Committee, Credit Committee, Problem Loan Committee, Private Individuals Credit Committee, Rules and Procedures Committee, Security Council, Cost & Investment Committee, Investment Committee & Product Governance Committee.

During 2022, the Management Board held 55 meetings, and its decisions were made by the unanimous votes of the attending members. Also, 27 decisions were made by circulation.

The 10 committees set up by the Management Board:

Asset and Liabilities Committee (ALCO)

ALCO is responsible for managing the Bank's Balance Sheet aiming at achieving sustained growth, profitability and solvency. The main goal is to manage assets and allocate funding sources by aligning growth and profitability targets as well as funding mix and capital constraints in order to meet return and risk objectives. From within the Risk Framework, the ALCO:

- sets the strategies for the management funding, liquidity, interest rate risk and market risk as well as capital planning;
- establishes guidelines to meet various applicable regulatory rules and statues;
- forms a consistent co-policy with other policies of the Bank therefore aligning the management of various risks facing the Bank;
- approves the pricing strategy (interest rates, commissions and fees).

Risk Committee (RC)

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

Credit Committee (CC)

The Credit Committee is established and functions as a decision-making body on exposures for the following types of clients: Corporates, Specialized Lending Project, SME, Financial institutions, Regional and Local Authorities, etc, as delegated by the Management Board, according with Credit Decision Authority By-Laws of the Management Board of RBRO.

CC is responsible for complying with all relevant internal regulation applicable to companies of the Raiffeisen Bank International Group AG ("the Group"), including but not limited to the Group and Local Credit (Risk) Policies and the principles and the standards outlined in the relevant Group Credit Manuals for respective segments.

Problem Loan Committee (PLC)

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

Private Individuals Credit Committee

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

Rules and Procedures Committee

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

Security Council

The Security Council of Raiffeisen Bank is the top decision forum regarding security within Raiffeisen Bank Romania. The Security Council propose to the Directorate the security strategy, decides security policies and should express the commitment of top management regarding the active support for security within the organization. The Security Council is also representing an interdisciplinary forum regarding security where possible interdisciplinary issues are solved.

The Security Council role is to increase the visibility of security function within organization and should make the top management aware of security current status and security current risks.

Cost & Investment Committee

The Cost & Investment Committee (CIC) is the body for acknowledgement and approval of relevant cost items, cost saving initiatives, overruns at bank level and decision body which reviews the performance of the existing Project Portfolio, examines and selects new Projects, prioritizes selected Projects, examines the viability of the Project Portfolio based on the Bank's strategy and reshapes the Project Portfolio. Moreover, CIC also decides on wallets structures per divisions for IT change initiatives, including small initiatives (short flows). In special cases, the CIC also conducts individual Project reviews.

Investment Committee

The Investment Committee is aimed at endorsing and monitoring the investment strategy supporting the «Investment Advisory Services». The «Investment Advisory Services» comply with the rules set by the supervision authorities, and it is carried out based on the procedure regarding investment consultancy services for FWR clients.

The Investment Committee approves:

- master portfolios for which the investment advisory is offered;
- product categories (asset classes) which may be included in the model portfolios associated with master portfolios, based on DRM and group regulations;
- maximum risk limits of a model portfolio associated to an investment profile as assessed via the appropriateness test;
- strategical and tactical allocation within asset classes.

Product Governance Committee

The Product Governance Committee manages the Bank's «Product Governance Process» for financial instruments offered to specific target markets regardless if they are distributed for execution only, advisory free or advisory, according to the REG-2015-0075 Product Governance Process (PGP) V2.0 and corresponding Annexes.

A product governance process (PGP) needs to be done for all in-scope products manufactured and distributed (including third-party products) and has the purpose:

- to fulfil the legal and compliance requirements to offer this specific product to the defined end client and
- to provide strategic decisions related to product distribution (if the product will be offered) and how h a product should be offered.

The products / financial instruments covered by the Product Governance Committee are approved products such as: mutual funds, bonds, derivative products. For the insurance products having an investment component, the distribution strategy is approved within ICOM.

CONFLICTS OF INTEREST

At RBRO level, there are in place dedicated Conflict of Interest policies for both RBRO's staff and Management bodies (Management and Supervisory Board). The management bodies are responsible for the establishment, approval and oversight of effective implementation of conflict of interest (COI) policies.

RBRO is monitoring COIs in order to prevent bribery and corruption as well as any other conduct that could negatively impact the RBRO's clients and partners. The internal COI policies are intended to effectively identify, assess, manage and mitigate or prevent actual and potential conflicts of interest, including those related to financial services performed by the Bank or the ones related to private or personal interests of the management members which could negatively influence the performance of their duties and responsibilities.

The internal policies impose staff and management bodies to report immediately any situation that could result in a conflict of interest stemming from close relationships, supplementary jobs, events participations, gifts, invitations and trades with financial instruments. Conflict of interests could as well arise in relation with corruption, fraud and market abuse.

Where conflicts of interest arise, RBRO assesses their materiality and takes appropriate mitigation measures.

In respect to policies applied to management bodies, the Management Board members should declare to the Supervisory Board all the personal interests significant for the transactions involving both the Bank and the Group companies, as well as any other conflicts of interest both potential or real. They must inform the other Management Board members and Compliance Direction. The Management Board members also filling in management positions within other companies should ensure a fair balance between the interests of the companies in question.

The Supervisory Board members should immediately report to the President of the Supervisory Board all the potential or real conflicts of interest. In the event the President himself is faced with a conflict of interest, he should immediately report it to his Vice-president of the Supervisory Board.

If a member of the Directorate intends to accept a position as a member of the Supervisory Board/Directorate or as an administrator of some companies outside the Group, the prior approval of the Supervisory Board is required. If a member of the Supervisory Board intends to accept a position as a member of the Supervisory Board/Directorate or as an administrator of some companies outside the Group, the prior approval of the Ordinary General Meeting of Shareholders is required.

PRACTICES OF REMUNERATION AND SELECTION AND ELEMENTS OF DIVERSITY

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

The remuneration policies of Raiffeisen Bank S.A. are approved by the RBRO Supervisory Board through the Remuneration Committee.

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

- The Compensation system supports the company's long-term business strategy and objectives, its interests and values by using the set of key performance indicators (KPI) of RBI and the key cultural competences.
- The principles of compensation incorporate measures to avoid the conflict of interest.
- The compensation policy and principles promote solid and efficient risk management practices and avoid variable payment for assuming risks over the tolerant level for the institution through KPIs and process management (e.g.: the process of Assessing Performance, risk committees).
- Compensation is based on a functional structure and it is linked to performance. Besides, special rules are applied to the personnel whose professional activity has a material impact on the risk profile.
- Compensation is competitive, sustainable and reasonable and it is defined in accordance with the relative value of work, market and practice.
- The fixed compensation is defined in principle in accordance with the market conditions.
- The compensation structure (variable payment proportion relative to the fixed compensation) is balanced, allowing each employee to have an adequate level of remuneration based on the fixed salary.
- All variable payment programmes include minimum levels of performance and a maximum payment threshold.

- Results obtained and of the competences based on both quantitative and qualitative measures, valued within the process of performance assessment and considering financial and non-financial criteria.

• The personnel employed in controlling functions is compensated independently from the business unit they supervise, has the appropriate authority and their remuneration is determined on the basis of achieving their own objectives without taking into consideration the results of the area they monitor. The fixed and variable remuneration structure should be in favour of the fixed remuneration. If an employee is paid a variable compensation, this is done for the measured performance. Performance is translated into results and behaviour: 'what' and 'how', according to the system of performance management. Therefore, all the variable compensation schemes are linked to the management of performance or a comparative system of setting the targets.

Measuring the performance for the employees holding control functions (e.g. risk, audit, compliance) reflects the specific requirements of the respective positions.

Compensating the employees holding control functions is in accordance with touching the objectives related to the respective functions and, in an independent manner, by the business areas they supervise, but in proportion with their role in the Bank.

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

The Fit & Proper Policy in Raiffeisen Bank S.A. establishes the applicable internal procedures and the criteria for assessing compatibility, in accordance with the local legal provisions (NBR Regulation no. 5/2013 on prudential requirements for the credit institutions, NBR Regulation no. 12/2020 on the authorization of credit institutions and changes in their situation, Romanian legal entities and the Romanian branches of third parties' credit institutions). Also, the policy defines the measures applicable in the situations whereby those persons are not compatible with the positions in question and how permanent compatibility is ensured.

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

Having in view the current structure of the management body, we precisely state that the principle of diversity from the gender point of view has been implemented by the appointment of Mrs. Ana Maria Mihăescu and Claudia Patricia Pendred as independent members on the Supervisory Board of Raiffeisen Bank S.A.and by the appointment of Mrs. Alina Rus as vice-president of the Management Board of Raiffeisen Bank S.A.

This Report was analysed and approved by the Management Board of Raiffeisen Bank S.A in the meeting of 21 March 2023.

Alina Rus

Vice-president of the Board of Directors

Raiffeisen Bank S.A.