

Raiffeisen Bank – net profit of EUR 100 million in 2016

Highlights

- EUR 100 million net profit for 2016 vs EUR 98 million in 2015.
- Customer business was the main driving force that lifted our total assets by 6 percent vs 2015, from EUR 6.95 billion to EUR 7.38 billion
- We have a strong capital base, with CAR of 16.8% comfortably above regulatory requirements, thus allowing ample room for implementing our 'growth' strategy
- We remain primarily deposit-funded, with a Net L/D at 0.75, stable yoy
- Excellent RoE of 15% further highlights our track record of delivering outstanding return on capital, in varying market conditions
- Two unusual events affected 2016 results: EUR 27 million provisions for the effects of the walk-away law and EUR 21 million gain from the sale of Visa Europe Limited to Visa Inc.
- Good quality of the loan portfolio: NPL ratio at 8.3%, considerably lower than the system (9.5%)

2016 was a good year for lending and we grew our loan portfolio by 10%, from Eur 4.24 bn in 2015 to Eur 4.65 bn in 2016. Newly approved loans by the bank reached Eur 2.5 billion, out of which one third were granted to households. We have a strong exposure to the local economy, and so it comes as no surprise that we have seen especially positive trends for our consumer loans portfolio this year. In light of recent developments related to legislative issues, the mortgage loan production was stagnant and relied largely on the "Prima Casa" program.

Economic growth is still heavily leaned towards consumption, so financing local businesses becomes increasingly important for setting the grounds for sustainable growth in the country. Our efforts to provide accessible funding solutions for legal entities translate in new term loans for SME 12% greater yoy, helped also by almost 50% higher disbursements from EIF programmes. New term loans approved by the bank for Corporate clients have doubled yoy, pushed upward by strong growth in the mid-market segment and also thanks to some major syndicated deals.

Deposits from customers maintain double-digit growth pace (+11%), helped primarily by Retail current accounts (+30% yoy). In a market dominated by very low interest rates, our clients know their money is in good hands at all times and this places us in a good position to continue developing our business.

We know that the foundations for customer focus primarily lie in the quality of basic services. In 2016, we introduced the new current account packages by implementing a unique concept

on the Romanian market, one that brings together all the features of transactional, lending and saving activity in a simpler and more efficient way.

Customers seeking access to professional portfolio management found a dutiful partner in us, able to provide simple and tailored financial solutions for their oftentimes complex financial needs. Two things are particularly worth noting in this context: 12% increase in our Premium PI clients and also continuous recognition of our work: Raiffeisen Bank won the „Best Private Banking Services in Romania” award at the Euromoney Private Banking and Wealth Management Survey, 2016.

In the field of investment banking, in 2016 Raiffeisen Bank was lead global coordinator and lead joint book-runner in the IPO of Romania's largest private healthcare services provider. This was the biggest initial public offer (IPO) of a private company that has ever taken place on the Bucharest Stock Exchange, opening the way for further development of the local capital market.

Financial strength backed by customer business growth

Our diversified income streams allowed us to cope well with the record-low market rates and preserve our earning power (Eur 453 mn, if we exclude the proceeds related to the VISA transaction). We managed to bring forth a turning point in underlying interest revenues (+1%), which is an important leading indicator, after several years of market pressure.

Underlying cost of risk continued to decrease (8% lower yoy, Eur -60 mn vs Eur -65 mn in 2015), in line with the improvements felt in the local economy. We are pleased to notice continued discipline in payment behavior from our clients and fewer new defaults on Corporate. Additionally, two non-recurring changes have affected the reported loan impairment charges in 2016: Eur 27 mn provisions related to the walk-away law and also Eur 18 mn one-off negative impact from the implementation of a more advanced provisioning methodology in line with present regulatory and accounting tendencies.

Cost efficiency provides room for new investments. We are growing our digital capabilities and realizing efficiency gains through elimination of complexity and a leaner approach on how we do things; the released capital is being allocated to continued investments in our strategic initiatives. Total reported operating expenses show 2% decrease in 2016 (Eur -250 mn, vs Eur -254 mn in 2015), mainly on the background of some non-recurring events and lower legal and regulatory expenses.

Our path towards digitalization is clear and our clients welcome it

Mobile banking was the ‘star application’ for us in 2016, with an increase of over 80% in the number of active users over vs previous year, about 2.4 million log-ins in the application and

monthly average number of visits 60% higher than the average for local banks. Technology-wise, we focused on facilitating the access to the application by fingerprint and PIN, the access to current account via widget or facilitating the payments of taxes.

Total number of 'digital clients' (at least one log-in in the last month via any digital channel) has reached over 280 ths at the end of 2016, up yoy by more than 25%. There is still great potential for growth in this area and we are determined to speed up, going forward.

In terms of sales in the digital environment, we opened the first enrollment flow and we started offering the opportunity to apply for consumer loans directly on our website.

The fleet of multifunctional machines (MFMs) reached 141, from 39 at the end of 2015, and we are further encouraging the use of electronic payments instead of paper-based; 89% of all payments were digital in 2016, up by 3pp yoy.

The active customer base was maintained in 2016 at approx. 2.0 million individuals, approx. 100 ths SMEs and 5,600 corporate companies. At year-end 2016, Raiffeisen Bank's network numbered 478 units (510 in 2015), over 1,100 ATMs, 15,000 EPOS and 141 multifunctional machines

The bank had 5,235 employees at the end of 2016, compared to 5,349 in December 2015.

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All figures in this press release are in accordance with the International Financial Reporting Standards (IFRS) and are unaudited. They refer exclusively to Raiffeisen Bank S.A.'s results and may differ from those announced today, March 15th 2017, by Raiffeisen Bank International AG (RBI) for its overall Romanian operations.

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