Annual Report 2018

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN

4, rue Léon Laval

L-3372 Leudelange

R.C.S. Luxembourg B-20128

Consolidated financial statements at 31 December 2017

and

Independent auditor's report

In case of discrepancies between the English and the French text, the French version will be binding.

Report of the Statutory Auditor

To the Board of Directors
of BANQUE RAIFFEISEN
Société Coopérative
4, rue Léon Laval
L-3372 Leudelange

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of BANQUE RAIFFEISEN AND THE AFFILIATED RAIFFEISEN LOCAL BANKS (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated income statement for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and of its consolidated results for the year then ended, in accordance with the legal and regulatory obligations relating to the preparation and presentation of consolidated financial statements in force in Luxembourg.

Basis of opinion

We conducted our audit in accordance with Regulation (EU) No. 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier (CSSF). Our responsibilities under the Regulation and under those laws and standards are further described in the "Responsibilities of the Statutory Auditor for the Audit of the Consolidated Financial Statements" section of this report.

We are also independent of the Group, in accordance with the International Accounting Standards Board's Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF and with the ethical rules that apply to our audit of the consolidated financial statements, and have fulfilled our other responsibilities under those rules. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements for the period under review. These matters were addressed in the context of our audit of the consolidated financial statements as a whole for the purpose of forming our opinion thereon, and we do not express a separate opinion on these matters.

Key elements of the audit	**How the key audit elements were addressed during our audit**
Specific value adjustments on doubtful receivables One of the Group's main activities consists of granting loans and finance leases to non-bank customers. The Group's policy is to make specific value adjustments on all doubtful and irrecoverable receivables arising from this activity. The amount of the value adjustments corresponds to the difference between the carrying amount of the receivables concerned and their estimated recoverable amount. The Group regularly reviews all its assets at each quarter-end and assesses whether there is any indication that a receivable has been impaired. We considered the measurement of value adjustments associated with receivables from loans and leasing operations to be a key element of the audit. The determination of these value adjustments requires judgement to be exercised, given the complex and subjective nature of estimating future cash flows, valuing any security interests received, and determining provisioning rates. As at 31 December 2018, loans and advances to customers and accounts receivable from leasing operations totalled €6,258.1 million, this figure being net of specific value adjustments of €47 million. ***Refer to Notes 3, 4.1 and 4.2 to the consolidated financial statements.***	We examined the system in place within the Group to identify impaired receivables and assess the amount of value adjustments recorded. We tested whether the internal control procedures in place in this area were correctly applied during the year. This included, among other things, controls in place in relation to: - The process for identifying doubtful debts; - The process for monitoring limit breaches and shortfalls in security interests; - The review and approval by the relevant committees of the value adjustments to be made, utilised or released; - The process for valuing any security interests received to cover the loans granted; - The determination of specific value adjustments in view of the quality criterion assigned to the counterparty and estimated future cash flows. We performed substantive audit procedures on the basis of a sample of impaired loans and finance leases, which comprised key elements and elements selected on the basis of our professional judgement. We critically examined the assumptions made by the Group when determining value adjustments and obtained assurance that the value adjustments recognised were consistent with the decisions of the Provisioning Committee. In addition, based on a sample of non-impaired loans and leasing operations which was made up of key elements and elements selected on the basis of our professional judgement, we critically examined the evidence gathered by the Group that enabled it to consider these transactions as performing.

Other information

The Board of Directors is responsible for the other information.
The other information comprises the information contained in the consolidated management report but does not include the consolidated financial statements or our statutory auditor's report on those consolidated financial statements.

Our opinion on the consolidated financial statements does not cover the other information and we do not provide any form of assurance regarding such information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or with the knowledge we obtained during the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that the other information contains a material misstatement, we are required to report this fact.
We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the statutory and regulatory obligations relating to the preparation and presentation of consolidated financial statements in force in Luxembourg, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors intends to liquidate the Group or to cease operations or has no realistic alternative but to do so.

Responsibilities of the statutory auditor for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a statutory auditor's report containing our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Regulation (EU) No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF will always allow any material misstatement that might exist to be detected. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

When performing an audit conducted in accordance with Regulation (EU) No. 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF, we exercise our professional judgement and maintain professional scepticism throughout the audit. In addition:

- We identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that for one resulting from error, as fraud may involve collusion, falsification, intentional omissions, misrepresentation or the override of internal control;

- We obtain an understanding of the internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- We evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and the related disclosures made by the Board of Directors;

- We conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty exists related to events or situations that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw the attention of readers of our report to the related disclosures provided in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or situations may cause the Group to cease to continue as a going concern;

- We evaluate the overall presentation, form and content of the consolidated financial statements, including the disclosures in the notes, and assess whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- We obtain sufficient appropriate audit evidence regarding the financial information of the entities and activities of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit,
- and take full responsibility for our audit opinion.

- In particular, we communicate with those charged with governance regarding the planned scope and timing of the audit work and our significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant ethical rules on independence and disclose to them all relationships and other factors that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated to those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We were appointed as statutory auditor by the Board of Directors on 6 December 2017 and the total duration of our uninterrupted engagement, including previous renewals and reappointments, is seven years.

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with the applicable legal requirements.

We confirm that we did not provide any prohibited non-audit services as referred to in Regulation (EU) No. 537/2014 and that we remained independent of the Group during the course of the audit.

Luxembourg, 28 March 2019

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé
[Approved audit firm]
represented by
Sylvie TESTA


Raiffeisen

Consolidated statement of financial position

ASSETS	2018	2017
Cash, balances at central banks and post office cheque accounts Note 4.1	1,123,487,234.95	688,512,186.07
Due from credit institutions:		
a) on demand	32,252,198.48	74,225,952.72
b) other accounts receivable	121,661,975.08	134,450,488.17
Note 4.1	153,914,173.56	208,676,440.89
Loans and advances to customers Notes 4.1, 4.10, 4.12, 4.32	6,127,938,019.58	5,740,738,489.70
Leasing operations Notes 4.1, 4.2, 4.32	130,112,994.54	111,250,248.91
Bonds and other fixed income securities:		
a) from public issuers	544,471,463.34	408,689,928.60
b) other issuers	622,925,364.48	631,086,473.78
Notes 4.1, 4.3, 4.4, 4.8, 4.13	1,167,396,827.82	1,039,776,402.38
Shares and other variable yield securities Notes 4.3, 4.5	8,661,215.47	17,002,723.45
Participating interests Notes 4.3, 4.5, 4.8	1,249,785.70	1,062,799.06
Shares in affiliated businesses Notes 4.3, 4.6, 4.8	24,745,432.19	25,198,914.71
Intangible assets Note 4.8	8,058,816.21	9,730,632.00
Property, plant and equipment Notes 4.8, 4.9	44,151,198.78	45,714,453.63
Other assets Note 4.7	5,778,425.90	5,987,992.34
Accruals accounts Note 4.4	14,010,667.62	11,784,079.79
TOTAL ASSETS	8,809,504,792.32	7,905,435,362.93

(figures in euros)

The notes form an integral part of the consolidated financial statements.

as at 31/12/2018

LIABILITIES AND EQUITY	2018	2017
Due to credit institutions:		
a) on demand	20,064,079.89	29,708,307.38
b) with agreed maturity dates or notice periods	423,900,000.00	422,400,000.00
Note 4.14	443,964,079.89	452,108,307.38
Due to customers:		
a) savings deposits	1,424,923,990.11	1,416,524,022.14
b) other liabilities	6,181,196,784.45	5,270,111,211.01
ba) on demand	*4,414,258,192.84*	*4,036,961,217.94*
bb) with agreed maturity dates or notice periods	*1,766,938,591.61*	*1,233,149,993.07*
Notes 4.14, 4.22	7,606,120,774.56	6,686,635,233.15
Debt securities: - notes and bonds in issue Note 4.14	82,678,953.21	105,201,821.33
Other liabilities Note 4.15	46,619,702.94	39,388,978.04
Accruals accounts Note 4.4	21,799,700.40	25,764,957.80
Provisions:		
a) provisions for taxes	16,969,638.87	14,644,799.51
b) other provisions	62,386,816.16	72,005,305.64
Notes 4.17, 4.31, 4.36	79,356,455.03	86,650,105.15
Subordinated liabilities Notes 4.14, 4.16	90,000,000.00	90,000,000.00
Special items with a share in reserves Note 4.18	29,548,352.33	29,049,080.56
Fund for general banking risks (FGBR)	10,641,220.90	10,641,220.90
Shares issued Note 4.19	588,508.00	549,508.00
Reserves Note 4.19	379,446,150.63	361,170,336.03
Profit (loss) for the period Notes 4.19, 4.20	18,740,894.43	18,275,814.59
TOTAL LIABILITIES AND EQUITY	8,809,504,792.32	7,905,435,362.93

OFF-BALANCE SHEET	2018	2017
Contingent liabilities	446,570,395.56	387,144,586.60
Of which: Guarantees and assets pledged as security Note 4.24	*110,650,649.03*	*99,060,134.27*
Commitments Notes 4.25, 4.32	1,115,846,262.46	890,271,391.93

(figures in euros)

The notes form an integral part of the consolidated financial statements.

Consolidated income statement

EXPENSES	2018	2017
Interest and similar expenses Note 4.16	22,007,723.20	27,307,170.82
Commissions paid	2,125,257.16	1,758,022.61
General administration expenses		
a) staff costs	57,179,052.34	54,728,762.81
of which:		
-wages and salaries	*46,907,725.78*	*44,537,817.13*
-social security expenses, of which:	*7,946,702.13*	*7,441,857.46*
- relating to pensions Notes 4.33, 4.34	*5,544,459.27*	*5,099,005.38*
b) other administration expenses Note 4.35	30,355,353.93	28,605,615.34
	87,534,406.27	83,334,378.15
Value adjustments on intangible assets and property, plant and equipment	8,685,179.02	9,317,421.34
Other operating expenses Note 4.30	2,421,354.00	1,939,222.07
Value adjustments on accounts receivable and provisions for contingent liabilities and commitments	20,320,996.72	22,613,302.07
Value adjustments on securities held as fixed assets, participating interests and shares in affiliated businesses	0.00	301,217.07
Allocation to special items with a share in reserves Note 4.18	668,255.65	1,545,014.57
Tax on profits from ordinary and extraordinary activities Note 4.31	6,347,750.64	7,198,096.57
Other taxes not included in the items above	425,601.81	373,405.92
Net income for the year Notes 4.19, 4.20	18,740,894.43	18,275,814.59
TOTAL EXPENSES	169,277,418.90	173,963,065.78

(figures in euros)

The notes form an integral part of the consolidated financial statements.

for the year ended 31/12/2018

INCOME	2018	2017
Interest and similar income *of which: from fixed income securities*	123,643,430.72 *5,118,556.59*	124,002,374.38 *7,739,901.03*
Income from securities (excluding interest): a) income from equity investments	1,314,789.01	1,306,940.34
Commissions received	26,351,225.41	24,200,982.86
Gains on financial transactions	1,241,181.80	4,362,571.85
Reversals of value adjustments on loans and receivables and reversals of provisions for contingent liabilities and commitments	12,926,422.21	15,455,030.02
Reversals of value adjustments on securities held as fixed assets, participating interests and shares in affiliated businesses	2,329.71	0.00
Other operating income Note 4.29	3,629,056.16	4,465,208.76
Income from the elimination of special items with a share in reserves Note 4.18	168,983.88	169,957.57
TOTAL INCOME	169,277,418.90	173,963,065.78

(figures in euros)

The notes form an integral part of the consolidated financial statements.

Notes to the consolidated financial statements as at 31 December 2018

Banque Raiffeisen and affiliated Raiffeisen Local Banks

NOTE 1 – GENERAL INFORMATION

Establishment and management

Banque Raiffeisen was established by private deed on 9 February 1926 under the name "RAIFFEISENZENTRALE DES GROSSHERZOGTUMS LUXEMBURG" (CAISSE CENTRALE DES ASSOCIATIONS AGRICOLES LUXEMBOURGEOISES).

The Bank's name has been changed twice, to "CAISSE CENTRALE RAIFFEISEN" by the Extraordinary General Meeting of 30 December 1982 and then to "BANQUE RAIFFEISEN" by the Extraordinary General Meeting of 14 June 2001.

Banque Raiffeisen (the "Bank") is established as a cooperative company whose purpose is to carry on the business of a credit institution.

Banque Raiffeisen carries out all its activities in Luxembourg, where all its employees are located.

The Bank was incorporated for an indefinite period.

The Bank's members are grouped into three divisions or "pillars", currently comprising the following:

- Pillar A comprises affiliated savings and loan banks (Raiffeisen Local Banks), which together hold 45% of the company's equity;
- Pillar B comprises legal entities in the Luxembourg farming, wine-growing and horticulture industries and a small number of private individuals who were members of the "Caisse Centrale des Associations Agricoles Luxembourgoises" on 30 December 1982. These shareholders hold 45% of the company's equity;
- Pillar C comprises shares held exclusively by the Entreprise des Postes et Télécommunications ("Post Luxembourg") and represents 10% of the share capital.

The Bank's articles of association include provisions that allow this ownership structure to be expanded.

The Board of Directors manages the Bank's business, sets the business strategy and determines the Bank's valuation policies, in accordance with the law and the articles of association.
It takes, and determines the conditions of, all necessary measures to promote the development and advancement of the Bank and its services that fall generally within the scope of the Bank's objectives. It oversees the proper operation of the affiliated Local Banks.

The Bank's Board of Directors is composed of five representatives from Pillar A, five representatives from Pillar B, two representatives from Pillar C, three independent members (including the Chairman) and two members of the Executive Committee.

Pursuant to Article 12 of the Law of 5 April 1993 on the financial sector, as amended, Banque Raiffeisen and the affiliated Raiffeisen Local Banks are considered to form a single credit institution. Affiliation in the meaning of said article is understood to mean the holding of one or more shares in the Bank's share capital.

Commitments made by the Bank and the affiliated Raiffeisen Local Banks are joint and several commitments.

Day-to-day management of the Bank's business and the task of representing the Bank in the course of its management are delegated to the Executive Committee.

Each affiliated Raiffeisen Local Bank is overseen by one or more auditors. The annual financial statements of the individual Local Banks are not subject to an audit in accordance with International Standards on Auditing as adopted by the CSSF in Luxembourg. Pursuant to Article 1 of the Law of 17 June 1992 on the annual financial statements and consolidated financial statements of credit institutions under Luxembourg law, as amended, the consolidated financial statements cover the entirety of the unit composed of Banque Raiffeisen and the affiliated Raiffeisen Local Banks.

NOTE 1 – GENERAL INFORMATION (cont.)

Nature of activities

The object of the Bank is to operate a financial clearing and banking institution in the form of a savings and loan bank within the meaning of the Law on the Financial Sector; its principal business is to carry out banking and financial transactions, to accept deposits and other repayable funds from the public, to grant loans and credit, to manage and administer portfolios and business activities on behalf of third parties, to assist the affiliated Raiffeisen Local Banks and to carry out all business necessary or useful for the achievement of its corporate object.

The Bank aims to satisfy the financial needs of its members and customers by providing them with the best service at the lowest possible cost, in accordance with the principles laid down by F.W. Raiffeisen.

Its objectives include promoting the interests of farms and wine-growers and their cooperatives and professional bodies, as well as those of members in other economic sectors, and to take any steps that are necessary and useful for the effective operation and the development of the cooperative savings and loan movement.

With regard to the affiliated Raiffeisen Local Banks, the Bank's specific goal is to represent them collectively and individually in order to assert their common or specific rights and interests, to promote their smooth functioning and to organise and exert administrative, technical and financial control over their organisation and management.

All monies held by an affiliated savings and loan bank, save those required for day-to-day operations, must be deposited with the Bank, which guarantees the Local Banks an adequate return on their funds.

Consolidated financial statements

The financial year is the same as the calendar year.

NOTE 2 – PRINCIPAL ACCOUNTING POLICIES

The Bank's consolidated financial statements are prepared in accordance with the legal and regulatory requirements in force in the Grand Duchy of Luxembourg.

The principal accounting policies applied are as follows:

1. Presentation of the consolidated financial statements

The consolidated financial statements are prepared in accordance with the Law of 17 June 1992 on the annual financial statements and consolidated financial statements of Luxembourg credit institutions, as amended (the "Law on Banks' Financial Statements").

2. Scope of consolidation

In accordance with applicable legal requirements, the consolidated financial statements cover the unit composed by the Bank and the affiliated Raiffeisen Local Banks. As at 31 December 2018, full consolidation was used in respect of the 13 affiliated Raiffeisen Local Banks that hold shares in the Bank's share capital.

All consolidated companies have the same financial year.

NOTE 2 – PRINCIPAL ACCOUNTING POLICIES (cont.)

	Registered office	Shareholding 31/12/18	Shareholding 31/12/17
Shares in affiliated businesses(1) :			
Immobilière Raiffeisen Luxembourg S.A.	Luxembourg	100.00%	100.00%
Raiffeisen Luxembourg Ré S.A.	Luxembourg	100.00%	100.00%
Raiffeisen Vie S.A.	Luxembourg	50.00%	50.00%
Raiffeisen Finance S.A.	Luxembourg	100.00%	100.00%
Participating interests(1) :			
Société Luxembourgeoise de Capital-Développement pour les PME S.A.	Luxembourg	10.00%	10.00%
Europay S.C.	Luxembourg	9.00%	4.44%
Visalux S.C.	Luxembourg	8.30%	8.17%
Luxtrust S.A.	Luxembourg	0.00%	0.54%
Agroenergie S.à r.l.	Luxembourg	16.66%	16.66%
Luxfund Advisory S.A.	Luxembourg	7.97%	7.97%
FS/B Actions	Luxembourg	0.00%	6.53%
FS/T Actions	Luxembourg	0.00%	6.53%
Luxtrust Developpment S.A.	Luxembourg	0.46%	0.00%
Luxhub S.A.	Luxembourg	0.00%	0.00%

(1) non-consolidated entities

NOTE 2 – PRINCIPAL ACCOUNTING POLICIES (cont.)

3. Consolidation method

The full consolidation method is used.

Assets, liabilities, off-balance sheet items and the income and expenses of the companies included in the consolidation are included in full in the consolidated financial statements.

All material intercompany transactions and balances are eliminated when the consolidated financial statements are drawn up.

4. Valuation

1. General principles
The consolidated financial statements are prepared in accordance with generally accepted accounting principles and with the laws and regulations in force in the Grand Duchy of Luxembourg.
The valuation rules applied by the Bank are based on Chapter 7 of the Law on Banks' Financial Statements.

2. Translation of foreign currency items The Bank keeps its accounts in multiple currencies, and thus records asset and liability items in their original currencies. Assets and liabilities in foreign currencies are translated into euros at the exchange rates applicable on the date on which the statement of financial position was prepared.

Foreign exchange gains and losses, whether realised or unrealised at the time of valuation, are recorded in the income statement for the year, with the exception of gains or losses on assets and liabilities directly hedged by forward foreign exchange transactions ("swaps" and forward foreign exchange transactions that hedge interest items). The revaluation of these hedged transactions does not affect current year profit or loss.

Gains or losses on forward foreign exchange transactions that are used to hedge balance sheet items are recognised on a pro rata basis under interest received or paid, in accordance with the accruals principle.

Unhedged forward transactions are valued individually based on forward prices on the date on which the statement of financial position was prepared. Capital gains are ignored; provisions for capital losses are recognised as liabilities in the statement of financial position under "Provisions: other provisions".

Income and expenses denominated in foreign currencies are translated into euros at the exchange rates applicable on the date of recognition.

NOTE 2 – PRINCIPAL ACCOUNTING POLICIES (cont.)

3. Derivatives

Any obligations of the Bank that arise from derivative instruments such as interest rate swaps, forward rate agreements, financial futures and options are recognised as off-balance sheet commitments on the transaction date.

Where necessary, a provision is recognised on the balance sheet date for any unrealised losses identified during the individual mark-to-market valuations of unsettled trades.
This provision is recorded as a liability in the statement of financial position under "Provisions: other provisions".
Unrealised capital gains are ignored.

The amounts of currency commitments under foreign exchange swaps are not affected by fluctuations in interest rates. Premiums and discounts are recognised in the accruals accounts, with a corresponding entry being recorded under "Interest income". The amount recognised is the portion of the total premium or discount that is attributable to the period between the swap start date and 31 December. Exchange rate differences resulting from the valuation of swap transactions are offset by entries in the adjustment accounts.

No provision is made where a financial instrument hedges an individual asset or liability item, or where it hedges a portfolio of assets or liabilities and economic unity has been established. The same is true where a financial instrument is hedged by an offsetting transaction so as to fully close the position.

4. Specific value adjustments for doubtful and irrecoverable receivables

The Bank's policy is to establish a specific impairment allowance for all doubtful and irrecoverable receivables. The amount of the value adjustment is equal to the difference between the carrying amount of the receivables and the estimated recoverable value. The Bank regularly reviews all its assets at the end of each quarter and assesses whether there is any indication that a receivable has been impaired.
Value adjustments are deducted from the assets to which they relate.

5. Fixed provision for assets and off-balance sheet items at risk

The Bank's policy, in accordance with the provisions of Luxembourg tax legislation, is to establish a fixed provision for assets and off-balance sheet items that are at risk within the meaning of prudential banking regulations. The purpose of this provision is to cover risks that are probable but not yet identified at the time at which the annual financial statements are prepared.

In accordance with the instructions of the Directeur des Contributions (Luxembourg Tax Director) of 16 December 1997, the maximum rate of the provision, which is deductible for tax purposes, is 1.25% of assets at risk.

The fixed provision for assets and off-balance sheet items at risk is broken down proportionately between the elements of the tax base used to calculate it and recognised as follows:

- a value adjustment portion, which is deducted from the assets that are asset at risk; and
- a provision portion, which is attributable to the credit risk affecting off-balance sheet items, exchange rate risk and market risks and is reported as a liability under "Provisions: other provisions".

6. Fund for general banking risks (FGBR)

The Bank's policy is to establish a fund to cover general banking risks in accordance with Article 63 of the Law on Banks' Financial Statements. This fund is disclosed separately as a liability in the consolidated statement of financial position.

Increases to the fund for general banking risks are not deductible for tax purposes.

NOTE 2 – PRINCIPAL ACCOUNTING POLICIES (cont.)

7. Securities
The Bank has divided its fixed income portfolio into three categories,
with the following characteristics:
- a portfolio of non-current financial assets, comprising securities intended to be held for the long term as part of the Bank's business;
- a trading portfolio, comprising securities acquired for resale in the short term;
- an investment portfolio, comprising securities acquired to generate a return and build up an asset base.

Fixed income securities are valued as follows:

Non-current financial assets
Fixed income securities are valued at their acquisition cost.

In the event of the lasting impairment of a debt security, a value adjustment is made for the difference between the cost of acquisition and the estimated recoverable amount. The Bank regularly reviews this asset class at the end of each period and assesses whether there is any indication that a debt security has been impaired.

Premiums and discounts (i.e. positive and negative differences between the acquisition cost and redemption value) are amortised on a straight-line basis.

Investment portfolio
Fixed income securities in the investment portfolio are valued at the lower of cost or market value. Market value is generally determined using stock market prices.

Trading portfolio
Securities included in the trading portfolio are valued using the mark-to-market method.

The acquisition cost of securities of the same type is determined in accordance with the weighted average cost method, collectively across all portfolios.

8. Shares and other variable yield securities
Shares and other variable yield securities are valued at the lower of cost or market value on the date on which the consolidated statement of financial position was prepared.

9. Participating interests and shares in affiliated businesses
Participating interests and shares in affiliated businesses held as non-current assets are valued in the original currency at cost as at the date of the consolidated statement of financial position.

In the event of lasting impairment, a value adjustment is made, which is equal to the difference between the acquisition cost and the current value. The Bank regularly reviews this asset class at the end of each period and assesses whether there is any indication that a participating interest or a share in an affiliated business has been impaired.

NOTE 2 – PRINCIPAL ACCOUNTING POLICIES (cont.)

10. "Beibehaltungsprinzip" (principle of non-reversal)
In accordance with Articles 56(2)(f) and 58(2)(e) of the amended Law of 17 June 1992 on Banks' Financial Statements, the Bank's policy is not to reverse value adjustments for certain asset items, even if the value adjustment ceases to reflect a capital loss on the asset in question.

11. Intangible assets and property, plant and equipment
Intangible assets and property, plant and equipment are recognised at their acquisition cost.

The value of intangible assets and property, plant and equipment with limited useful lives is reduced by value adjustments calculated so as to write off the value of each asset systematically over the course of its useful life. Land, works of art and payments on account are not depreciated.

Depreciation and amortisation rates for the most significant items are as follows:

I) Intangible assets:	10% to 33%
II) Buildings, technical facilities and fittings:	1.5% to 25%
III) IT systems:	10% to 33%
IV) Office equipment and furniture:	10% to 25%

12. Special positions with a share in reserves
Special items with a share in reserves include amounts that are potentially exempt from tax. Tax exemptions under Article 54 of the Income Tax Law apply in particular to capital gains realised on the sale of participating interests, buildings and land.

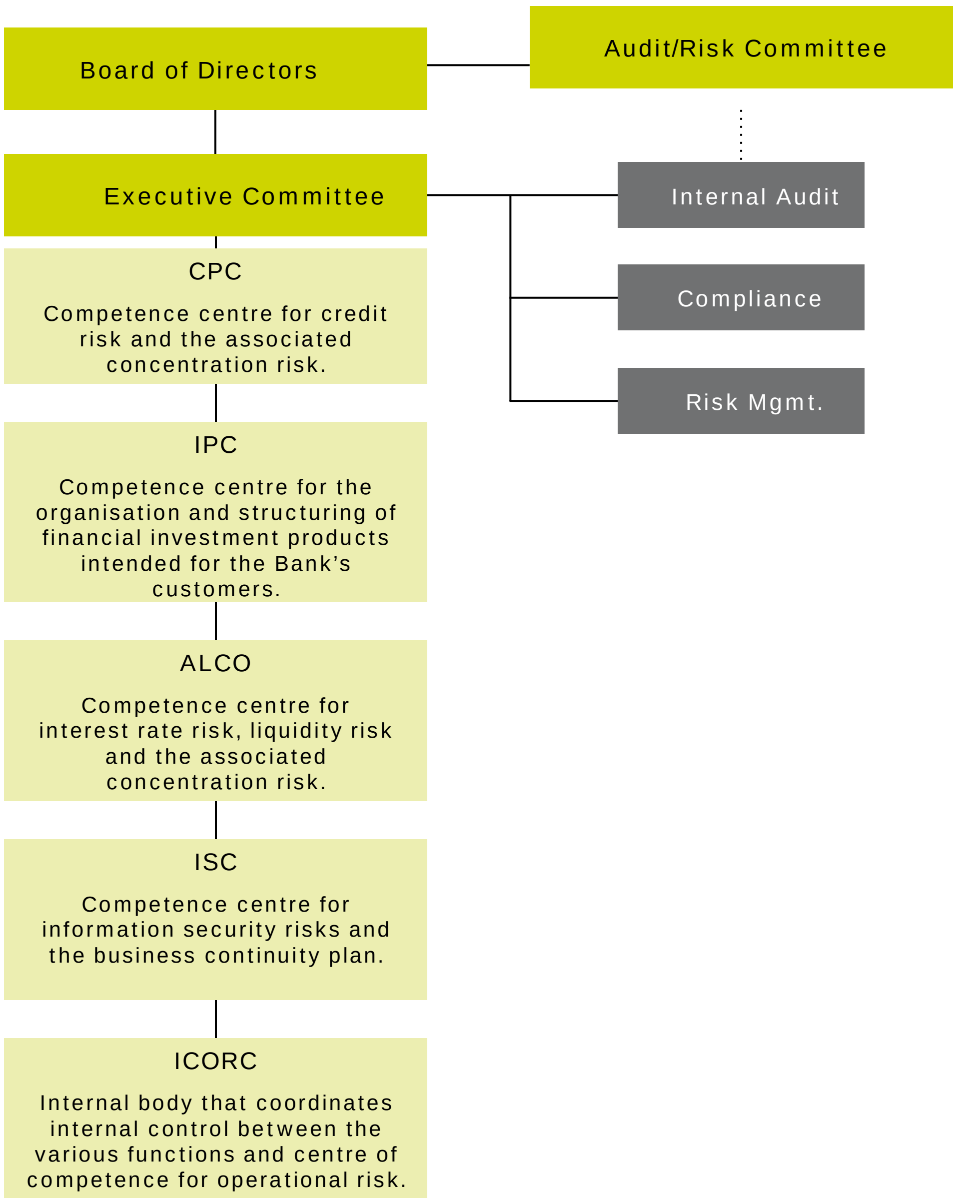
13. Tax
Tax is recognised in accordance with the accruals principle, and not during the period in which it is paid.

NOTE 3 – RISK MANAGEMENT

Professional risk management is fundamental to achieving balanced and sustainable growth. The Bank thus attaches particular importance to the management of the risks to which it is exposed.
The risk management framework is updated and adjusted on an ongoing basis in line with changes in the Bank's regulatory environment, its commercial policies and the economic environment in which it operates. The various resulting risks are identified, monitored and managed with the support of specific operational committees on the basis of the risk strategy and risk appetite set by the Board of Directors.

1. Risk management governance and bodies

A robust risk management governance structure is in place in which significant risks arising from the Bank's business strategy
are monitored and managed. This structure is based on clearly defined roles and responsibilities within the Bank.



NOTE 3 – RISK MANAGEMENT (cont.)

The Board of Directors
The Board sets the risk strategy, capital strategy and risk appetite and determines the organisation of risk management and the resulting roles and responsibilities for the various bodies. It sets the guiding principles and objectives that govern the Bank's risk-taking and entrusts day-to-day management to the Executive Committee, which provides regular updates on the current overall risk level and on emergent risks.

Audit/Risk Committee
The Board of Directors is assisted by a specific committee that covers audit, risk and compliance. This committee provides assessments concerning the structure and operations of the Bank in those areas, so that the members of the Board of Directors can effectively monitor the Bank's activities and fulfil their obligations.

Executive Committee
The Executive Committee implements the strategy determined by the Board of Directors, as set down in the various risk policies. These policies define a set of limits and risk indicators in order to ensure that the risk appetite and the regulatory and economic capital requirements are complied with at all times.

Operational Committees
The Executive Committee relies on five operational committees for the monitoring of risks:

1. ALCO – Asset/Liability Management Committee
2. CPC – Credit Policy Committee
3. ICORC – Internal Control and Operational Risks Committee
4. ISC – Information Security Committee
5. IPC – Investment Products Committee

These committees are the Bank's competence centres for determining policies in their respective areas and setting the framework in which business activities take place. Each committee is chaired by a member of the Executive Committee and is composed of the managers of the departments concerned and the Chief Risk Officer.

Details of their roles and responsibilities are provided in the Bank's Pillar 3 report.

Risk Management
Risk Management is an independent function that monitors and controls risks with the support of the five operational committees in which it participates.

Risk Management's task is to develop and continuously improve the Bank's risk management methods and principles, to monitor the Bank's risk profile and to carry out risk reporting. It is also tasked with promoting a "risk culture" within the various business lines and establishing risk management policies.

Risk Management also monitors all activities related to the insurance policies taken out by the Bank to protect its employees and its assets, and monitors the operations of the Raiffeisen Vie and Raiffeisen Luxembourg Ré subsidiaries.

NOTE 3 – RISK MANAGEMENT (cont.)

Compliance
The Compliance function is an independent function. Its principal mission is to protect the Bank against compliance risks (risks in relation to sanctions, disputes, reputational risks, infringements of ethical rules, etc.) associated with breaches of and non-compliance with the prevailing legal and regulatory frameworks. The Compliance function assists the Bank's Management in anticipating, detecting, assessing, managing and controlling these risks. Compliance principally acts in relation to rules of good conduct, investor protection, the integrity of financial markets and the prevention of money laundering and the financing of terrorism.

As an integral part of third-level internal control, it also helps to ensure that the Bank correctly applies the rules of good conduct applicable to the financial sector. The contributions it makes to the Bank's operations improve the quality of customer service and control over non-compliance risks. The Compliance function monitors regulatory developments and centrally processes customer complaints.

Internal Audit
Internal Audit is an independent and objective function within the Bank whose role is to provide assurance on the level of operational control, advise on operational improvements and contribute to creating added value. It helps the Bank achieve its objectives by systematically and methodically assessing its risk management, control and governance processes and by making proposals to enhance their effectiveness. In general terms, Internal Audit examines and assesses whether the central administration, internal governance and risk management arrangements designed and implemented by management are adequate and operate effectively.

Internal Audit's role, position, powers and responsibilities, and the scope and procedures for its activities, are laid down in the Bank's Internal Audit Charter, which is based on the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors and the prevailing regulations.

2. Risk strategy

Risk strategy
In general, and irrespective of the type of risk, the Bank has laid down the objectives and guiding principles governing the detection, measurement, reporting, management and control of risks in its risk strategy. This strategy is based on four key areas:

- an organisational framework which lays down the roles and responsibilities of everyone involved;
- a set of risk policies for risks regarded as material;
- continuous oversight of the risk management system;
- a programme of stress tests which combines individual risk sensitivity analyses with integrated analyses.

Risk appetite
The Bank has set the level and types of risks it is willing to accept in a “Risk Appetite Statement”. The Statement has been approved by the Board of Directors and is fully in line with the Bank's commercial strategy. It is based on various pillars that reflect the risks incurred by the Bank. Each pillar is associated with a set of qualitative and quantitative indicators.

Compliance with the Bank's risk appetite is monitored on a quarterly basis and presented to the Executive Committee, the Audit/Risk Committee and the Board of Directors.

NOTE 3 – RISK MANAGEMENT (cont.)

ICLAAP (Internal Capital and Liquidity Adequacy Assessment Process)
ICLAAP requires banks to identify and assess all current and future risks to which they may be exposed, to monitor those risks appropriately and to maintain the level of economic capital and liquidity that it deems appropriate to its risk level.
ICLAAP is a continuous process and is an important management tool in the light of recent changes in the financial and regulatory environment.

In managing its capital, Banque Raiffeisen ensures that its solvency level is always consistent with the objectives of:

- maintaining financial robustness, which is closely linked to the Bank's overall risk profile and risk appetite;
- retaining its financial independence, so that it can finance its internal and external growth;
- ensuring that capital is optimally deployed between its various business lines;
- ensuring the Bank's resilience in extreme circumstances.

The Bank set its internal solvency target by reference to the "Tier 1" and "Total" regulatory solvency ratios and its internal ICLAAP solvency ratio.

3. The Bank's risk profile

The risks incurred by the Bank arise from its activities and its business strategy. This section sets out the main types of risk faced by the Bank and provides an overview of the risk management performed. The methods adopted to measure and mitigate these risks are described in the Pillar 3 report.

a) Credit risk
Credit risk is the risk that partial or total losses may arise from the default of debtors or counterparties. This risk is present in customer lending activities, and in investment and capital market activities for the Bank's own account.

All the Bank's departments and support functions use risk management instruments and follow rules and procedures to manage credit risk. Business lines act in accordance with the rules and procedures in place, compliance with which is monitored through the internal control system.

Most the Bank's exposures are to loans granted to the Luxembourg business sector, which is an indication of the Bank's strong connection to the national economy. In its proprietary trading activities, the Bank invested and transacted mainly with OECD countries during 2018, keeping within individual limits set for each country.

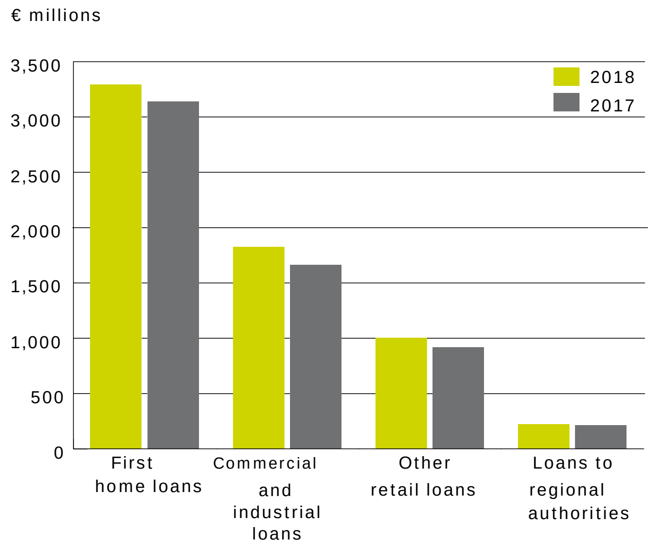
NOTE 3 – RISK MANAGEMENT (cont.)

- Lending to customers

Counterparty acceptance criteria have been set for the Bank's lending activities.
Approval of a credit exposure requires sound knowledge of the customer and its financial resources, the types of risk to which the Bank is exposed, the purpose and structure of the transaction and, where applicable, the associated security interests.

The Bank's decision-making structure has a hierarchy of credit committees which grant loans and monitor performance, based on the type and size of the loan. As part of its prudential management, the Bank seeks to limit credit risk through recourse to asset-based security interests (mortgages, pledges of securities, blocked savings deposits) and personal guarantees, while very closely monitoring repayment plans and the utilisation of lines of credit.

Deterioration in the financial situation of a counterparty leads to its loans being placed on a watchlist. A central credit risk monitoring committee, covering the entire organisation, decides on follow-up actions for customers who have missed payments or are overdrawn. For identification of default, the Bank has developed a definition that conforms to Basel III.



Figures in millions of euros, before allocation of the fixed provision

NOTE 3 – RISK MANAGEMENT (cont.)

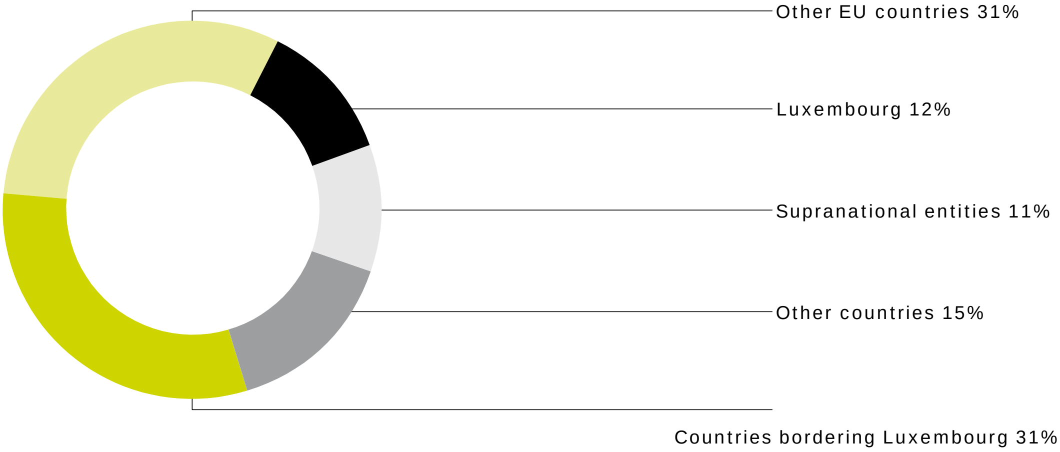
- *Proprietary trading activities*

For proprietary trading activities, maximum limits are set for each counterparty based on the counterparty's external ratings and on the Bank's own funds. The Middle Office continuously monitors outstanding amounts against the fixed limits and changes to counterparties' external ratings and reports to the Risk Management function. Outstanding loans are split between short-term exposures (< 12 months - money market) and long-term exposures (maximum 10 years - capital market).

When calculating the credit risk on a counterparty, the Bank uses the concept of the debtor's total commitment.
This means that associated counterparties that belong to the same group are treated as a single counterparty. Each individual limit is approved by the Financial Markets and Treasury Credit Committee, which is made up of two members of the Executive Committee, the managers of the Financial Markets & Treasury department and the Lending and Legal department, and the Chief Risk Officer.

Own account exposures by country are as follows for 2018:

Breakdown of exposures on own account



The Financial Markets & Treasury department has access to information tools that enable it check the allocated limit and current exposure for each counterparty before entering into a transaction.

As at 31 December 2018, fixed-rate and variable-rate bonds purchased by the Bank for its proprietary portfolio had an average remaining term of three years.

The Bank measures and controls the overall credit risk on its proprietary portfolio by using Credit Value at Risk (CVaR) and sensitivity analyses.

NOTE 3 – RISK MANAGEMENT (cont.)

- *Hedging and derivatives activities*

The Bank's derivatives positions are essentially limited to interest rate swaps (IRSs) contracted under ISDA master agreements (ISDA: International Swaps and Derivatives Association Inc.).

Region	Interest rate swaps 2018 in EUR	2017 in EUR
Luxembourg	52,000,000	52,750,000
Other EMU countries*	99,241,000	113,084,000
TOTAL	151,241,000	165,834,000

* Other member countries of the Economic and Monetary Union

The overall replacement cost for the IRSs, calculated in accordance with the prevailing regulations, is:

Interest rate swaps (Over-the-counter (OTC) contracts)	Overall replacement cost 2018 in EUR	2017 in EUR
Residual maturity of less than 1 year	0	0
Residual maturity of between 1 and 5 years	425,000	604,345
Residual maturity of over 5 years	489,450	299,475
TOTAL	914,450	903,820

b) Market risk

Market risk is the risk that financial instruments will fall in value due to changes in market parameters, the volatility of those parameters and the correlations between them. The main parameters concerned are security prices, exchange rates and interest rates.

In its market risk management policy, the Bank distinguishes between transformation risk – which results from the structural difference between the maturities of the Bank's assets and liabilities (on and off-balance sheet) – and the risk associated with business activity and trading transactions. It should be noted that trading transactions are negligible.

All "market" activities are entrusted to the Financial Markets & Treasury Department as a "single window to the market", while the Middle Office ensures that procedures are followed and limits are complied with.

The following three categories of market risk are identified within the Bank:
- interest rate risk;
- currency risk;
- price risk.

NOTE 3 – RISK MANAGEMENT (cont.)

- *Interest rate risk*

The interest rate risk incurred by the holder of a receivable or debt comprises a general risk linked to changes in market interest rates. The Bank measures and controls its overall interest rate risk with reference to a series of indicators such as value at risk (VaR), earnings at risk (EaR) and the price value of a basis point (PVBP).
These indicators are supplemented by sensitivity analyses.

Appropriate limits have been set by the Bank as part of its management of risks linked to general changes in interest rates. The Middle Office monitors these limits on a daily basis and reports on them to the Executive Committee.

- *Foreign exchange risk*

The Bank's exchange rate risk arises mainly from foreign exchange transactions involving customers' activities. These are mostly hedged directly in the market. The residual risk on foreign exchange positions is therefore very low.

The Bank has established a system of limits that are monitored on a daily basis.

- *Market risk*

Market risk is the risk that the price of a position held in a given financial asset will change in line with general changes in stock market prices.

This risk is negligible in the context of the Bank's current activities.

c)

Liquidity risk

The Bank defines liquidity risk as the risk that at any given time it will be unable to meet all its payment obligations without incurring excessive losses. Liquidity risk may therefore be a direct consequence of another type of risk, such as credit, concentration, operational or market risk.

The Bank's lending activities are mainly funded by customer deposits. This means that Bank's use of the financial markets to borrow money is limited. Moreover, the Bank applies a very conservative policy on maturity transformation.

The Financial Markets & Treasury Department is responsible for the daily monitoring and management of the Bank's liquidity. In addition, Risk Management performs a twice-monthly check using an internally developed model based on projected cash flows for all the Bank's transactions.

The Bank uses its internally developed model, with certain parameters modified to reflect very difficult economic circumstances, to monitor risks in the event of extreme market variations. These stress tests make it possible to anticipate and, where necessary, correct certain movements that are unfavourable to the Bank.

The quality, in terms of its rating, of the Bank's securities portfolio and its maturity profile allows the Bank to access additional liquidity on the repurchase agreement market or by participating in monetary policy operations with the Luxembourg Central Bank.

These provisions form an integral part of the Bank's Contingency Funding Plan for Liquidity.

NOTE 3 – RISK MANAGEMENT (cont.)

d) Operational risk
Operational risk is the risk of direct or indirect losses resulting from a failure attributable to procedures, human error or fault, a system malfunction or external events.

Control of operational risk is ensured by detailed rules and procedures and through an internal control system. The Bank also aims to reduce operational risk by constantly improving its operating systems and organisational structures.

It has also set up a Business Continuity Plan (BCP), which lays down procedures and operational measures aimed at ensuring the continuity of critical day-to-day business in the event of a major incident. It also takes out insurance policies against the various risks inherent to its activities, to protect itself as much as possible against potential financial losses.

e) Concentration risk
Concentration risk arises from considerable exposure within a single risk or across a number of risk categories that could result in losses that are large enough to jeopardise the robustness of an institution. The Bank identifies concentration risk in different types of risk, including credit risk, liquidity risk and business risk.

- *Credit risk concentration*

The Bank monitors the concentration risk arising from its lending activity via limits that track exposures on the sub-portfolios. By way of illustration, the Bank has introduced geographic limits in order to control its exposure to different countries.

- *Liquidity risk concentration*

Deposits from certain counterparties are limited in relation to total deposits and are subject to per-counterparty limits, in order to mitigate the liquidity risk that could arise from excessive concentration.

- *Business risk concentration*

The Bank pays particular attention to concentration risks that could give rise to business risk. Continuous monitoring is carried out in order to ensure that the commercial strategy pursued does not generate disproportionate concentrations that could threaten the stability of the Bank’s financial position.

NOTE 4 – NOTES TO THE FINANCIAL STATEMENTS

NOTE 4.1 - PAYMENT SCHEDULE OF PRIMARY FINANCIAL ASSETS

The residual maturity of the primary financial assets is as follows:

As at 31 December 2018	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total 2018
Cash, balances at central banks and post office cheque accounts	1,123,487,234.95	0.00	0.00	0.00	1,123,487,234.95
Due from credit institutions	153,914,173.56	0.00	0.00	0.00	153,914,173.56
Loans and advances to customers	326,037,622.30	227,155,201.05	852,240,690.17	4,722,504,506.06	6,127,938,019.58
Leasing operations	1,839,663.52	6,114,957.02	89,045,597.61	33,112,776.39	130,112,994.54
Bonds and other fixed income securities	6,986,965.54	99,686,315.57	776,371,814.85	284,351,731.86	1,167,396,827.82
TOTAL	1,612,265,659.87	332,956,473.64	1,717,658,102.63	5,039,969,014.31	8,702,849,250.45

(figures in euros)

As at 31 December 2017	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total 2017
Cash, balances at central banks and post office cheque accounts	688,512,186.07	0.00	0.00	0.00	688,512,186.07
Due from credit institutions	208,676,440.89	0.00	0.00	0.00	208,676,440.89
Loans and advances to customers	393,124,326.59	780,526,009.80	208,309,438.58	4,358,778,714.73	5,740,738,489.70
Leasing operations	1,393,200.12	84,861,156.93	6,786,477.03	18,209,414.83	111,250,248.91
Bonds and other fixed income securities	85,331,923.42	64,209,210.35	689,135,190.12	201,100,078.49	1,039,776,402.38
TOTAL	1,377,038,077.09	929,596,377.08	904,231,105.73	4,578,088,208.05	7,788,953,767.95

(figures in euros)

NOTE 4.2 - LEASING OPERATIONS

Leasing transactions were mainly carried out with non-bank customers.

NOTE 4 – NOTES TO THE FINANCIAL STATEMENTS (cont.)

NOTE 4.3 - SECURITIES

Securities listed under "Bonds and other fixed income securities", "Shares and other variable yield securities", "Participating interests" and "Shares in affiliated businesses" can be split between listed and unlisted holdings, as follows:

	Listed securities 2018	Unlisted securities 2018	Total
Bonds and other fixed income securities	1,167,396,827.82	0.00	1,167,396,827.82
Shares and other variable yield securities	8,661,215.47	0.00	8,661,215.47
Participating interests	0.00	1,249,785.70	1,249,785.70
Shares in affiliated businesses	0.00	24,745,432.19	24,745,432.19
TOTAL	1,176,058,043.29	25,995,217.89	1,202,053,261.18

(figures in euros)

	Listed securities 2017	Unlisted securities 2017	Total
Bonds and other fixed income securities	1,039,776,402.38	0.00	1,039,776,402.38
Shares and other variable yield securities	17,002,723.45	0.00	17,002,723.45
Participating interests	0.00	1,062,799.06	1,062,799.06
Shares in affiliated businesses	0.00	25,198,914.71	25,198,914.71
TOTAL	1,056,779,125.83	26,261,713.77	1,083,040,839.60

(figures in euros)

NOTE 4 – NOTES TO THE FINANCIAL STATEMENTS (cont.)

NOTE 4.4 - BONDS AND OTHER FIXED-INCOME SECURITIES

As at 31 December 2018, "Bonds and other fixed income securities" included securities with a value of €106,673,281.12 maturing within one year of the reporting date (31 December 2017: €149,541,133.77).

"Bonds and other fixed income securities" comprise the following:

	2018	2017
Securities in the non-current financial assets portfolio	616,938,013.10	379,212,109.80
Securities in the investment portfolio	550,458,814.72	660,564,292.58
Securities in the trading portfolio	0.00	0.00
TOTAL	1,167,396,827.82	1,039,776,402.38

(figures in euros)

As at 31 December 2018, the total amount of value adjustments previously made and maintained in accordance with the "Beibehaltungsprinzip" or principle of non-reversal was €1,257,997.94 (31 December 2017: €1,361,121.44).

As at 31 December 2018, the fair value of the securities in the non-current financial assets portfolio was €624,546,929.27 (31 December 2017: €389,788,101.50).

At year-end, the net difference between the fair value and carrying amount of the non-current financial assets portfolio, excluding the amortisation of premiums and discounts, was €7,608,919.52 (31 December 2017: €10,533,943.75).

As of 31 December 2018, the cumulative amortisation since acquisition of premiums and discounts on bonds and other fixed income securities held as non-current financial assets was as follows:

	2018	2017
Discounts	769,440.29	546,006.26
Premiums	12,923,333.86	13,952,199.53

(figures in euros)

NOTE 4 – NOTES TO THE FINANCIAL STATEMENTS (cont.)

NOTE 4.5 - SHARES AND OTHER VARIABLE YIELD SECURITIES, PARTICIPATING INTERESTS

As at 31 December 2018, the total amount of value adjustments previously made and maintained in accordance with the “Beibehaltungsprinzip” or principle of non-reversal was nil (2017: €98,530.54).

As at 31 December 2018 and 31 December 2017, the participating interests did not include any units or shares in credit institutions.

NOTE 4.6 - COMPANIES IN WHICH THE BANK HAS A SHAREHOLDING OF AT LEAST 20%

Name and registered office	Shareholding as %	Financial year-end	Currency	Shareholders' equity (*)	Profit (loss) for the period
Immobilière Raiffeisen Luxembourg S.A. - Luxembourg	100.00%	31/12/2018	EUR	10,416,516.60	491,138.08
Raiffeisen Finance S.A. - Luxembourg	100.00%	31/12/2018	EUR	280,525.41	11,204.73
Raiffeisen Vie S.A. – Luxembourg	50.00%	31/12/2018	EUR	29,422,411.08	2,498,602.59
Raiffeisen Luxembourg Ré S.A. - Luxembourg	100.00%	31/12/2018	EUR	3,500,000.00	0

* excluding profit or loss for the most recent period

As at 31 December 2018 and 31 December 2017, shares in affiliated businesses did not include any units or shares in credit institutions.

NOTE 4.7 - OTHER ASSETS

“Other assets” comprise the following items:

	2018	2017
Short-term receivables	167,865.11	113,118.63
Precious metals	1,361.62	1,361.62
Other	5,609,199.17	5,873,512.09
TOTAL	5,778,425.90	5,987,992.34

(figures in euros)

NOTE 4 – NOTES TO THE FINANCIAL STATEMENTS (cont.)

NOTE 4.8 - MOVEMENTS IN NON-CURRENT ASSETS

Changes in the Bank's non-current assets during the year were as follows:

Item	Book cost at start of year	Additions	Disposals	Transfers	Book cost at end of year	Accumulated Value adjustments at end of year	Fixed provision	Net book value at end of year
1. Bonds and other fixed income securities	379,254,157.75	273,887,484.60	-36,203,629.25	0.00	616,938,013.10	0.00	0.00	616,938,013.10
2. Participating interests	1,747,352.84	909,701.71	-1,037,868.96	0.00	1,619,185.59	-354,552.80	-14,847.09	1,249,785.70
3. Shares in affiliated businesses	25,198,914.71	0.00	0.00	0.00	25,198,914.71	0.00	-453,482.52	24,745,432.19
4. Intangible assets	35,050,415.54	3,116,493.25	-3,471,099.56	0.00	34,695,809.23	-26,636,993.02	0.00	8,058,816.21
of which:								
Concessions, patents, trademarks and similar rights and claims acquired for valuable consideration excluding assets acquired as part of an operating business	35,050,415.54	3,116,493.25	-3,471,099.56	0.00	34,695,809.23	-26,636,993.02	0.00	8,058,816.21
5. Property, plant and equipment	110,520,368.46	5,635,567.11	-3,710,127.23	0.00	112,445,808.34	-67,729,322.62	-565,286.94	44,151,198.78
of which:								
a) Land, buildings, technical equipment, machinery and fittings	85,025,773.74	1,386,430.13	-3,324,184.41	863,636.46	83,951,655.92	-45,500,605.09	-486,869.04	37,964,181.79
b) IT systems and company vehicles	16,910,980.65	2,676,817.65	-376,526.33	0.00	19,211,271.97	-16,142,764.40	-38,853.60	3,029,653.97
c) Office equipment, furniture and works of art	7,999,489.07	307,657.64	-9,416.49	15,319.36	8,313,049.58	-6,085,953.13	-28,199.60	2,198,896.85
d) Payments on account and property, plant and equipment under construction	584,125.00	1,264,661.69	0.00	-878,955.82	969,830.87	0.00	-11,364.70	958,466.17

(figures in euros)

NOTE 4.9 - PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2018, property, plant and equipment included €34,165,568.11 (31 December 2017: €35,227,174.16) in relation to land and buildings used by the Bank in its course of its own business.

NOTE 4 – NOTES TO THE FINANCIAL STATEMENTS (cont.)

NOTE 4.10 - ACCOUNTS RECEIVABLES FROM AFFILIATED BUSINESSES AND BUSINESSES IN WHICH THE GROUP HAS A PARTICIPATING INTEREST

Receivables from affiliated businesses and businesses in which the Bank has a participating interest comprise the following items (excluding allocation of the flat-rate provision):

	Affiliated businesses 2018	Participating interests 2018
Loans and advances to customers	33,696,370.72	47,020.33
	Affiliated businesses 2017	**Participating interests 2017**
Loans and advances to customers	34,977,683.71	40,101.31

(figures in euros)

NOTE 4.11 - ASSETS IN FOREIGN CURRENCIES

As at 31 December 2018, the total amount of assets denominated in foreign currencies, translated into euros, was €118,811,603.66 (31 December 2017: €120,726,600.32).

NOTE 4.12 - SUBORDINATED ASSETS

As at 31 December 2018, the Bank held the following subordinated assets:

	2018	2017
Loans and advances to customers	3,102,074.36	3,113,265.12

(figures in euros)

NOTE 4.13 - ASSETS PLEDGED AS COLLATERAL BY THE BANK

As at 31 December 2018, the Bank had a portfolio of assets eligible as collateral with a value at cost of €991,144 124.68 (31 December 2017: €914,698,850.53).

As as at 31 December 2018, the amount of assets actually pledged as collateral stood at €335,196,686.38 (31 December 2017: €345,849,498.98).

NOTE 4 – NOTES TO THE FINANCIAL STATEMENTS (cont.)

NOTE 4.14 - PAYMENT SCHEDULE OF PRIMARY FINANCIAL LIABILITIES

As at 31 December 2018	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total 2018
Due to credit institutions	34,964,079.89	109,000,000.00	300,000,000.00	0.00	443,964,079.89
Due to customers:	6,509,740,392.78	168,883,642.07	921,314,239.71	6,182,500.00	7,606,120,774.56
savings deposits repayable on demand	*1,076,346,230.40*	*0.00*	*0.00*	*0.00*	*1,076,346,230.40*
savings deposits with agreed maturity dates or notice periods	*7,327,500.00*	*100,553,520.00*	*236,514,239.71*	*4,182,500.00*	*348,577,759.71*
other liabilities with agreed maturity dates or notice periods	*1,011,808,469.54*	*68,330,122.07*	*684,800,000.00*	*2,000,000.00*	*1,766,938,591.61*
Debt securities	6,735,924.95	25,552,087.11	48,881,941.15	1,509,000.00	82,678,953.21
Subordinated liabilities	0.00	0.00	0.00	90,000,000.00	90,000,000.00
TOTAL	6,551,440,397.62	303,435,729.18	1,270,196,180.86	97,691,500.00	8,222 763,807.66

As at 31 December 2017	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total 2017
Due to credit institutions	44,608,307.38	69,500,000.00	338,000,000.00	0.00	452,108,307.38
Due to customers:	5,596,850,493.03	420,373,422.95	548,731,613.79	120,679,703.38	6,686,635,233.15
savings deposits repayable on demand	*879,576,913.17*	*0.00*	*0.00*	*0.00*	*879,576,913.17*
savings deposits with agreed maturity dates or notice periods	*6,339,820.04*	*280,283,218.93*	*243,200,570.00*	*7,123,500.00*	*536,947,108.97*
other liabilities with agreed maturity dates or notice periods	*901,511,107.04*	*121,638,886.03*	*210,000,000.00*	*0.00*	*1,233,149,993.07*
Debt securities	12,881,175.46	9,612,779.81	80,721,661.60	1,986,204.46	105,201,821.33
Subordinated liabilities	0.00	0.00	0.00	90,000,000.00	90,000,000.00
TOTAL	5,654,339,975.87	499,486,202.76	967,453,275.39	212,665,907.84	7,333,945,361.86

(figures in euros)

NOTE 4 – NOTES TO THE FINANCIAL STATEMENTS (cont.)

NOTE 4.15 - OTHER LIABILITIES

Other liabilities comprise:

	2018	2017
Short-term accounts payable	360,467.90	735,936.44
Preferred creditors	8,014,335.62	7,043,004.30
Other creditors	38,244,899.42	31,610,037.30
TOTAL	46,619,702.94	39,388,978.04

(figures in euros)

NOTE 4.16 - SUBORDINATED LIABILITIES

During the year, the Bank paid interest charges of €2,220,131.41 on subordinated liabilities (31 December 2017: €2,192,926.20).

Details of the subordinated loans outstanding as at 31 December 2018 are as follows:

Amount of loan (EUR)	Interest rate	Issue date	Maturity
60,000,000	2.75%	22/05/2015	22/05/2025
30,000,000	2.50%	11/07/2017	11/07/2027

The issue agreements provide for the early redemption of the bonds in certain specific circumstances, subject to the agreement of the Commission de Surveillance du Secteur Financier.

NOTE 4.17 - PROVISIONS

As at 31 December 2018, “Other provisions” comprised:

	2018	2017
Deposit guarantee / resolution fund provision	36,712,646.40	48,111,775.98
Provisions for disputes	5,827,821.34	6,251,633.45
Fixed provision for off-balance sheet items	4,133,077.82	3,315,239.73
Provisions for charges	15,676,270.60	14,289,656.48
Other provisions	37,000.00	37,000.00
TOTAL	62,386,816.16	72,005,305.64

(figures in euros)

NOTE 4 – NOTES TO THE FINANCIAL STATEMENTS (cont.)

NOTE 4.18 - SPECIAL ITEMS WITH A SHARE IN RESERVES

The amount disclosed under "Special items with a share in reserves" consists solely of capital gains on reinvestment of €29,548,352.33 and results from the application of Article 54 of the Income Tax Law (31 December 2017: €29,049,080.56).

NOTE 4.19 - ISSUED SHARE CAPITAL, RESERVES, PROFIT (LOSS) FOR THE YEAR AND RETAINED EARNINGS

The Bank's share capital comprises three categories of shares:

- class A shares are held exclusively by savings and loan banks in the form of cooperative societies or agricultural associations within the meaning of Article 12(1) of the Law on the Financial Sector and by Raiffeisen Members S.C., a legal entity established in 2014;

- class B shares are held by other shareholders as of 1 September 2005, namely individuals and legal entities in the farming and wine-growing sectors;

- class C shares have been held by Post Luxembourg since 22 February 2016.

The nominal value of a share is €0.25.

As at 31 December 2018, the value of the shares issued by the Bank was €588,508.00 (31 December 2017: €549,508.00). The share capital of Banque Raiffeisen stood at €2,514.00 as at 31 December 2018 (2017: €2,514.00) and was made up of 4,525 class A shares, 4,525 class B shares and 1,006 class C shares. Of the total amount, €1,131.25 is eliminated on consolidation, this being the amount of the shares held by the consolidated Raiffeisen Local Banks.

Dividends may be distributed from Banque Raiffeisen's available profits; the dividends must be divided into three parts in proportion to the share of each class of shares in the share capital.

Class A shares may be allocated a cash amount that does not exceed the maximum interest rate offered by the Bank on ten-year savings deposits plus two per cent, as applied to the nominal value of the class A shares. The remainder of any class A dividend is distributed to the holders of class A shares in the form of new class A shares issued by the Bank for this purpose. Where fractional shares are held, any remainder that cannot be distributed in the form of new class A shares is allocated to a special class A reserve fund. This special reserve fund must be used to issue new class A shares once it reaches a sufficient balance.

Class B shares may be allocated a cash amount that does not exceed the maximum interest rate offered by the Bank for ten-year term savings deposits plus two per cent, as applied to the nominal value of the class B shares. The remainder of any class B dividend is distributed to the holders of class B shares in the form of new class B shares issued by the Bank for this purpose. Where fractional shares are held, any remainder

NOTE 4 – NOTES TO THE FINANCIAL STATEMENTS (cont.)

that cannot be distributed in the form of new class B shares is allocated to a special class B reserve fund. This special reserve fund must be used to issue new class B shares once it reaches a sufficient balance.

Holders of class C shares may be given the choice of receiving either a dividend in cash or an equivalent amount in the form of new class C shares issued by the Bank for this purpose. If such a choice is offered, each holder of class C shares may individually determine whether it wishes to receive part or all of its dividend in cash or in shares. Where fractional shares are held, the remainder that cannot be distributed in the form of class C shares is allocated to a special class C reserve fund. This special reserve fund must be used to issue new class C shares once it reaches a sufficient balance.

Any remaining undistributed profit is either allocated to other reserves or carried forward. Pursuant to the Luxembourg Law on Cooperative Companies, at least 5% of each year's net profit is allocated to a statutory reserve, until that reserve reaches an amount equal to 10% of the share capital. This allocation is made in the following financial year. The statutory reserve may not be distributed.

Changes in issued shares capital, reserves and reported results are as follows:

	Shares in issue (share capital)	Reserves	Retained earningS
As at 1 January 2018	549,508.00	361,170,336.03	0.00
Increase in share capital	0.00	0.00	0.00
New shareholders	237,375.00	0.00	0.00
Departing shareholders	-198,375.00	0.00	0.00
Profit (loss) for the year ended 31 December 2017	0.00	0.00	18,275,814.59
Allocation of profit			
- Transferred to reserves	0.00	18,275,814.59	-18,275,814.59
- Dividends on shares	0.00	0.00	0.00
Roundings	0.00	0.01	0.00
As at 31 December 2018	588,508.00	379,446,150.63	0.00

(figures in euros)

NOTE 4 – NOTES TO THE FINANCIAL STATEMENTS (cont.)

NOTE 4.20 - CONSOLIDATED PROFIT OR LOSS FOR THE YEAR

The profit disclosed in the consolidated financial statements can be reconciled as follows:

	2018	2017
BANQUE RAIFFEISEN	8,967,010.86	8,577,485.18
Affiliated RAIFFEISEN LOCAL BANKS, aggregate total	9,773,883.57	9,698,329.41
TOTAL	18,740,894.43	18,275,814.59

(figures in euros)

NOTE 4.21 - MINORITY INTERESTS

There are no minority interests in the Bank's equity.

NOTE 4.22 - LIABILITIES TO AFFILIATED BUSINESSES AND BUSINESSES IN WHICH THE BANK HAS A PARTICIPATING INTEREST

Liabilities to affiliated businesses and businesses in which the Bank has a participating interest comprise the following:

	Affiliated businesses 2018	Participating interests 2018
Due to customers	20,464,497.34	158,725.29

	Affiliated businesses 2017	Participating interests 2017
Due to customers	23,942,906.60	282,989.64

(figures in euros)

NOTE 4 – NOTES TO THE FINANCIAL STATEMENTS (cont.)

NOTE 4.23 - LIABILITIES IN FOREIGN CURRENCIES

As at 31 December 2018, the total amount of assets denominated in foreign currencies, translated into euros, was €139,031,540.78 (31 December 2017: €118,745,673.92).

NOTE 4.24 - CONTINGENT LIABILITIES

The Bank's contingent liabilities comprise the following:

	2018	2017
Guarantees and other direct credit substitutes	110,650,649.03	99,060,134.27
Counter-guarantees	335,919,746.53	288,084,452.33
TOTAL	446,570,395.56	387,144,586.60

(figures in euros)

As at 31 December 2018 and 31 December 2017, contingent liabilities did not include any amounts in respect of affiliated businesses or participating interests.

NOTE 4.25 - COMMITMENTS

The Bank's commitments comprise the following:

	2018	2017
Loans confirmed but not drawn down	1,115,846,262.46	890,271,391.93

(figures in euros)

As at 31 December 2018 and 31 December 2017, commitments did not include any amounts in respect of affiliated businesses or participating interests.

Commitments exist to make fixed rental payments on rented property and other rented assets. These commitments are not included in the consolidated statement of financial position or in the consolidated off-balance sheet disclosures.

NOTE 4 – NOTES TO THE FINANCIAL STATEMENTS (cont.)

NOTE 4.26 - TRANSACTIONS LINKED TO EXCHANGE RATES, INTEREST RATES AND OTHER MARKET RATES

Foreign exchange transactions concern either forward foreign exchange transactions used to hedge customer transactions or foreign exchange swaps.
As at 31 December 2018 and 31 December 2017, there were no unsettled forward foreign exchange transactions. As at 31 December 2018, the total of foreign exchange swaps was €17,467,248.91 (2017: nil). These transactions have a maturity of less than 3 months.

Interest rate and other market price transactions that were unsettled as of 31 December 2018 and 31 December 2017 relate exclusively to interest rate swaps. These transactions hedge the effects of interest rate fluctuations on assets and liabilities. They can be broken down by residual maturity date as follows:

Interest rate swaps (over the counter(OTC) contracts)	2018 (notional amount)	2017 (notional amount)
Up to 3 months	0.00	10,000,000.00
3-12 months	33,416,315.78	15,000,000.00
1–5 years	85,000,000.00	120,868,947.36
over 5 years	32,825,000.00	19,965,000.00
TOTAL	151,241,315.78	165,833,947.36

Interest rate swaps (over the counter(OTC) contracts)	2018 (market value)	2017 (market value)
Up to 3 months	0.00	-24,321.07
3-12 months	-168,140.42	-348,266.87
1–5 years	-3,888,488.74	-7,531,468.22
over 5 years	-3,452,569.87	-3,354,067.77
TOTAL	-7,509,199.03	-11,258,123.93

(figures in euros)

NOTE 4.27 - MANAGEMENT AND REPRESENTATION SERVICES

The Bank offers management and underwriting services in respect of which it may be held liable for negligence or for breaches of its obligations.

Management and representation services include:
- wealth management;
- the holding of third-party assets;
- underwriting of securities.

NOTE 4 – NOTES TO THE FINANCIAL STATEMENTS (cont.)

NOTE 4.28 - INCOME BY GEOGRAPHICAL MARKET

The Bank mainly transacts in the internal market of the European Union, and has a significant share of the Luxembourg market.

NOTE 4.29 - OTHER OPERATING INCOME

This item comprises:

	2018	2017
Rental income	1,448,070.72	1,394,606.20
AGDL repayments	221,911.71	258,057.22
Gains on sales of real estate	269,235.29	1,575,045.90
Gains on sales of participating interests	422,941.15	0.00
Income in respect of prior periods	573,872.59	1,157,229.33
Other	693,024.70	80,270.11
TOTAL	3,629,056.16	4,465,208.76

(figures in euros)

NOTE 4.30 - OTHER OPERATING EXPENSES

“Other operating expenses” disclosed in the income statement comprise the following:

	2018	2017
Costs in respect of prior periods	474,142.15	368,770.98
Increases in provisions	900,000.00	1,315,000.00
Other	1,047,211.85	255,451.09
TOTAL	2,421,354.00	1,939,222.07

(figures in euros)

NOTE 4 – NOTES TO THE FINANCIAL STATEMENTS (cont.)

NOTE 4.31 - TAX ON PROFITS FROM ORDINARY AND EXTRAORDINARY ACTIVITIES

Tax on profits relates solely to profits from ordinary activities.

NOTE 4.32 - LOANS AND ADVANCES TO MEMBERS OF THE BANK'S GOVERNING BODIES AND MANAGEMENT

Loans and advances granted by the Bank to members of the executive, supervisory and oversight bodies and to members of the management structure, and commitments made on behalf of these persons in relation to guarantees, are as follows:

	Loans and advances as at 31/12/2018	Commitments as at 31/12/2018
Members of the executive and supervisory bodies	47,999	5,907
Members of the management structure (44 persons)	12,401	2,440
TOTAL	60,400	8,347

	Loans and advances as at 31/12/2018	Commitments as at 31/12/2018
Members of the executive and supervisory bodies	47,296	5,832
Members of the management structure (55 persons)	12,050	3,033
TOTAL	59,346	8,865

(figures in thousands of euros)

NOTE 4.33 - NUMBER OF EMPLOYEES

The average number of staff employed by the Bank in 2018 was as follows:

	Number 2018	Number 2017
Executive Committee	5	5
General management (1)	39	50
Other management and employees (1)	594	566
TOTAL	638	621

(1) The Bank revised its classification of staff members in 2018.

NOTE 4 – NOTES TO THE FINANCIAL STATEMENTS (cont.)

NOTE 4.34 - REMUNERATION OF MEMBERS OF THE BANK'S GOVERNING BODIES AND MANAGEMENT

Remuneration awarded for the year to the members of the executive and supervisory bodies and members of the management for the performance of their duties, and the commitments arising or entered into in respect of pensions for the members of the aforementioned bodies, are as follows:

	Emoluments 2018	Pensions 2018
Members of the executive and supervisory bodies	373	0
Members of the management structure (44 persons)	7,888	777
TOTAL	8,261	777

	Emoluments 2018	Pensions 2018
Members of the executive and supervisory bodies	359	0
Members of the management structure (55 persons)	8,752	887
TOTAL	9,111	887

(figures in thousands of euros)

NOTE 4.35 - STATUTORY AUDITOR'S FEES

The total amount of fees paid during the year to the statutory auditor, excluding VAT, comprises the following:

	2018	2017
Statutory audit of accounts and issuing of analytical report	237	204
Other audit-related services	0	0
Other services	75	6
TOTAL	312	210

(figures in thousands of euros)

NOTE 4 – NOTES TO THE FINANCIAL STATEMENTS (cont.)

NOTE 4.36 - DEPOSIT GUARANTEE FUND AND RESOLUTION FUND

The Law on resolution, reorganisation and winding-up measures for credit institutions and certain investment firms and on deposit guarantee and investor compensation schemes (the "Law"), which transposes into Luxembourg law Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and Directive 2014/49/EU on deposit guarantee and investor compensation schemes, was passed on 18 December 2015.

The previous deposit guarantee and investor compensation scheme implemented by the Association pour le Garantie des Dépôts Luxembourg (AGDL) was replaced by a new contributory deposit guarantee and investor compensation scheme. The new scheme will guarantee all eligible deposits held by the same depositor up to an amount of €100,000, with investments guaranteed up to €20,000. The Law also provides that deposits resulting from specific transactions, or with a social purpose or associated with particular life events, will be protected above the €100,000 threshold for a period of 12 months.

Provisions made in previous years' financial statements to cover obligations towards the AGDL will be used to cover contributions to the Luxembourg Resolution Fund (FRL) and to the Luxembourg Deposit Guarantee Fund (FGDL).

The FRL's financial resources are required reach at least 1% of the guaranteed deposits, as defined in Article 1 (36) of the Law, of all credit institutions authorised in all participating Member States by the start of 2024. This amount will be collected from credit institutions through annual contributions from 2015 to 2023.

The FGDL's targeted level of financial resources is set at 0.8% of guaranteed deposits, as defined in Article 153 (8) of the Law, of participating institutions, and the FGDL is required to reach this target by the end of 2018. Contributions have been paid annually between 2016 and 2018.

When the level of 0.8% is reached, Luxembourg credit institutions will continue to contribute for an additional 8 years so as to build up a safety buffer of a further 0.8% of guaranteed deposits as defined in article 153 (8) of the Law.

As at 31 December 2018, the FGDL/FRL provision stood at €36,712,646.40 (31 December 2017: €48,111,775.98).

The amount paid to the FGDL in 2018 was €9,602,906.00 (31 December 2017: €7,604,594.98). The amount paid to the FRL in 2018 was €1,796,233.60 (2017: €1,460,194.82).

NOTE 4 – NOTES TO THE FINANCIAL STATEMENTS (cont.)

NOTE 4.37 - SUBSEQUENT EVENTS

In order to anticipate future regulatory requirements, improve the efficiency and quality of the Bank's management and services, and further strengthen the democracy of the cooperative model, the Bank has decided to restructure the Raiffeisen Group by merging all the Group companies with the Bank by way of a merger by absorption.

Joint merger plans were approved by the Board of Directors of Banque Raiffeisen on 31 January 2019 and by the Boards of Directors of the Raiffeisen Local Banks and Raiffeisen Members (the "Local Banks") during the months of January and February 2019. These plans stipulate that, subject to approval by the extraordinary shareholders' meetings of the Local Banks and the Bank, the Local Banks will merge with the Bank in accordance with section XIV, sub-section I ("Merger by absorption") of the Law.

Provided that the extraordinary general meetings approve and ratify the joint merger plans, the merger will take place with effect either from 1 June 2019 or, if it is held after the date, on the date of general meeting held by the Bank to approve the plans.

Once resolved upon by the general meetings of the merging companies, the mergers will automatically result in the full transmission of all assets and liabilities from the Local Banks to the Bank. Shareholders of the Local Banks will automatically become shareholders of the Bank and the Local Banks will cease to exist.