Raiffeisen Bank S.A.

Directors' Report

31 December 2023

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

DIRECTORS' REPORT ON CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

31 December 2023

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 Agricolă 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 Group holds:

- 99.99% investment in Raiffeisen Asset Management S.A., an asset management company with the purpose of administrating funds launched by Raiffeisen Group;
- 99.99% interest in Raiffeisen Leasing IFN S.A.;
- 99.99% interest in Aedificium Bank 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 Locuințe changed the name into Aedificium Banca pentru Locuințe 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, RBRO helps its customers achieve their objectives and makes every effort to build enduring home banking relations. RBRO introduced "Banking 1:1" in 2023, an interactive and personalized method of creating a financial plan through "Raiffeisen Bank: Smart Finance" - utilizing mobile electronic tablets and engaging in a 1:1 dialogue with our clients. This innovation consolidated the bank's status as a financial institution of the future.

In a business environment characterized by accelerated digitalization, cost competition and high inflation, achieving efficiency is critical. Raiffeisen Bank is dedicated to attaining sustainable efficiency improvements by means of standardization, automation and process optimization.

RBRO recognizes that people are fundamental for growth and is committed to providing a sustainable and healthy work environment where talented and diverse people enjoy working and find the right career and development opportunities. To this end, the bank supports leadership development measures to grow conscious and effective leaders who inspire people to leverage their full potential and perform at their best.

Our commitment remains to provide safe, sustainable, and high-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 2023

The economy maintained a growth trend in 2023 after showing an unexpectedly high resilience to the major adverse shocks that materialized during the period of 2020-2022. However, economic growth decelerated in 2023, with the real Gross Domestic Product (GDP) increasing by only 2% compared to 2022. A major contribution to the real GDP growth in 2023 was provided by the large increase in investments in the economy, especially public investments. On the other hand, the growth of household consumption of goods and services moderated substantially in 2023. With labour market conditions remaining favourable and pension incomes rising substantially, the slowdown in private consumption growth in 2023 was most likely the consequence of increasing household caution about consumer spending. Increase in net wage earnings in the economy totalled 15.5% in 2023, significantly exceeding the annual inflation rate of 6.6%. The average annual unemployment rate was 5.5% in 2023, thus remaining at a historically low level. At sector level, the best performance was recorded in the construction and services sectors. Industry continued to be the weak link in the economy in 2023, with activity negatively impacted by low external demand and high production costs (especially in energy-intensive industries).

Fiscal consolidation stalled in 2023, with the public budget deficit totalling 5.7% of GDP, a level close to that of 5.8% of GDP recorded in 2022. Thus, the actual level of budget deficit in 2023 was significantly higher than the target of 4.4% of GDP initially set. A positive aspect of the public budget execution in 2023 was the large level of public investment spending (6.4% of GDP).

Inflationary pressures decreased substantially in 2023 compared to 2022, with the annual inflation rate standing at 6.6% at the end of the year. The disinflationary process materialized in 2023 was supported by the broad moderation of price increases for food and non-food goods, while inflationary pressures at the level of service tariffs intensified compared to 2022. The government's decision to cap energy prices also contributed to the reduction of inflationary pressures in 2023.

The monetary policy interest rate was raised to 7% in January 2023 and was maintained at this level throughout the year, as inflationary pressures remained high. The surplus of liquidity that appeared in the money market in the last quarter of 2022 continued to increase throughout 2023. This liquidity surplus was fully placed by banks in the deposit facility of the central bank at an interest rate of 6%. In these circumstances, the interest rates in the money market (ROBOR rates) maintained a downward trend throughout 2023, which also led to certain reductions in the interest rates of banking loans and deposits.

Lending activity moderated across all segments in the second half of 2022 and showed no signs of a major rebound during 2023. This development was driven by rising interest rates, slowing economic growth and increasing uncertainty about the outlook for the economy. The balance of loans granted by banks to households and companies increased by 6.4% during 2023 (dynamics calculated in lei equivalent). Similar to previous years, the best performance continued to be recorded at the level of loans granted to non-financial companies, their balance increasing by 10.3% during 2023. Lending on this segment continued to benefit from the extension of programs included in the state aid scheme "IMM Invest Plus" through which small and medium-sized companies obtained state-guaranteed loans. In the first half of the year, non-financial companies showed a higher preference for loans in foreign currency compared to those denominated in lei, but the situation reversed in the second half of the year when lending in local currency became predominant. The narrowing of the differential between interest rates on loans in local currency (decreasing) and interest rates on loans in euro (increasing) contributed to this change. Mortgage origination suffered in 2023 as a result of rising interest rates and households' reluctance to buy homes, their balance falling by 0.4% over the year. Origination of loans for consumer and other purposes also showed a modest performance in 2023, with their balance increasing by only 4.3%. Most of the loans granted to households in 2023 were denominated in lei.

Growth of outstanding banking deposits of households and companies accelerated to 11.8% in 2023 from 7.1% in 2022 amid accelerating real disposable income growth, increasing preference of individuals for saving, rising interest rates and ample liquidity injections into the economy by the public sector. The balance of households' deposits increased by 11.7% during 2023, while the balance of deposits of non-financial companies increased by 14.9%. Both households and non-financial companies continued to show a strong preference for deposits in local currency to the detriment of foreign currency deposits due to their higher interest rates. Thus, the balance of deposits in local currency attracted by banks from households and companies increased by 18.9% in 2023, while the balance of foreign currency deposits decreased by 2.3% (in euro equivalent). Banks continued to issue bonds to meet their MREL requirements, most of them fulfilling the ESG standards and so contributing to the development of sustainable financing in Romania.

The aggregate balance sheet of the banking system at the end of 2023 showed a healthy funding structure, with outstanding loans granted to households and companies representing only 67.4% of the outstanding deposits of these banking customers. The share of foreign currency denominated loans in total banking loans stood at 31.6% at the end of the year (share of 12.3% on the household segment, respectively of 45.7% on the segment of non-financial companies). The NPLs ratio in the banking system continued on a downward trajectory, decreasing from 2.65% in December 2022 to 2.3% in December 2023. The profitability of the banking system improved substantially in 2023 as a result of higher interest rates, lower provisioning costs, higher banking activity and lower yields on government securities in banks' portfolios.

4. GROUP'S BUSINESS PERFORMANCE IN 2023

a) Highlights

The Group shows a solid performance in 2023. We continue to support the real economy and actively contribute to the sustainable financing of the business sector, relying on a solid foundation, consolidated also through the results obtained this year: strong capital position as shown by the total capital adequacy ratio before profit incorporation above 21%, non-performing loans below market average, loans/deposits ratio at 78%, cost-to-income ratio at 44%, while return of equity (RoE) stands at around of 26%.

Funding the real economy remains a key objective for us. Newly approved loans by the Bank reached approximately Eur 4.4 bn during 2023. Companies new lending business stood at Eur 3.2 bn, with a high focus on financing sustainable projects, covering the existing need of working capital, while also having an active involvement in governmental schemes such as IMM Invest. In addition, the new loans granted to Private Individuals amounted for Eur 1.2 bn, bearing mostly fixed interest-rates.

Banking 1:1, a new perspective for financial planning in the banking industry. During 2023, we launched personal financial planning services for our customers, supported by the access to a wide range of banking products and services according to their actual needs and the possibility to engage in a 1:1 dialogue with our experts in order to receive the best recommendations. As a result, 2023 brought a significant increase of investment plans, voluntary pensions and life insurance with savings component.

Digitization remains a top pillar of our strategy: clients actively[1] using our digital channels grew by 9% in 2023, exceeding 1.4 million landmark (62% of our total customer base), thus confirming once again our commitment to continually enforce the digital infrastructure: digital wallet transactions grew by around 60%, the number of clients enrolled in Smart Mobile application going through the end-to-end enrolment flow grew by more than 4 times and new personal loans granted 100% via digital channels doubled in comparison with 2022.

First issuance of euro-bonds on the international capital market. In October 2023, RBRO successfully issued a new MREL bond of Eur 300 mn in sustainable format with a high interest from institutional investors with subscriptions orders over Eur 1 bn, a premiere for the local banking system. We contributed once again to Romania's transition towards a sustainable economy, supporting the transition towards a green banking business and strengthening the resilience and competitiveness of small and medium-sized enterprises.

[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 model. We are very proud of 2023 achievements, a year which marked the successful launching of a new perspective for personal financial planning in the Romanian banking system through "Banking 1:1" concept with outstanding results that reinforce our status as the financial institution of the future.

A key objective of our activity is to remain a trusted partner for our clients by providing a diversified range of banking products and services, adapted to their financial needs, while offering them the opportunity to benefit from personal financial planning services through 1:1 dialogue with our experts. In addition, RBRO was actively involved in financing sustainable projects, providing accessible financing solutions through Governmental support programs such as IMM Invest for companies, contributing to the Catalyst organizational development programs for Mid-Market sector, while also encouraging saving process by offering our clients competitive interest rates in the market for both deposits and saving accounts.

The Group has strengthened its foundations during 2023, bearing a wide range of funding sources. We enjoy a positive perception from the part of our clientele, as a sound and secure financial institution regardless of the economic context.

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

Condensed assets positions	**Group**			**Bank**		
in Ron million	**2023**	**2022**	**Variation**	**2023**	**2022**	**Variation**
Cash and balances with Central Bank	13,867	8,281	67%	13,803	8,281	67%
Loans and advances to Banks at amortized cost	485	324	50%	495	287	73%
Loans and advances to customers at amortized cost	41,813	39,852	5%	41,259	39,368	5%
Financial assets mandatorily at fair value through P&L	178	184	-3%	156	170	-8%
Investment securities at fair value through OCI	2,725	3,105	-12%	2,705	3,096	-13%
Investment securities at amortized cost	10,027	9,201	9%	10,013	9,130	10%
Sundry assets	1,683	1,643	2%	1,727	1,681	2%
Total assets	**70,778**	**62,590**	**13%**	**70,158**	**62,013**	**13%**

We increased our securities holdings throughout 2023, 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 the necessary funds to the local Government in a challenging period for the local economy.

The net loans and advances stock shows a 5% increase YoY, especially from legal entities business segments. Corporate loans increased by 8% year-on-year, in a context of an active involvement of the Bank in financing both sustainable projects (renewable energy, energy efficiency) and social projects, thus supporting the development of clients' businesses and the Romanian economy at the same time. SMEs loan book shows also an upward trend (+7% year-on-year), grounded on various lending solutions adapted to our customers' needs, but also the possibility to opt for governmental programs such as IMM Invest. On the other hand, Private Individuals loan stock declined by 2% YoY due to a moderate demand for new loans (especially mortgages) on the background of uncertainty, persistent inflation and a rising interest rates environment. In order to protect our customers from possible shocks caused by the evolution of interest rates, most of the loans granted by the Bank were bearing fixed interest rates.

Loans and advances to customers, before provisioning

	Group				**Bank**			
	2023		**2022**		**2023**		**2022**	
in Ron million	**Non-Retail**	**Retail**	**Non-Retail**	**Retail**[2]	**Non-Retail**	**Retail**	**Non-Retail**	**Retail**
Total	22,512	20,529	20,309	20,879	22,390	20,060	20,212	20,452
LCY	8,807	17,112	8,240	17,410	8,790	17,015	8,230	17,348
FCY	13,705	3,417	12,069	3,469	13,600	3,045	11,983	3,104

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

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 starting 2022.

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

Condensed liability positions	Group			Bank		
in Ron million	**2023**	**2022**	**Variation**	**2023**	**2022**	**Variation**
Deposits from Banks, loans from Banks and other FIs	983	968	2%	497	582	-15%
Deposits from customers	54,400	49,234	10%	54,489	49,281	11%
Debt securities issued	5,555	3,888	43%	5,555	3,888	43%
Subordinated liabilities	326	324	1%	326	324	1%
Sundry liabilities	1,886	1,722	9%	1,822	1,662	10%
Equity	7,628	6,454	18%	7,469	6,276	19%
Total liabilities and equity	**70,778**	**62,590**	**13%**	**70,158**	**62,013**	**13%**

In 2023, we exceeded Ron 70 bn landmark in terms of balance-sheet size and we are very satisfied with almost 13% asset growth achieved YoY. We will further move to the customer liability side of the balance-sheet with main focus on the structure and drivers behind actual trends:

Customer liabilities stock consolidated by 10% in comparison with last year, positively impacted by all business segments. From a product perspective, term deposits registered a strong advance of 80% vs 2022 year-end, especially from Private Individuals customers. During 2023, we have gradually increased the interest rates offered to customers for savings products in both local and foreign currency, coming with competitive offers in the market. This development is fully aligned with our strong commitment to build a solid and sustainable foundation for the long term development of the balance sheet, with focus on real economy financing.

On the other hand, current accounts stock declined by around 10% year-on-year, impacted by all business segments in line with our clients' preference to switch their savings to more complex products with higher returns such as deposits, government securities or investment funds.

The Bank's capitalization and liquidity remained at solid levels during 2023. The capital adequacy ratio stood at 21.4% at Bank level, well above the minimum level required by the NBR of 17.4%. The year 2023 was characterized by a strong liquidity position, allowing the Bank to remain the same trusted partner for its customers. The main funding source of the Bank was its strong customer deposit base, which represent 78% of the total liabilities as of 31 December 2023.

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

Deposits from customers

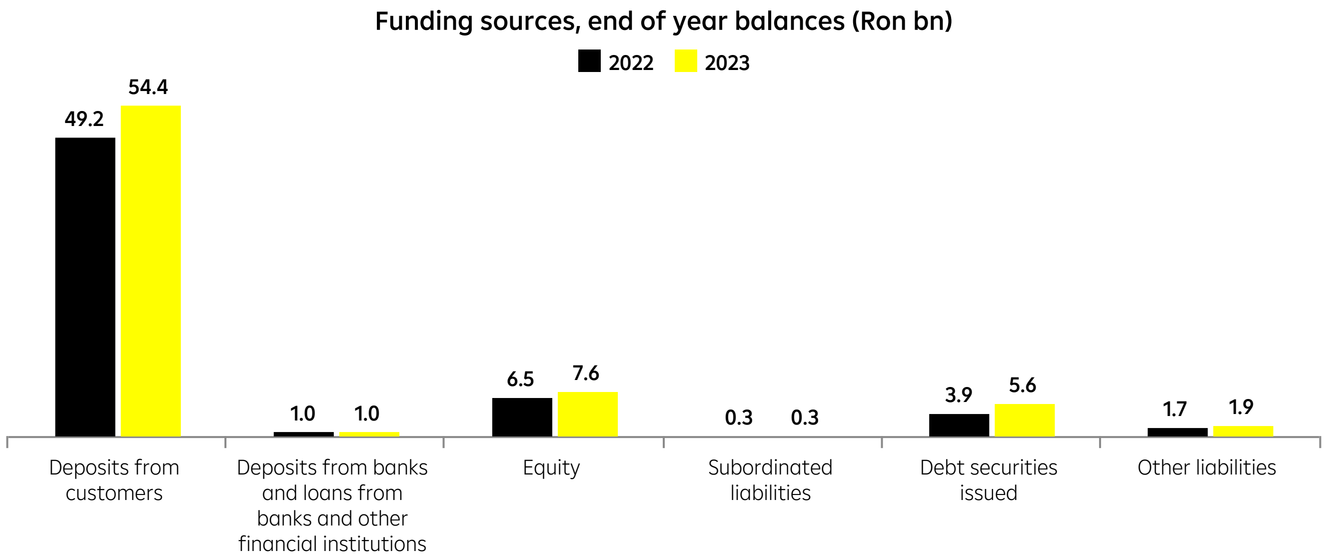
	Group				**Bank**			
	2023		**2022**		**2023**		**2022**	
in Ron million	**Non-Retail**	**Retail**	**Non-Retail**	**Retail**	**Non-Retail**	**Retail**	**Non-Retail**	**Retail**
Deposits from customers	14,481	39,919	13,119	36,115	14,583	39,906	13,181	36,100
LCY	10,145	26,189	8,998	21,281	10,156	26,219	9,008	21,307
FCY	4,336	13,730	4,121	14,833	4,426	13,687	4,173	14,793

Regarding our liability's denominations, the structure between RON and foreign currencies remains in favour of the former and closed the year at around 65/35 ratio for LCY denominated volumes. Our clients show a high preference for keeping their savings in foreign currencies on the background of the attractive interest rates available for EUR and USD denominated deposits.

Raiffeisen Bank continued to issue sustainability bonds in 2023 and, in a premiere for the Romanian banking sector, it issued the first sustainability senior non-preferred Eurobonds on the international capital market. We issued Eur 300 mn MREL bonds with a fixed coupon of 7% in the first three years and a final maturity of four years, attracting a high level of interest from institutional investors, with total subscription orders over Eur 1 bn. The funds raised will be used to finance sustainable projects, in accordance with the eligibility criteria described in the Sustainability Bond Framework. Through all the bond issuances placed over the past 3 years, the Bank has strengthened its own funds and eligible liabilities position, thus creating the premises for a sustainable development of its loan portfolio. As of 31 December 2023, RBRO had outstanding 7 eligible green and sustainability bonds with a total volume of over Ron 4.9 bn. Hence, the Bank further strengthened its MREL ratio to over 36%, a level significantly higher than the regulatory requirements applicable on 1 January 2024. Also, through the sustainable and green 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 its successful partnership with the EIF Group in 2023 by signing three new guarantee agreements, through which the Bank will support small and medium-sized enterprises (SMEs) to strengthen their resilience, competitiveness and contribution to the transition to the green economy. The new guarantee schemes will support more than Eur 650 mn of loans to SMEs over the next few years under more favourable financing conditions. Currently, the Bank has 9 financing and guarantee agreements signed with EIF, and through these programs, the Bank can grant loans to SMEs and Small Mid-Caps on attractive terms, with reduced collateral requirements and for longer tenors.

In 2023, Moody's has reaffirmed the bank's Baa1 ratings for deposits and senior unsecured debt with stable outlook, two notches above Romania's sovereign rating. Moody's also upgraded the bank's rating for senior non-preferred MREL bonds (junior senior unsecured debt) by one notch from Baa3 to Baa2, reflecting a strong financial position and demonstrated access to funding through international capital markets.



c) Major Profit and Loss components

in Ron million	Group 2023	Group 2022	Group Variation	Bank 2023	Bank 2022	Bank Variation
Net interest income	2,821	2,400	18%	2,778	2,356	18%
Net fee and commission income	602	559	8%	568	520	9%
Net trading income	378	329	15%	379	330	15%
Net gain from other financial instruments at fair value through P&L	13	-38	<-100%	12	-38	<-100%
Other income	67	51	31%	94	80	17%
Operating and personnel expenses	-1,827	-1,668	10%	-1,768	-1,615	9%
Net provisioning for impairment losses on financial assets	30	-147	<-100%	35	-175	<-100%
Goodwill	0	0	n/a	0	0	n/a
Share of gain from associates and joint ventures	1	1	80%	0	0	n/a
Income tax expense / revenue	-384	-231	66%	-377	-224	69%
Net profit after taxes	**1,701**	**1,256**	**35%**	**1,719**	**1,235**	**39%**

Net profit of the Group exceeds Ron 1.7 bn landmark, on an upward trend by 35% vs last year. This result is grounded especially on higher interest revenues, a better performance of transactional fees and a disciplined behaviour of customers which continued to pay their instalments.

Net interest income experienced an increase of 18% YoY in a context of higher lending volumes and increasing market rates, compensated at some extent by a higher interest expense paid to our clients for saving products.

Commission income increased by 8% YoY, backed by a better transactional activity for cards business, life insurances and voluntary pensions, in line with the Bank strategy. On the other side, cash related transactions remained on a decreasing trend also in 2023. Starting the beginning of 2022, our footprint was fully migrated to multifunctional machines and electronic channels, in line with our strategic approach to tighten the relationship with our clients and make concrete steps towards a transactional activity that is fast, convenient and cost-effective for both the Bank and clients.

Trading income shows a good performance, growing by 15% versus the previous year. Worth highlighting a higher level of FX related commissions, driven mainly by better transactional volumes, grounded on an increased propensity for consumption and travel and our customers inclination to place their liquidities in stronger currencies in order to protect against possible exchange rate fluctuations.

Operational expenses grew YoY by 10%, mainly from HR costs, in line with our strategy to retain top talents, but also from IT area, having as main objectives the development of digital infrastructure and streamlining operational processes, in order to improve the customers' and employees' experience. Hence, we make constant efforts in order to cover our clients' need by offering efficient, quicker and more accessible products and solutions using latest available technologies in the IT area.

Provision costs stands significantly below last year level. An element which led to a positive impact for the Bank's financial performance was the disciplined behaviour of customers which continued to pay their instalments. Despite an uncertain economic context, their risk profile was particularly good, given the possibility to benefit from government programs provided by the Bank, but also from fixed interest rate, especially for private individuals.

c) Customers and distribution

The active customer base dropped by 1% in 2023, slightly below 2.3 million clients. At 2023 year-end, Raiffeisen Bank's network amounted for 284 units (less by 7 units vs 2022), over 27,800 EPOS and over 1,100 ATMs, out of which 544 MFMs (multifunction machines).

5. OUTLOOK FOR 2024 CONSIDERED IN THE BUDGETING PROCESS

a) Economic developments

We expect economic growth to accelerate in 2024 when we see possible a real GDP growth of 2.8% compared to 2023. We expect the growth of household consumption to improve in 2024, given our expectation to see an increase in purchasing power amid continued growth in disposable income (increase in wages in the private and public sectors, increase in pensions) and reduced inflationary pressures. At the same time, there is a high possibility for the performance of investments in the economy to remain good in 2024, given the prospects for improving economic activity, but also the fact that public investments are planned to record ample growth this year as well. Also, external demand should gradually improve during 2024, supporting export growth.

We expect the disinflationary process to continue in 2024, but at a slower pace than in 2023. Thus, we see a possible reduction of the annual inflation rate to 5.3% at the end of 2024. The central bank (NBR) should behave cautiously in initiating the monetary policy interest rate cutting cycle as inflationary pressures would remain high and uncertainty about the future path of inflation is also high. Thus, we expect the NBR to reduce the monetary policy interest rate to 6% at the end of 2024 and we assume that the first key rate cut would take place in July.

Among the risks whose materialization could determine an economic performance below expectations in 2024 there are: the escalation of global geopolitical conflicts, the materialization of new inflationary shocks or a much slower disinflationary process than expected, the emergence of a major fiscal slippage or the failure to implement the NRRP, the increase of foreign investors' aversion to Romania amid ample macroeconomic imbalances (public budget deficit and current account deficit), political instability, increase in taxes.

b) Developments in the banking industry

We expect the acceleration of economic growth and the decrease of interest rates to favour an improvement in lending activity in 2024 across all segments (consumer and other purpose loans, housing loans, and loans granted to non-financial companies). We see possible that the segment of loans to non-financial companies would continue to perform better than other lending segments in the course of 2024. In our view, the improvement in the origination of loans to non-financial companies should be fueled in 2024 by investment activity, which is expected to remain strong. At the same time, we see possible an improvement in lending to households in 2024 amid an increase in real disposable income and in propensity to consume. In our view, the anticipated decrease in interest rates should also generate some improvement in loan demand from companies and households, including in the mortgage segment.

We believe that risks whose materialization could limit credit growth in 2024 include the emergence of new inflationary shocks that could cause the central bank to postpone interest rate cuts, as well as a weak performance of the economy. Maintaining interest rates at high levels, or even increasing them, could materialize if investors become more averse to lei-denominated assets due to significant macroeconomic imbalances.

c) Our perspectives

The Bank's perspectives regarding business activity and financial performance largely reflect the Bank's budget for 2024. We anticipate that in the upcoming period, the macroeconomic context will support the growth on financial intermediation in Romania, facilitating at the same time the real economy development through a sustainable lending activity on the private sector. Our strategic objectives are leaned towards investments and business initiatives which can ensure the organic growth on lending business in a balanced manner from a segment and product perspective, increase digital customers and the excellence in offering financial advisory services to our clients in order to meet their financial planning objectives.

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 wide range of products to best serve our clients' financial purposes.

In 2023, after a complex investment landscape in 2022, financial markets experienced a widespread recovery, both locally and globally.

Raiffeisen Asset Management (RAM) saw a substantial increase in net assets managed, from LEI 3.266 billion in 2022 to LEI 4.1 billion by the end of 2023, marking a growth of over 25%. By the end of 2023, RAM held a market share of 20.1%, securing the second position among local fund administrators (as per data from the Fund Administrators Association - AAF). The number of investors in RAM funds also significantly rose by 48% in 2023, reaching over 54,000 unique investors across the 13 managed funds. This increase in participants was complemented by the good performance of the administered funds, with positive returns.

A significant contribution to this growth came from the 7 recurring investment packages in RON and EURO, named SmartInvest. These, characterized by simplicity and accessibility, generated over 36,000 new packages, a 152% increase from the previous year. SmartInvest plans offer capital accumulation solutions, providing the opportunity for higher returns compared to traditional savings instruments while ensuring effective risk management. The introduction of new digital channels, both for mobile applications directly accessible to investors and assisted digital channels for tablets in bank agencies, substantially facilitated customer investment efforts. The efforts also streamlined marketing agents' processes for easy enrolment in the Raiffeisen Accumulation pension fund.

The newly launched Raiffeisen EURO Flexi fund in April 2023 proved to be a real success, attracting over 70 million EURO from approximately 1,000 investors in just 9 months. The Raiffeisen Accumulation pension fund also demonstrated remarkable performance, achieving an annual return of 16.43% – the second-best year in its 15-year history. Additionally, it gained approximately 38,000 new enrolments, ending the year with over 65,000 participants.

Looking ahead, we will continue our digitalization efforts to enhance investor and potential participant access to our investment and pension solutions. Moreover, we remain committed to introducing new products tailored to customer needs, reflecting the current economic landscape as accurately as possible.

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 at a lower extent, 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 all Raiffeisen Bank branches.

On 31.12.2023, Raiffeisen Leasing IFN S.A. had assets amounting 288 million Euros and a number above 11,000 active contracts. The company consolidated its portfolio, confirming in 2023 the established strategic lines, registering a balanced structure in terms of customer segments and financed assets and an adequate risk management.

In 2023, Raiffeisen Leasing financed by 17% more new volumes compared to the previous year. The company continued to support the economic activity by supporting the financing of customers by promoting programs and products adapted to their needs.

The Raiffeisen Leasing offer remained in line with the current market conditions. The Raiffeisen Leasing portfolio performed well in a complicated macroeconomic environment (inflation, interest rates volatility and the nearby military conflict).

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 is translated by the slogan "Leasing 1:1", which means consulting, quality interaction, transparency and a sense of responsibility towards customers. Through all its guiding principles and fundamental beliefs, the company aims for a balanced and healthy growth for its clients, sustaining viable businesses, providing easy access to finance, through process efficiency and innovative leasing products.

SAVING AND LENDING BUSINESS

Aedificium Banca pentru Locuinte S.A. (ABL) activity was focused on offering 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 2023, ABL registered a portfolio of 426 active contracts. Total savings deposits from customers amounted to Ron 12.7 million. According to ABL business strategy of a progressive exit from the market, the loans portfolio was transferred to RBRO during 2022 financial year, and the loan activity during 2023 was limited so the outstanding loans balance at the end of 2023 is not material. In 2023, ABL posted an operational negative result of Ron 14.8 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.

Part of continuous innovation, we have launched new solutions such as "Banking 1:1" using Smart Tablet for advising customers and pioneering the market which increased the productivity in branches and had a clear positive impact in NPS.

In the innovation area we had a good progress, with focus on digital lending (2 clicks approval, automatic fraud interrogation) and also new upgrades in order to increase our customers satisfaction.

We have increased the automation on regulatory financial reporting landscape, respecting the regulatory requirements. For example, an important topic was the Standard Audit File for Tax (SAF-T), which is a new reporting requirement for taxpayers and reflects the international standard for the electronic exchange of accounting data between companies/organizations and tax authorities, containing information on taxpayers' accounting and tax data.

An important achievement was made in enhancing digital execution via new digital flows (onboarding, lending, UpMSA, Atena SME, Shared POS and E2E Tablet digital flow). Also, we are doing continuous digital transformation through onboarding in Group initiatives.

Implementing new solutions and migrating the existing applications in Cloud remains 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. Cloud migration reached 40% of the apps in Cloud.

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 analysing 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 Committee, which regularly report to the Management Board and are responsible for developing and monitoring the bank's risk management policies in the specified areas.

Raiffeisen Bank's risk management policies are established to identify and analyse 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 problematical customers.

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

Market risk

Regarding market risk, the Bank currently uses the standard approach for capital requirement calculation. The Bank manages the interest rate and the credit spread risk in banking book in line with EBA and NBR requirements. 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.

The Bank sets the appetite and tolerance both from economic value perspective and from net interest income sensitivity perspective.

Liquidity risk

Assets and Liabilities Committee (ALCO) defines the liquidity risk strategy based on recommendations made by Treasury 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 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 RBI 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 behaviour 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 defence 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 Headquarter;
- 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 STRUCTURES

The administration of Raiffeisen Bank S.A. is performed by the dual management system of the Management Board and the Supervisory Board. The dual management system allows 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 31.12.2023, 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[3] – 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

Mihaela Cristina Mitroi[4] – Independent member

Bachelor's degree from the Academy of Economic Studies, Cybernetics Faculty and a PhD. in Economics from the Bucharest Academy of Economic Studies

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;

[3] *Peter Lennkh submitted his resignation starting with 01.01.2024*
[4] *independent member approved by GSM on 14.12.2023, subject to NBR approval*

- 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 for the the Bank's activities. The committees will consist of Supervisory Board members;
- To approve and 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 2023, 4 Supervisory Board meetings took place and their decisions were made by the unanimous votes of the attending members. Also, a number of 43 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:

The 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 appropriate decisions 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:
Claudia Pendred – Chairman, will be replaced by Mrs. Mihaela Mitroi after getting NBR approval (Independent member on the Supervisory Board)

Hannes Mösenbacher – member (Vice-president of the Supervisory Board);

Pedro Miguel Weiss – member (Independent member on the Supervisory Board).

During 2023, 4 Audit Committee meetings took place, the Committee's decisions being made by the unanimous votes of the attending members. Also, it was one decision made by circulation.

The 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 2023, the Nomination Committee held 2 meetings, their decisions being made by the unanimous votes of the attending members.

The 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:

Pedro Miguel Weiss – Chairman, will be replaced by Mrs Mihaela Mitroi after getting NBR approval (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 2023, the Remuneration Committee held one meeting, its decisions being made by the unanimous votes of the attending members.

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 2023, the Supervisory Board Risk Committee held 4 meetings, its decisions being made by the unanimous votes of the attending members. Also, there was one decision made by circulation.

Management Board

The Management Board ensures the managing of the Bank's current business and it has 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 31.12.2023, 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)

Vladimir Nikolov 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 Marius Sporiș – Vice-president, coordinator of Corporate Division

Graduate of the Faculty of Finance, Insurance, Banks and Stock Exchanges, Bucharest University of Economic Studies

Iancu 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

Nicolae 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

Mihail Cătălin 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

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 initiated recovery measure and decision on further actions to be taken;

According to 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, disposal and authorization of all transactions falling within the Bank's scope with competences of monitoring the appropriate and efficient 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 13 committees, namely: Asset and Liabilities Committee, Risk Committee, Credit Committee, Problem Loan Committee, Private Individuals Credit Committee, Rules and Procedures Committee, Security Council, Cost Management Committee, Projects & Investments Committee, Investment Committee, Product Governance Committee, Know Your Customer (KYC) Committee and Artificial Intelligence Council (AI Council), delegating a series of competences, mentioned in the statutes of the respective committees.

During 2023, the Management Board held 53 meetings, and its decisions were made by the unanimous votes of the attending members. Also, 22 decisions were made by circulation.

The 13 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: Corporate, 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 RBRO Management Board.

CC is responsible for complying with all relevant internal regulation applicable to companies of the Raiffeisen Bank International Group AG, 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 (PICC)

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 Management Committee

The Cost Management Committee (the Committee) is a body defined for the monitoring and approval of the Bank's operational costs, cost saving initiatives, budget overruns at bank level. The Committee will approve or take note of topics related to the operational expenses of the Bank. The Committee has decision competence on costs initiatives of the Bank. Responsibilities of the committee are cost monitoring and control.

Projects & Investments Committee

The Projects & Investments Committee is the decision body which reviews the performance of the existing Project Portfolio, examines and selects new Projects, prioritizes selected Projects, examines the viability of the Project Portfolio based on the Bank's strategy and reshapes the Project Portfolio. The Committee also decides on wallets structures per divisions for IT change initiatives, including small initiatives (short flows). In special cases the Committee 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 portfolio model 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 the Investment Committe (ICOM).

Know Your Customer (KYC) Committee

The KYC Committee (the "Committee") approves the initiation/continuation of business relationships with clients (from all segments) with a high risk of money laundering and terrorist financing who have previously received positive opinions with conditions from the Compliance Directorate or the extension of the deadline for updating the bank customer data (from all segments), in case of escalation (approval competence delegated from Management Board).
The Committee is structured by categories of customers – Retail and Non-Retail – and by 2 levels of approval:

•KYC Retail Level 1 Committee;
•KYC Non-Retail Level 1 Committee;
•KYC Level 2 Committee.

Artificial Intelligence Council (AI Council)

The Artificial Intelligence Council (AI Council) has been established by the decision of the Management Board, in conformity with the Rules of Operations and Organization provisions. The AI Council analyses and proposes or decides regarding the AI operational issues: governance, technical expertise needed (also transposed into job profiles) and learning paths, new technologies adoption and scale up, ways of collaboration and common projects with RBI and other NWU's, external vendors and other AI topics if the case.

CONFLICTS OF INTEREST

On 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 any 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 as well as regarding the private, personal interests of the members of the management bodies, which could negatively influence the fulfilment 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. This could be stemming from close relationships, supplementary jobs, events participations, gifts, invitations and trades with financial instruments, etc. Conflict of interests could as well arise in relation to corruption, fraud and market abuse.

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

With respect to policies applied to management bodies or members of management bodies intending to accept positions as: members of the Supervisory Board, Executive Board or directors/administrator positions in entities outside the RBI group are required to seek prior approval of RBRO's Supervisory Board. The preliminary approval granted by the RBRO's Supervisory Board is also required in cases where members of the management bodies intend to engage in other activities on their own, on behalf of a third party or associate with another companies as a partner/manager.

The appointment to the aforementioned positions is made with prior approval from the Compliance Directorate. The Compliance Directorate acts as the responsible function for assessing potential conflicts of interests related to members of the management bodies. The Supervisory Board of RBRO acts as the final decision – maker and is in charge of accepting the inherent risks resulting from the implementation of proposed mitigation measures (and/ or residual occurring from the respective conflict of interest).

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 incorporating 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 programs 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.

Since both the EBA guideline and the BNR Regulation no. 5/2013 contain mentions regarding the importance of diversity at the level of senior management, in addition to the standard set of compatibility criteria as regulated by the fit and proper policy, we are aware that differences in gender, age, culture, education and experience of members of senior management provide a variety of opinions and experience to facilitate independent insights and sound decisions, adding more value to our organization.

The approach of diversity is not limited to the senior management level, but throughout the entire organization, diversity management enhancing opportunities for each employee to increase his own potential and personal contribution to performance. In support of this reality, in 2023 we addressed the organizational diversity level well as the expectations regarding measures dedicated to increase inclusion, through a dedicated survey organized with the Romanian Diversity Chart, member of the European Diversity Platform, to reflect the valuable information extracted in the diversity management policy and strategy. The high response rate confirmed the importance of addressing the existing diversity in the organization.

Raiffeisen Bank S.A. annually draws up a report on the information transparency and advertising requirements, in accordance with the Regulation of the National Bank of Romania no. 5/2013 on prudential requirements for credit institutions and Regulation no. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment companies, and on amending requirements of (EU) Regulation no. 648/2012.

This report is drawn up for the year 2023 and is published on the Bank's website at:
www.raiffeisen.ro/despre-noi/guvernanta-corporativa/transparenta-si-publicare

This Report was analysed and approved by the Management Board of Raiffeisen Bank S.A in the meeting from 19 March 2024.

Alina Rus

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