Annual Report 2017

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.

Approved Auditor's Report

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited BANQUE RAIFFEISEN ET DES CAISSES RAIFFEISEN AFFILIEES’ consolidated financial statements, (the “Group”), comprising the consolidated statement of financial position as at 31 December 2017 and the consolidated income statement for the period ended on that date, together with a summary of the principal accounting methods.

In our opinion, these consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2017 and the consolidated results of its business for the year then ended, in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of consolidated financial statements.

Basis for the opinion

We carried out our audit in accordance with Regulation (EU) No 537/2014, the Law of 23 July 2016 relating to the audit profession (the “Law of 23 July 2016”) and the International Auditing Standards (IASs) adopted in Luxembourg by the Commission de Surveillance du Secteur Financier (“CSSF”).
The responsibilities incumbent upon us under this regulation, law and standards are more fully described in the section entitled “Responsibilities of the Approved Auditor for the audit of the consolidated financial statements” in this report.

We are also independent of the Group according to the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (the “IESBA Code”) as adopted for Luxembourg by the CSSF and the rules of ethics that apply to the audit of consolidated financial statements and we have fulfilled the other responsibilities incumbent upon us according to these 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 matters that, in our professional judgement, were most important in the audit of the consolidated financial statements for the period under consideration.

These matters have been addressed in the context of our audit of the consolidated financial statements taken as a whole and for the purpose of forming our opinion thereon, and we do not express a separate opinion on these matters.

Key elements of the audit

Specific value adjustments on doubtful debts

One of the Group's main activities is the granting of credit and the setting up of leasing operations for non-banking customers. The Group's policy is to carry out specific value adjustments for all doubtful debts and irrecoverable debts resulting from this activity. The amount of the value adjustments is equal to the difference between the book value of the debts concerned and their estimated recoverable amount. The Group regularly, and at the end of each quarter, reexamines all its assets and assesses whether there is any indication that a debt may have depreciated

We consider the valuation of value adjustments associated with receivables resulting from loans and leasing operations to be a key element of the audit. The determination of these value adjustments requires the exercise of judgement, given the complex and subjective nature of estimating future cash flows, the valuation of guarantees received, if any, and determining provisioning levels.

At 31 December 2017, receivables from customers and receivables resulting from leasing operations amounted to €5,852 million, taking account of specific value adjustments recorded of €49.6 million.

See notes 3, 4.1 and 4.2 to the consolidated financial statements.

How these key elements were addressed during our audit

We examined the system put in place within the Group to identify receivables to be written down and to evaluate the amount of value adjustments recorded.

We tested the correct application of the internal control procedures put in place during the financial year in this regard. This included the controls in place relating to:

- **The process of identifying doubtful debts;**
- **The process of monitoring overruns and guarantees that have become insufficient;**
- **The review and approval by the relevant committees of value adjustments to be carried out, used or repeated;**
- **The process of evaluating the guarantees received, if any, to cover the loans granted;**
- **The determination of specific value adjustments taking into account the quality criterion attributed to the counterparty and estimated future cash flows.**

We performed substantive audit procedures based on a sample of impaired loans and leasing operations, consisting of key elements and randomly selected elements.
We critically examined the assumptions used by the Group to determine the value adjustments and we are satisfied that the value adjustments recorded are consistent with the decisions of the Provisioning Committee.

In addition, based on a sample of non-impaired loans and leasing operations, a sample of key elements and randomly selected elements, we critically examined the evidence gathered by the Group that allowed it to consider these transactions as performing.

Other information

Responsibility for other information rests with the Board of Directors. Other information consists of the information contained in the consolidated management report but does not include the consolidated financial statements and the approved auditor's report on these consolidated financial statements.

Our opinion on the consolidated financial statements does not extend to other information and we do not express any form of assurance on such information.

With respect to our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, assess whether there is a material inconsistency between this information and the consolidated financial statements or the knowledge that we have acquired during the audit, or whether the other information otherwise appears to contain a material misstatement. If, based on our work, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors and the persons in charge of corporate governance for the consolidated financial statements

The Board of Directors is responsible for the accurate preparation and presentation of the consolidated financial statements, in accordance with the statutory and regulatory obligations on preparing and presenting consolidated financial statements in force in Luxembourg, and for carrying out the internal controls that it deems necessary to enable the consolidated financial statements to be prepared and presented without material misstatement, either as a result of fraud or error.

In preparing the consolidated financial statements, it is the responsibility of the Board of Directors to assess the Group's ability to continue as a going concern, to communicate any issues relating to the continuity of operations and to apply the going concern accounting principle, unless the Board of Directors intends to liquidate the Group or to cease its activity or if no other realistic solution is offered to it.

Responsibility of the approved auditor for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance that in the consolidated financial statements taken as a whole there are no material misstatements, either due to fraud or error, and to issue an approved auditor's report containing containing our opinion. Reasonable assurance corresponds to a high level of assurance, which however does not guarantee that an audit carried out in accordance with Regulation (EU) No 537/2014, the Law of 23 July 2016 and the IASs as adopted for Luxembourg by the CSSF will always detect any material misstatement that may exist. Misstatements may be due to fraud or error and are considered material when it is reasonable to expect that, individually or collectively, they may affect the economic decisions that users of the consolidated financial statements make based on them.

In the context of an audit carried out in accordance with Regulation (EU) No. 537/2014, the Law of 23 July 2016 and the IASs as adopted for Luxembourg by the CSSF, we exercise our professional judgement and engage in critical thinking throughout this audit. Furthermore:

- **We identify and assess the risks that the consolidated financial statements contain material misstatements due to either fraud or error, design and implement audit procedures in response to such 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 greater than that of a material misstatement resulting from an error, since fraud may involve collusion, forgery, voluntary omissions, false statements or the circumvention of internal controls;**

- We gain an understanding of the internal control elements relevant to the audit in order to design audit procedures appropriate to the circumstances and not to express an opinion on the effectiveness of the Group's internal control;

- We assess the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by the Board of Directors, as well as the related information provided by the latter;

- We draw a conclusion as to the appropriateness of the Board of Directors' use of the going concern accounting principle and, depending on the evidence obtained, whether or not there is material uncertainty 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 obliged to draw the attention of the readers of our report to the information provided in the consolidated financial statements with respect to this uncertainty or, if this information is not adequate, to express an amended opinion. Our conclusions are based on the evidence obtained up to the date of our report. However, future events or situations could cause the Group to cease operations;

- We assess the overall presentation, form and content of the consolidated financial statements, including the information provided in the notes, and assess whether the consolidated financial statements represent the underlying transactions and events in a way that gives a true picture;

- We obtain sufficient and appropriate audit evidence concerning the financial information of the Group's entities and businesses to express an opinion on the consolidated financial statements. We are responsible for managing, overseeing and carrying out the Group audit, and assume full responsibility for our audit opinion.

We communicate to the persons in charge of corporate governance, in particular, the scope and expected timing of the audit work and our material findings, including any significant internal control deficiencies we may have identified during our audit.

We also provide the persons in charge of corporate governance with a statement that we have complied with the relevant ethical rules regarding independence and disclose to them all relationships and other factors that might reasonably be expected to affect our independence and the related safeguards, where applicable.

Among the matters communicated to the persons in charge of corporate governance, we determine which were the most important in the audit of the consolidated financial statements for the period in question: these are the key audit matters. We describe these matters in our report unless legal or regulatory provisions prevent them from being published.

Report on other legal and regulatory obligations

We were appointed as an approved auditor by the Board of Directors on 6 December 2017 and the total duration of our uninterrupted mandate, including renewals and previous reappointments, is 6 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 have not provided any prohibited non-audit services as referred to in Regulation (EU) No 537/2014 and that we have remained independent from the Group during the audit.

Luxembourg, 28 March 2018

ERNST & YOUNG
Public limited company
Approved auditor
represented by
Sylvie Testa


Raiffeisen
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Consolidated statement of financial position

ASSETS	2017	2016
Cash, credit balances with central banks and post office cheque accounts Note 4.1	688,512,186.07	545,757,819.23
Receivables due from credit institutions:		
a) on demand	74,225,952.72	62,024,295.46
b) other receivables	134,450,488.17	177,476,546.13
Note 4.1	208,676,440.89	239,500,841.59
Loans and advances to customers Notes 4.1, 4.10, 4.12, 4.32	5,740,738,489.70	5,418,996,772.81
Leasing operations Notes 4.1, 4.2, 4.32	111,250,248.91	98,039,553.68
Bonds and other fixed income securities:		
a) from public issuers	408,689,928.60	460,882,757.05
b) from other issuers	631,086,473.78	613,168,810.75
Notes 4.1, 4.3, 4.4, 4.8, 4.13	1,039,776,402.38	1,074,051,567.80
Shares and other variable-yield securities: Notes 4.3, 4.5	17,002,723.45	11,084,117.18
Equity investments Notes 4.3, 4.5, 4.8	1,062,799.06	1,364,538.78
Shares in affiliated businesses Notes 4.3, 4.6, 4.8	25,198,914.71	25,198,914.71
Intangible assets Note 4.8	9,730,632.00	12,278,858.08
Property, plant and equipment Notes 4.8, 4.9	45,714,453.63	47,455,281.87
Other assets Note 4.7	5,987,992.34	13,014,431.24
Accruals accounts Note 4.4	11,784,079.79	14,272,286.92
TOTAL ASSETS	**7,905,435,362.93**	**7,501,014,983.89**

(in EUR)

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

as at 31/12/2017

LIABILITIES	2017	2016
Amounts owed to credit institutions:		
a) on demand	**29,708,307.38**	**26,134,805.98**
b) with agreed maturity dates or notice periods	**422,400,000.00**	**358,184,525.00**
Note 4.14	**452,108,307.38**	**384,319,330.98**
Amounts owed to customers:		
a) savings deposits	**1,416,524,022.14**	**1,267,298,463.38**
b) other liabilities	**5,270,111,211.01**	**5,044,644,184.34**
ba) on demand	*4,036,961,217.94*	*3,904,158,862.89*
bb) with agreed maturity dates or notice periods	*1,233,149,993.07*	*1,140,485,321.45*
Notes 4.14, 4.22	**6,686,635,233.15**	**6,311,942,647.72**
Debts represented by a security: **- debt securities in issue** Note 4.14	**105,201,821.33**	**159,618,911.12**
Other liabilities Note 4.15	**39,388,978.04**	**28,273,897.83**
Accruals accounts Note 4.4	**25,764,957.80**	**29,648,020.15**
Provisions:		
a) provisions for taxes	**14,644,799.51**	**18,439,383.15**
b) other provisions	**72,005,305.64**	**78,788,166.42**
Notes 4.17, 4.31, 4.36	**86,650,105.15**	**97,227,549.57**
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	**29,049,080.56**	**27,674,023.56**
Fund for general banking risks (FGBR)	**10,641,220.90**	**10,641,220.90**
Shares issued Note 4.19	**549,508.00**	**499,046.00**
Reserves Note 4.19	**361,170,336.03**	**344,603,918.66**
Profit (loss) for the period Notes 4.19, 4.20	**18,275,814.59**	**16,566,417.40**
TOTAL LIABILITIES	**7,905,435,362.93**	**7,501,014,983.89**

OFF BALANCE SHEET	2017	2016
Contingent liabilities	**387,144,586.60**	**289,099,056.44**
Of which: guarantees and assets given as security Note 4.24	*99,060,134.27*	*93,629,702.10*
Commitments Notes 4.25, 4.32	**890,271,391.93**	**602,783,792.12**

(in EUR)

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

Consolidated income statement

EXPENSES	2017	2016
Interest and similar expenses Note 4.16	**27,307,170.82**	**36,883,620.21**
Paid commission	**1,758,022.61**	**1,502,366.76**
Administrative overheads		
a) **staff costs**	**54,728,762.81**	**51,756,859.11**
of which:		
- wages and salaries	*44,537,817.13*	*42,505,772.76*
- social security expenses of which:	*7,441,857.46*	*7,000,703.17*
- social security expenses relating to pensions	*5,099,005.38*	*4,831,647.76*
Note 4.33, 4.34	**28,605,615.34**	**27,853,756.53**
b) **other administrative expenses** Note 4.35	**83,334,378.15**	**79,610,615.64**
Value adjustments on intangible assets and property, plant and equipment	**9,317,421.34**	**9,099,585.11**
Other operating expenses Note 4.30	**1,939,222.07**	**1,634,560.10**
Value adjustments on loans and advances and provisions for contingent liabilities and commitments	**22,613,302.07**	**14,383,150.90**
Value adjustments on securities held as financial assets, on equity investments and on shares in affiliated businesses	**301,217.07**	**23,926.87**
Allocations to special items with a share in reserves Note 4.18	**1,545,014.57**	**1,429,484.63**
Tax on profits from ordinary and extraordinary transactions Note 4.31	**7,198,096.57**	**6,745,837.58**
Other taxes not included in the items above	**373,405.92**	**760,985.70**
Profit (loss) for the period Notes 4.19, 4.20	**18,275,814.59**	**16,566,417.40**
TOTAL EXPENSES	**173,963,065.78**	**168,640,550.90**

(in EUR)

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

as at 31/12/2017

INCOME	2017	2016
Interest and similar income *of which: from fixed income securities*	**124,002,374.38** *7,739,901.03*	**129,192,868.96** *10,461,403.67*
Income from securities: **a) income from investments**	**1,306,940.34**	**1,155,110.59**
Commission received	**24,200,982.86**	**21,860,819.35**
Profit from financial transactions	**4,362,571.85**	**912,261.75**
Value re-adjustments on loans and advances and provisions for contingent liabilities and commitments	**15,455,030.02**	**9,934,278.54**
Other operating income Note 4.29	**4,465,208.76**	**5,391,163.61**
Income from the elimination of special items with a share in reserves Note 4.18	**169,957.57**	**194,048.10**
TOTAL INCOME	**173,963,065.78**	**168,640,550.90**

(in EUR)

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

Notes to the consolidated financial statements as at 31 December 2017

Banque Raiffeisen et Caisses Raiffeisen affiliées

NOTE 1 – GENERAL PROVISIONS

Constitution and administration

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 to "BANQUE RAIFFEISEN" by the Extraordinary General Meeting of 14 June 2001.

Banque Raiffeisen (the "Bank") is established as a cooperative company so that it may carry on the business of a credit institution.

Banque Raiffeisen carries out all its activities in Luxembourg and all its employees are located there.

The Bank was incorporated for an indefinite period.

The Bank's employees are grouped into three divisions currently comprising the following:

- Division A, which covers affiliated savings and lending banks (Raiffeisen Local Banks) which together hold 45% of the share capital.
- Division B, which covers legal entities in the agricultural, vinicultural and horticultural sectors and a limited number of natural persons who were members of the Caisse Centrale des Associations Agricoles Luxembourgeoises at 30 December 1982. These employees hold 45% of the share capital.
- Division C, finally, whose shares are held solely by Entreprise des Postes et Télécommunications ("Post Luxembourg"), represents 10% of the share capital.

The Bank's articles of association allow this corporate structure to be expanded.

The Board of Directors manages the Bank's affairs, sets its commercial strategy and determines the Bank's valuation principles in accordance with the law and its articles of association. It takes, and determines the conditions of, all measures necessary to promote the Bank's development and advancement and its services and any measures which, in general terms, fall within the Bank's objectives. It ensures that the affiliated Banks operate properly.

The Bank's Board of Directors contains five representatives from Division A, five representatives from Division B, two representatives from Division C and three independent members including the Chair of the Board of Directors and two members of the Executive Committee.

Pursuant to Article 12 of the Law of 5 April 1993 on the financial sector, as amended, the unit formed by Banque Raiffeisen and by affiliated Raiffeisen Local Banks is considered to be a credit institution. Affiliation within the meaning of that article means the holding or one or more shares in the Bank's share capital.

The undertakings entered into by the Bank and the affiliated Raiffeisen Local Banks are joint and several undertakings.

The day-to-day management of the Bank's business and the management representation of the Bank are delegated to the Executive Committee.

One or more commissioners is responsible for oversight of each Raiffeisen Local Bank. Single entity financial statements are not audited in accordance with international auditing standards. Pursuant to Article 1 of the Law of 17 June 1992 on the annual financial statements and consolidated financial statements of Luxembourg credit institutions, as amended, the unit formed by Banque Raiffeisen and by affiliated Raiffeisen Local Banks falls within the scope of the consolidated financial statements.

NOTE 1 – GENERAL PROVISIONS (cont.)

Nature of activities

The Bank's objects are to operate a profit-making, banking financial institution, in the form of a savings and credit institution within the meaning of the law on the financial sector, whose principal transactions comprise banking and financial transactions, accepting deposits and other repayable funds from the public, granting loans and credits, managing and administering portfolios and business activities on behalf of third parties, assisting the affiliated Raiffeisen Local Banks and carrying out all transactions that are necessary or useful in complying with its corporate objects.

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

Its objectives include the promotion of the interests of agricultural and vinicultural enterprises, their professional cooperatives and bodies and shareholders in other economic sectors, and taking any steps that are necessary and useful to the operations and development of the cooperative savings and lending organisation.

In terms of the affiliated Raiffeisen Local Banks, the Bank's specific objective is to represent them collectively and individually in enforcing their common or specific rights and interests, to encourage their smooth functioning and to organise and exercise administrative, technical and financial control over their structures and management.

All liquid funds held by an affiliated savings and credit institution, save for those required for day-to-day operations, are required to be deposited with the Bank, which guarantees the Local Banks an appropriate interest rate on their liquid funds.

Consolidated financial statements

The company's financial year coincides with the calendar year.

NOTE 2 – PRINCIPAL ACCOUNTING METHODS

The Bank's consolidated financial statements are prepared in accordance with prevailing statutory and regulatory provisions in the Grand Duchy of Luxembourg.

The principal accounting methods applied are as follows:

1. Presentation of consolidated financial statements

The consolidated financial statements are prepared in accordance with the Law of 17 June 1992 on 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 unit comprising the Bank and the affiliated Raiffeisen Local Banks falls within the scope of the consolidated financial statements. At 31 December 2017, full consolidation was used in respect of the 13 affiliated Raiffeisen Local Banks that each hold shares in the Bank's share capital.

All consolidated companies have the same financial year.

NOTE 2 – PRINCIPAL ACCOUNTING METHODS (cont.)

	Registered office	Shareholding 31/12/17	Shareholding 31/12/16
Shares in affiliated businesses:			
Immobilière Raiffeisen Luxembourg S.A.	Luxembourg	100.0%	100.0%
Raiffeisen Luxembourg Ré S.A.	Luxembourg	100.0%	100.0%
Raiffeisen Vie S.A.	Luxembourg	50.0%	50.0%
Raiffeisen Finance S.A.	Luxembourg	100.0%	100.0%
Equity investments:			
Société Luxembourgeoise de Capital-Développement pour les PME S.A.	Luxembourg	10.0%	10.0%
Europay S.C.	Luxembourg	4.44%	4.44%
Visalux S.C.	Luxembourg	8.17%	8.25%
Luxtrust S.A.	Luxembourg	0.54%	0.54%
Agroenergie S.à r.l.	Luxembourg	16.66%	16.66%
Luxfund Advisory S.A.	Luxembourg	7.97%	7.76%
FS/B Actions	Luxembourg	6.53%	6.53%
FS/T Actions	Luxembourg	6.53%	6.53%

NOTE 2 – PRINCIPAL ACCOUNTING METHODS (cont.)

3. Consolidation method

The full consolidation method is used.

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

All significant inter-company transactions and balances are eliminated when the consolidated financial statements are drawn up.

4. Valuation

1. General principles The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and with prevailing laws and regulations 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. Conversion of items in foreign currencies The Bank uses the multi-currency accounting method, which involves keeping entries for assets and liabilities in their original currencies. Assets and liabilities in foreign currencies are converted into euros at the exchange rates applicable on the date on which the statement of financial position was prepared.

The exchange profits and losses that are either realised or not realised on the reevaluation are recognised in the income statement for the financial year, except those in asset and liability entries that are specifically hedged by swaps (and foreign exchange forwards that hedge interest entries). The reevaluation of these transactions does not affect the profit (loss) for the current financial year.

The profits derived from foreign exchange forwards hedging against items on the statement of financial position are prorated and recognised in accordance with the principle of the separation of financial years in interest received or bonus interest entries.

Unhedged forward transactions are individually valued on the basis of 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 the "Provisions: other provisions" entry.

Income and expenses expressed in foreign currencies are converted into euros at the exchange rates applicable on the date on which they are recognised.

NOTE 2 – PRINCIPAL ACCOUNTING METHODS (cont.)

3. Derivatives

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

On the date on which the statement of financial position was prepared, a provision is recognised, if necessary, for unrealised capital losses on the individual valuation at market prices of transactions that have not yet been closed out.
This provision is recognised as a liability in the statement of financial position under the "Provisions: other provisions" entry.

Where the financial instrument covers an individual asset or liability or a portfolio of assets or liabilities and economic unity is established, and where financial instruments are hedged by an offsetting transaction to fully close the position, no provision is made.

4. Specific value adjustments for doubtful debts and irrecoverable debts

The Bank's policy involves recognising value adjustments for all doubtful debts and irrecoverable debts. The amount of the value adjustment is equal to the difference between the book value of the debts and the estimated recoverable value. The Bank regularly, and at the end of each quarter, reexamines all its assets and assesses whether there is any indication that a debt may have depreciated

These value adjustments are deducted from the relevant assets.

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

The Bank's policy is to set up, in accordance with the provisions of Luxembourg tax legislation, a fixed provision for off-balance sheet assets that are at risk within the meaning of prudential banking regulations. The purpose of this provision is to cover risks that are likely 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 tax-free provision is 1.25% of assets at risk.

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

- a value adjustment, which is deducted from the assets comprising the assets at risk; and

- a provision, which is attributable to the credit risk affecting the off-balance sheet items, the exchange rate risk and the market risks, which is included in the "Provisions: other provisions" entry of the liability side of the statement of financial position.

6. Fund for general banking risks (FGBR)

The Bank's policy is to create a fund for covering general banking risks, in line with Article 63 of the Law on Bank Accounts. This fund is recorded separately on the liability side of the consolidated statement of financial position.

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

NOTE 2 – PRINCIPAL ACCOUNTING METHODS (cont.)

7. Securities

The Bank has divided its fixed-income securities portfolio into three categories with the following characteristics:

- **a portfolio of non-current financial assets which includes securities intended to be held in the long term as part of the Bank's business;**
- **a trading portfolio which includes securities acquired for resale in the short term;**
- **an investment portfolio which includes securities acquired to generate a return and to 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 corresponding to the difference between the acquisition price and the estimated recoverable value is recognised. The Bank regularly, and at the end of each period, reexamines this asset category and assesses whether there is any indication that a debt security may have depreciated.

The positive and negative differences between the acquisition price and the redemption value are depreciated on a straight-line basis.

Investment portfolio

Fixed income securities included in the investment portfolio are valued using the lower of cost or market method. Under this method, securities are valued at the lower of their acquisition 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.

8. Shares and other variable-yield securities:

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

9. Investments and shares in affiliated businesses

Investments and shares in affiliated businesses held as fixed assets are recognised in their original currency at their acquisition price on the date on which the consolidated statement of financial position was prepared.

In the event of lasting impairment, a value adjustment corresponding to the difference between the acquisition price and the estimated value is recognised. The Bank regularly, and at the end of each period, reexamines this asset category and assesses whether there is any indication that a debt security may have depreciated.

NOTE 2 – PRINCIPAL ACCOUNTING METHODS (cont.)

10. "Beibehaltungsprinzip"
The Bank's policy is to maintain previously established value adjustments for certain assets where the relevant assets are no longer in a loss-making position pursuant to Articles 56(2)(f) and 58(2)(e) of the amended law of 17 June 1992 on Banks' Financial Statements.

11. Intangible assets and property, plant and equipment
Intangible assets and property, plant and equipment are registered at their acquisition price.

The value of intangible assets and property, plant and equipment with limited useful economic lives is reduced by value adjustments calculated with a view to systematically writing off the value of these items over their useful life. Land, works of art and advance payments are not amortised.

The amortisation rates used for the most significant entries are as follows:

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

12. Special items with a share in reserves
Special items with a share in reserves include amounts that may be exempt from tax. Tax exemptions under Article 54 of the Luxembourg income tax law, applies in particular to capital gains generated on the sale of investments, properties and land.

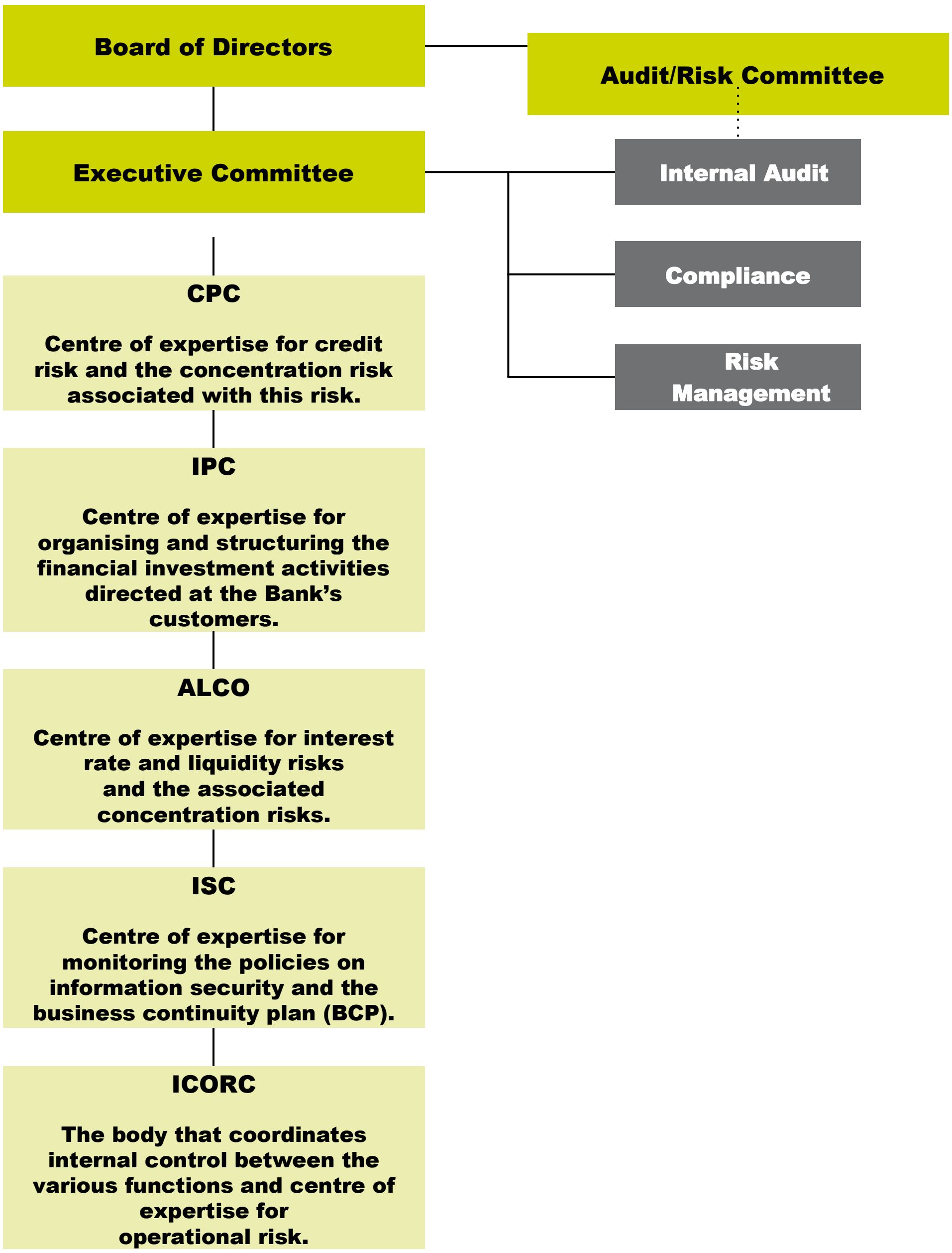
13. Tax liabilities
Tax liabilities are recognised using the principal of the separation of financial years and not during the financial year in which they are paid.

NOTE 3 – RISK MANAGEMENT

The Bank attaches particular importance to the management of the risks to which it is exposed. The various risks are monitored and managed by operational committees that are specific to them, on the basis of the risk strategy and risk appetite defined by the Board of Directors.

1. Risk management governance and bodies

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



NOTE 3 – RISK MANAGEMENT (cont.)

Board of Directors
The Board of Directors determines the risk strategy, risk appetite and the structure of risk management and the resulting duties and responsibilities for the various bodies. It determines the guiding principles and objectives governing risk-taking by the Bank and delegates day-to-day management to the Executive Committee, which provides regular updates on the current overall levels of risk and on emerging risks.

Audit/Risk Committee The Board of Directors is assisted by a committee that specialises in auditing, risks and compliance. It provides the Board of Directors with assessments on the structure and operations of the Bank in the aforementioned areas so that the members of the Board of Directors may effectively monitor the Bank's activities and meet their obligations.

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

Operational Committees
The Executive Committee relies on five operational committees in monitoring risks:

1. ALCO – Assets/Liabilities 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 centres of expertise to define the respective policies and to establish the framework in which the business activities take place. Each committee is chaired by a member of the Executive Committee and is made up of the managers of the departments concerned and the Chief Risk Officer.

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

Risk Management
The Risk Management function 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 continue to 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" in various business lines and establishing risk management policies.

The Risk Management function, under the responsibility of the Chief Information Security Officer (CISO), also organises and manages information security through the implementation of a security policy that applies to the whole business.

It also monitors all business activity connected to insurance policies taken out by the Bank to protect its employees and its assets, and monitors the operations of the subsidiaries Raiffeisen Vie and Raiffeisen Luxembourg Ré.

NOTE 3 – RISK MANAGEMENT (cont.)

Compliance
The Compliance function is an independent function. Its principal mission is to protect the Bank against Compliance risks (such as the risk of sanctions, the risk of disputes, reputational risks, the risk of breaching ethical rules, etc.) associated with breaches and non-compliance with prevailing statutory and regulatory frameworks. The Compliance function assists the Bank's Executives in anticipating, detecting, assessing, managing and controlling these risks. Compliance is principally involved in conduct rules, investor protection, the integrity of the financial markets and anti-money laundering and terrorist financing measures.

It also plays a role, as an integral part of third level internal controls, in the Bank correctly applying conduct rules that apply 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 ensures compliance by the Bank with regulations and centralises and processes complaints made by customers.

Internal Audit
Internal Audit is an independent and objective function within the Bank, whose role is to provide assurance on the level of control over its transactions and offer advice on improving those transactions and contribute to creating added value. It helps the Bank to achieve its objectives by using a systematic and methodical approach to assessing its risk management, control and governance processes, and by making proposals to improve their effectiveness. In general terms, Internal Audit considers and determines whether the central administration, internal governance and risk management mechanisms designed and implemented by Management are adequate and operate effectively.

Internal Audit's role, position, powers and responsibilities and its procedure for intervening in the Bank's activities are set out in the internal audit charter based on the International Professional Practices Framework (IPPF) of Internal Auditing and prevailing regulations.

2. Risk strategy

Strategy relating to risks
In general, and regardless of the type of risk, the Bank has defined, as part of its risk strategy, guiding principles for the detection, measurement, reporting, management and control of risks. This strategy is based on 4 levers:

- An organisational framework defining the duties and responsibilities of the actors;
- A risk management process for each risk;
- Continuous guidance of the risk management system;
- A stress test programme combining individual risk sensitivity analyses with integrated analyses.

Risk appetite
The Bank has defined the level and types of risk that it is willing to accept in a Risk Appetite Statement. This statement, which is approved by the Board of Directors,
is fully in line with the Bank's commercial strategy. It is based on various pillars, reflecting the risks undertaken 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.)

ICAAP (Internal Capital Adequacy Assessment Process)
The ICAAP 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 sufficient economic capital for their level of risk. The ICAAP is a continuous process and an important tool in monitoring recent developments in the financial and regulatory environment.

In managing its own funds, Banque Raiffeisen ensures that its level of solvency remains consistent with its objectives of:

- **Maintaining its financial robustness, which is closely linked to the Bank's overall risk profile and its risk appetite;**
- **Retaining its financial independence in financing its internal and external growth;**
- **Ensuring its capital is optimally deployed between its various business lines;**
- **Ensuring the Bank is resilient when confronted with extreme circumstances.**

The Bank sets its internal solvency requirements by reference to its "Tier 1" and "Total ratio" regulatory solvency ratios and its ICAAP solvency ratio.

3. The Bank's risk profile

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

a) Credit risk
Credit risk is the risk of loss, partial or total, due to the default on the part of debtors or counterparties. This risk is present in customer lending activity and in financial and capital markets transactions for the Bank's own account.

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

Most of the Bank's exposures are represented by loans granted to the Luxembourg economic sector, showing the Bank's strong connections to the national economy. During the course of the 2017 financial year, the Bank principally invested and dealt with OECD countries and established individual limits per country as part of the market transactions it carries out on its own account.

NOTE 3 – RISK MANAGEMENT (cont.)

- *Lending to customers*

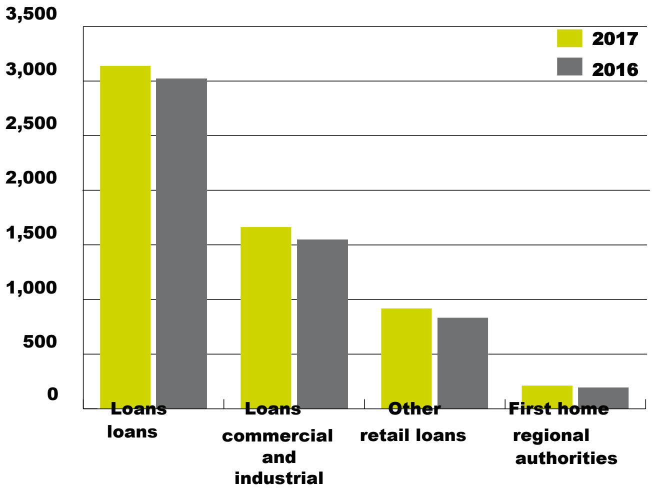
The Bank has established acceptance criteria for counterparties under its lending policy. Approval of a credit exposure requires detailed knowledge of the relevant customer, its financial resources, the types of risk faced by the Bank, the purpose and the structure of the transaction and, where applicable, associated security interests.

The Bank's decision-making structure contains a hierarchy of various credit committees according to the type and size of loans. The Bank seeks to limit risks through recourse to property-based security interests (mortgages, security pledges, blocked savings deposits) and personal security (guarantees) while very closely monitoring repayment plans and the use of lines of credit.

The deterioration in the financial position of a counterparty leads to its debts being recorded on a watchlist. Monitoring actions are determined for customers who are late with payments or overdrawn by a central credit risk monitoring committee for the whole organisation. The Bank has developed a definition that complies with Basel III in terms of default identification.

Type of	Amounts receivable from customers and leasing (gross amounts)	
	2017 in €	2016 in €
First home loans	3,139,901,441	3,020,797,457
Commercial and industrial loans	1,663,442,676	1,548,563,104
Other retail loans	918,925,769	833,100,031
Loans to regional authorities	212,747,457	194,794,615
TOTAL	**5,935,017,343**	**5,597,255,207**

€ millions



NOTE 3 – RISK MANAGEMENT (cont.)

- *Market transactions on own account*

For market transactions on the Bank's own account, the maximum limit for each counterparty is determined by reference to the counterparty's external ratings and 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 term of 10 years - Capital Markets).

The Bank uses the concept of the debtor's commitment to calculate the credit risk for a counterparty. That means that associated counterparties that belong to the same group are treated as a single counterparty. Each individual limit is determined by the Executive Committee on a proposal put forward by the Financial Markets and Treasury Department and based on an opinion from the Lending and Legal Department and the Risk Management function.

The breakdown of exposures on own account by country in 2017 is as follows:

Breakdown of exposures on own account

The Financial Markets and Treasury Department has access to IT tools that enable it to check, before entering into a transaction, the amount of the allocated limit and the current outstanding loans of every counterparty.

Fixed-rate and variable-rate bonds purchased by the Bank on its own account had, at 31 December 2017, an average remaining term of 3 years.

The Bank assesses and controls its overall credit risk on its own investments by using Credit Value at Risk (CVaR) and sensitivity analyses.

NOTE 3 – RISK MANAGEMENT (cont.)

- *Hedging and derivative activities*

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

Geographic zone	Interest Rate Swaps 2017 in EUR	2016 in EUR
Luxembourg	52,750,000	55,980,000
Other EMUM countries*	113,083,947	407,271,579
TOTAL	165,833,947	463,251,579

* Other members of the Economic and Monetary Union

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

Interest Rate Swaps (“Over the counter” contracts (OTC))	Overall replacement cost 2017 in EUR	2016 in EUR
Residual maturity of less than 1 year	0	0
Residual maturity of 1 to 5 years	604,345	591,608
Residual maturity of more than 5 years	299,475	766,575
TOTAL	903,820	1,358,183

b) Market risk

Market risk relates to the risks of potential losses in value of financial instruments resulting in changes in market parameters, volatility in these parameters and correlations between these parameters. The parameters concerned are principally securities prices, exchange rates and interest rates.

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

All “market” activities are entrusted to the Financial Markets and Treasury department as the “one window to the market”. Control is carried out by the Middle Office which ensures that procedures are applied and limits are complied with.

The 3 following categories of market risk are identified within the Bank:
- **Interest rate risk;**
- **Foreign exchange risk;**
- **The risk of changes in market prices.**

NOTE 3 – RISK MANAGEMENT (cont.)

- *Interest rate risk*

The interest rate risk assumed by the holder of a receivable or debt constitutes a general risk linked to changes in market rates. The Bank assesses and controls its overall interest rate risk by using the Credit Value at Risk (CVaR) indicator and sensitivity analyses.

Appropriate limits have been set by the Bank as part of its management of risks linked to general changes in interest rates. These limits are monitored on a daily basis by the Middle Office and are reported on to the Executive Committee.

- *Foreign exchange risk*

The Bank's exchange rate risk principally results from foreign exchange transactions involving customers' activities, transactions that are largely hedged directly in the markets. The residual risk at the level of foreign exchange positions is, therefore, very low.

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

- *The risk of changes in market prices*

The risk of changes in market prices is a pricing risk associated with changes in stock market prices, on the positions held in respect of a particular financial asset.

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

c) Liquidity risk

The Bank defines liquidity risk as the risk of being unable to meet all its payment and settlement obligations at any time without realising material losses. As such, liquidity risk may be a direct consequence of another type of risk, such as credit risk, concentration risk, operational risk or market risk.

The Bank's lending activities are largely refinanced by customers' deposits. This means that the Bank's use of the financial markets to borrow money is limited. The Bank also applies a very conservative policy on maturity transformation.

The Financial Markets and Treasury department is responsible for the day-to-day management of the Bank's liquidity. Risk Management also carries out monthly monitoring through a model developed internally based on cash flows from all of 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 enable the ALCO to anticipate and, where appropriate, correct certain movements that are unfavourable to the Bank.

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

These provisions constitute an integral part of the Bank's Contingency Funding Plan 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 systems malfunction or external events.

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

It has also set up a Business Continuity Plan (BCP) which defines procedures and operational measures to ensure the continuity of current critical business in the event of a major incident. The Bank also takes out insurance policies against the various risks inherent to its business activities to protect itself as much as possible against potential financial losses.

e) Concentration risk
Concentration risk arises from considerable exposure within the same risk or across a number of risk categories likely to entail losses that are sufficiently large to threaten an institution's soundness. 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 through limits that follow exposures to the sub-portfolios. For example, the Bank has introduced geographic limits with a view to controlling its exposure to various countries.

- *Liquidity risk concentration*

The deposits of some counterparties are limited in relation to total deposits as well as by counterparty in order to mitigate the liquidity risk that may arise from excessive concentration.

- *Business risk concentration*

The Bank pays particular attention to concentration risk that could translate into business risk. Continuous monitoring is carried out 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

Financial assets are allocated by reference to their residual term, as follows:

At 31 December 2017	Up to 3 months	3 - 12 months	1 - 5 years	More than 5 years	Total 2017
Cash, credit balances with central banks and post office cheque accounts	688,512,186.07	0.00	0.00	0.00	688,512,186.07
Receivables 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

(in EUR)

As at 31 December 2016	Up to 3 months	3 - 12 months	1 - 5 years	More than 5 years	Total 2016
Cash, credit balances with central banks and post office cheque accounts	545,757,819.23	0.00	0.00	0.00	545,757,819.23
Receivables due from credit institutions	239,500,841.59	0.00	0.00	0.00	239,500,841.59
Loans and advances to customers	525,907,015.34	195,690,533.90	644,551,803.27	4,052,847,420.30	5,418,996,772.81
Leasing operations	996,414.30	5,323,796.33	80,488,168.89	11,231,174.16	98,039,553.68
Bonds and other fixed income securities	121,779,399.60	204,267,196.00	624,489,136.15	123,515,836.05	1,074,051,567.80
TOTAL	1,433,941,490.06	405,281,526.23	1,349,529,108.31	4,187,594,430.51	7,376,346,555.11

(in EUR)

NOTE 4.2 - LEASING OPERATIONS

Leasing operations were only carried out with non-banking customers.

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

NOTE 4.3 - SECURITIES

Securities included under the heading "Bonds and other fixed income securities", "Shares and other fixed yield securities", "Equity investments" and "Shares in affiliated businesses" may be broken down as follows, depending on whether they are listed or unlisted:

	Listed securities 2017	Unlisted securities 2017	Total 2017
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
Equity investments	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**

	Listed securities 2016	Unlisted securities 2016	Total 2016
Bonds and other fixed income securities	1,074,051,567.80	0.00	1,074,051,567.80
Shares and other variable-yield securities:	11,084,117.18	0.00	11,084,117.18
Equity investments	0.00	1,364,538.78	1,364,538.78
Shares in affiliated businesses	0.00	25,198,914.71	25,198,914.71
TOTAL	**1,085,135,684.98**	**26,563,453.49**	**1,111,699,138.47**

(in EUR)

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

NOTE 4.4 - BONDS AND OTHER FIXED INCOME SECURITIES

At 31 December 2017, the value of securities recognised in the "Bonds and other fixed income securities" line item maturing in the year following the closing date of the statement of financial position was €149,541,133.77 (at 31 December 2016: €326,046,595.00).

Securities included under the heading "Bonds and other fixed income securities" may be broken as follows:

	2017	2016
Financial fixed assets portfolio holdings	379,212,109.80	448,280,550.87
Investment portfolio holdings	660,564,292.58	625,771,016.93
Trading portfolio holdings	0.00	0.00
TOTAL	1,039,776,402.38	1,074,051,567.80

(in EUR)

At 31 December 2017, previously recognised cumulative value adjustments maintained in accordance with the "Beibehaltungsprinzip" amounted to €1,361,121.44 (at 31 December 2016: €3,555,985.04).

At 31 December 2017, the fair value of securities in the financial assets portfolio amounted to €389,788,101.50 (at 31 December 2016: €460,001,237.50).

At the end of the financial year, the net difference between the fair value and the book value of the portfolio of financial assets, excluding cumulative agios (positive differences between the acquisition price and the redemption value) and disagios (negative differences between the acquisition price and the redemption value), amounted to €10,533,943.75 (at 31 December 2016: €11,671,164.25).

At 31 December 2017, the cumulative prorating since the acquisition date of disagios and agios on bonds and other fixed income securities held as financial assets may be broken down as follows:

	2017	2016
Disagios	546,006.26	384,738.72
Agios	13,952,199.53	15,752,069.97

(in EUR)

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

NOTE 4.5 - SHARES AND OTHER VARIABLE-YIELD SECURITIES, EQUITY INVESTMENTS

At 31 December 2017, previously recognised cumulative value adjustments maintained in accordance with the "Beibehaltungsprinzip" amounted to €98,530.54
(at 31 December 2016: €98,529.54).

At 31 December 2017 and 2016, equity investments did not include shares/units in credit institutions.

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

Name and registered office	Shareholding as %	Annual financial statements closed on	Currency	Shareholders' equity (*)	Profit (loss) for the period
Immobilière Raiffeisen Luxembourg S.A. - Luxembourg	100.00%	31.12.2017	EUR	9,559,065.53	857,451.27
Raiffeisen Finance S.A. - Luxembourg	100.00%	31.12.2017	EUR	280,525.41	516.59
Raiffeisen Vie S.A. - Luxembourg	50.00%	31.12.2017	EUR	25,905,555.07	3,516,856.01
Raiffeisen Luxembourg Ré S.A. - Luxembourg	100.00%	31.12.2017	EUR	3,500,000.00	0

* excluding profit (loss) for the period

At 31 December 2017 and 2016, shares in affiliated businesses did not include shares/units in credit institutions.

NOTE 4.7 - OTHER ASSETS

The "other assets" line item comprised the following items:

	2017	2016
Short-term receivables	113,118.63	296,027.63
Precious metals	1,361.62	1,361.62
Other	5,873,512.09	12,717,041.99
TOTAL	5,987,992.34	13,014,431.24

(in EUR)

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

NOTE 4.8 - CHANGES IN NON-CURRENT ASSETS

The Bank's non-current assets changed over the financial year as follows:

Items	Acquisition value at the start of the financial year	Inflows	Outflows	Transfers	Acquisition value at the end of the financial year	Cumulative value adjustments at the end of the financial year	Fixed provision	Net value at the end of the financial year
1. Bonds and other fixed income securities	448,330,073.25	118,859,338.50	-187,935,254.00	0.00	379,254,157.75	0.00	-42,047.95	379,212,109.80
2. Equity investments	1,747,470.91	0.00	-118.07	0.00	1,747,352.84	-684,148.20	-405.58	1,062,799.06
3. Shares in affiliated businesses	25,198,914.71	0.00	0.00	0.00	25,198,914.71	0.00	0.00	25,198,914.71
4. Intangible assets	33,454,405.10	1,631,913.52	-35,903.08	0.00	35,050,415.54	-25,319,783.54	0.00	9,730,632.00
of which:								
Licences, patents, trademarks and rights and other similar rights acquired for consideration which did not form part of a business	33,454,405.10	1,631,913.52	-35,903.08	0.00	35,050,415.54	-25,319,783.54	0.00	9,730,632.00
5. Property, plant and equipment	107,140,972.70	4,182,315.82	-802,919.98	0.00	110,520,368.54	-63,725,299.80	-1,080,615.11	45,714,453.63
of which:								
a) Land, buildings, technical equipment, machines and fittings	83,507,815.50	1,873,479.37	-665,242.48	309,721.35	85,025,773.74	-43,198,345.66	-972,179.30	40,855,248.78
b) IT systems and company cars	15,812,293.45	1,168,451.64	-71,510.47	1,746.03	16,910,980.65	-14,958,667.95	-45,376.87	1,906,935.83
c) Office equipment, furniture and works of art:	7,809,418.75	238,371.03	-65,977.67	17,676.96	7,999,489.07	-5,568,286.19	-56,507.54	2,374,695.34
d) Advance payments and property, plant and equipment in progress	11,445.00	902,013.78	-189.36	-329,144.34	584,125.08	0.00	-6,551.40	577,573.68

(in EUR)

NOTE 4.9 - PROPERTY, PLANT AND EQUIPMENT

At 31 December 2017, property, plant and equipment amounted to €35,227,174.16 (at 31 December 2016: 35,869,554.91) and comprised land and buildings used by the Bank in connection with its own business activity.

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

NOTE 4.10 - RECEIVABLES FROM AFFILIATED BUSINESSES AND FROM BUSINESSES IN WHICH THE BANK HAS AN EQUITY INVESTMENT

Receivables from affiliated businesses and businesses in which the bank has an equity investment comprise the following amounts (before setting off the fixed provision):

	Affiliated businesses 2017	Equity investments 2017
Loans and advances to customers	34,977,683.71	40,101.31

	Affiliated businesses 2016	Equity investments 2016
Loans and advances to customers	36,241,118.82	43,728.13

(in EUR)

NOTE 4.11 - ASSETS IN FOREIGN CURRENCIES

At 31 December 2017, the overall amount of assets denominated in foreign currencies, converted into euros, was €120,726,600.32 (at 31 December 2016: €163,838,994.72).

NOTE 4.12 - SUBORDINATED ASSETS

At 31 December 2017, the Bank held the following subordinated assets:

	2017	2016
Loans and advances to customers	3,113,265.12	3,108,774.27

(in EUR)

NOTE 4.13 - ASSETS PROVIDED AS SECURITY BY THE BANK

At 31 December 2017, had a portfolio of assets that may be provided by way of security with an acquisition value of €914,698,850.53 (at 31 December 2016: €1,009,502,388.15).

At 31 December 2017, the value of assets actually provided by way of security amounted to €345,849,498.98 (at 31 December 2015: €337,104,415.00).

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

NOTE 4.14 - PAYMENT SCHEDULE OF PRIMARY FINANCIAL LIABILITIES

At 31 December 2017	Up to 3 months	3 - 12 months	1 - 5 years	More than 5 years	Total 2017
Amounts owed to credit institutions	**44,608,307.38**	**69,500,000.00**	**338,000,000.00**	**0.00**	**452,108,307.38**
Amounts owed to customers of which:	**5,596,850,493.03**	**420,373,422.95**	**548,731,613.79**	**120,679,703.38**	**6,686,635,233.15**
sight savings deposits	*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*
Debts represented by a security	**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**

At 31 December 2016	Up to 3 months	3 - 12 months	1 - 5 years	More than 5 years	Total 2016
Amounts owed to credit institutions	**70,528,779.18**	**75,240,823.63**	**238,081,297.36**	**468,430.81**	**384,319,330.98**
Amounts owed to customers of which:	**5,429,081,656.33**	**363,753,184.02**	**483,580,692.75**	**35,527,114.62**	**6,311,942,647.72**
sight savings deposits	*707,104,002.95*	*0.00*	*0.00*	*0.00*	*707,104,002.95*
savings deposits with agreed maturity dates or notice periods	*43,192,320.00*	*179,795,400.00*	*329,183,890.43*	*8,022,850.00*	*560,194,460.43*
other liabilities with agreed maturity dates or notice periods	*774,626,470.49*	*183,957,784.02*	*154,396,802.32*	*27,504,264.62*	*1,140,485,321.45*
Debts represented by a security	**28,689,098.01**	**29,070,799.96**	**95,053,473.28**	**6,805,539.87**	**159,618,911.12**
Subordinated liabilities	**30,000,000.00**	**0.00**	**0.00**	**60,000,000.00**	**90,000,000.00**
TOTAL	**5,558,299,533.52**	**468,064,807.61**	**816,715,463.39**	**102,801,085.30**	**6,945,880,889.82**

(in EUR)

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

NOTE 4.15 - OTHER LIABILITIES

Other liabilities may be broken down as follows:

	2017	2016
Items payable in the short term	735,936.44	425,040.19
Preferred creditors	7,043,004.30	6,707,441.79
Miscellaneous creditors	31,610,037.30	21,141,415.85
TOTAL	39,388,978.04	28,273,897.83

(in EUR)

NOTE 4.16 - SUBORDINATED LIABILITIES

Interest expense paid by the Bank during the financial year in respect of subordinated liabilities amounted to €2,192,926.20 (at 31 December 2016: €2,948,701.57).

The details of subordinated bond issues in progress on 31 December 2017 are set out below:

Amount of the issue (EUR) date	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 subscription agreements provide for specific circumstances that allow for early repayment, subject to the approval of the Commission de Surveillance du Secteur Financier.

NOTE 4.17 - PROVISIONS

At 31 December 2017, the “Other provisions” line item may be broken down as follows:

	2017	2016
AGDL/FGDL/Resolution fund provision	48,111,775.98	57,176,565.78
Provisions for disputes	6,251,633.45	5,837,982.84
Fixed provision in respect of off-balance sheet items	3,315,239.73	2,969,491.40
Provisions for charges	14,289,656.48	12,767,126.40
Other provisions	37,000.00	37,000.00
TOTAL	72,005,305.64	78,788,166.42

(in EUR)

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

NOTE 4.18 - SPECIAL ITEMS WITH A SHARE IN RESERVES

The amount recognised in "Special items with a share in reserves" solely comprises reinvestment gains amounting to €29,049,080.56 resulting from the application of Article 54 of the Income Tax Law (at 31 December 2016: €27,674,023.56).

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

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

- class A shares are exclusively held by the savings and lending banks structured in the form of cooperative companies or agricultural associations within the meaning of Article 12(1) of the Law on the Financial Sector and by the new legal entity incorporated in 2014: Raiffeisen Members S.C.

- class B shares are held by the other shareholders as at 1 September 2005, natural persons and legal entities in the agricultural and vinicultural sectors.

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

The nominal value of the shares is €0.25.

At 31 December 2017, the value of the shares issued by the Bank was €549,508.00 (31 December 2016: €499,046). The share capital of Banque Raiffeisen, which, at 31 December 2017, amounted to €2,514.00 (2016: €2,502.00) and which is made up of 4,525 class A shares, 4,525 class B shares and 1,006 class C shares, is eliminated as to €1,131.25, the amount representing the shares held by the affiliated Raiffeisen Local Banks included in the scope of consolidation.

Dividends may be distributed out of Banque Raiffeisen's available profits, but they must be separated into three parts in proportion to the participation of each category of shares in the share capital.

An amount of cash that does not exceed the maximum interest rate on 10-year savings deposits offered by the Bank, plus two per cent applied to the nominal value of the class A shares, may be allocated to the class A shares. The balance of the class A dividend is distributed to holders of class A shares in the form of class A shares newly issued by the Bank for that purpose. In the event of fractional entitlements, the balance that cannot be distributed in the form of new class A shares is allocated to a special class A reserve fund that is to be used to issue new class A shares as soon as the special class A reserve fund has reached the necessary amount.

An amount of cash that does not exceed the maximum interest rate on 10-year savings deposits offered by the Bank, plus two per cent applied to the nominal value of the class B shares, may be allocated to the class B shares. The balance of the class B dividend is distributed to holders of class B shares in the form of class B shares newly issued by the Bank for that purpose.

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

In the event of fractional entitlements, the balance that cannot be distributed in the form of new class B shares is allocated to a special class B reserve fund that is to be used to issue new class B shares as soon as the special class B reserve fund has reached the necessary amount.

In respect of the class C dividends, holders of class C shares may be offered a cash payment or the equivalent of the amount of the proposed dividend in the form of new class C shares issued by the Bank for that purpose. If such an offer is made, each holder of class C shares may separately decide whether it wishes to receive all or part of its dividend in cash or in shares. In the event of fractional entitlements, the balance that cannot be distributed in the form of class C shares is allocated to a special class C reserve fund that is to be used to issue new class C shares as soon as the special class C reserve fund has reached the necessary amount.
The balance of the undistributed profit is allocated to other reserves or to retained earnings.

In accordance with the Luxembourg law on cooperative companies, at least 5% of net profits is allocated to a statutory reserve on an annual basis until that reserve reaches an amount equal to 10% of share capital. This allocation is carried out in the following financial year.
The statutory reserve may not be distributed.

Changes in issued share capital, reserves and retained earnings may be detailed as follows:

	Shares issued (share capital)	Reserves	Retained earnings
Balance on 1 January 2017	499,046.00	344,603,918.66	0.00
Increase of share capital	0.00	0.00	0.00
New shareholders	62,872.00	0.00	0.00
Departing shareholders	-12,410.00	0.00	0.00
Profit (loss) for the period ended on 31/12/16	0.00	0.00	16,566,417.40
Appropriation of profit			
- Transfer to reserves	0.00	16,566,417.40	-16,566,417.40
- Dividends on shares	0.00	0.00	0.00
Rounded	0.00	(0.03)	0.00
Balance at 31 December 2017	549,508.00	361,170,336.03	0.00

(in EUR)

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

NOTE 4.20 - CONSOLIDATED PROFIT (LOSS) FOR THE FINANCIAL YEAR

The profit (loss) in the consolidated financial statements may be reconciled as follows:

	2017	2016
BANQUE RAIFFEISEN	8,577,485.18	7,374,094.02
Affiliated Raiffeisen Local Banks, aggregated accounts	9,698,329.41	9,192,323.38
TOTAL	18,275,814.59	16,566,417.40

(in EUR)

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 AN EQUITY INVESTMENT

Liabilities to affiliated businesses and businesses in which the Bank has an equity investment comprise the following amounts:

	Affiliated businesses 2017	Equity investments 2017
Amounts owed to customers	23,942,906.60	282,989.64

	Affiliated businesses 2016	Equity investments 2016
Amounts owed to customers	16,637,944.44	217,538.15

(in EUR)

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

NOTE 4.23 - LIABILITIES IN FOREIGN CURRENCIES

At 31 December 2017, the overall amount of foreign currency-denominated (i.e. non-euro) liabilities converted into euros was €118,745,673.92 (at 31 December 2016: €165,694,787.59).

NOTE 4.24 - CONTINGENT LIABILITIES

The Bank's contingent liabilities may be broken down as follows:

	2017	2016
Guarantees and other direct credit substitutes	99,060,134.27	93,629,702.10
Counter-guarantees	288,084,452.33	195,469,354.34
TOTAL	387,144,586.60	289,099,056.44

(in EUR)

At 31 December 2017 and 2016, contingent liabilities do not include any amounts in respect of affiliated businesses or equity investments.

NOTE 4.25 - COMMITMENTS

The Bank's commitments may be broken down as follows:

	2017	2016
Confirmed but unused credit	890,271,391.93	602,783,792.12

(in EUR)

At 31 December 2017 and 2016, the commitments do not include any amounts in respect of affiliated businesses or equity investments.

There are commitments that are neither included on the consolidated statement of financial position or on the consolidated off-balance sheet, relating to commitments to make fixed rental payments in the future for rented buildings or for rented assets.

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

NOTE 4.26 - TRANSACTIONS IN CONNECTION WITH EXCHANGE RATES, INTEREST RATES, AND OTHER MARKET RATES

Transactions in connection with exchange rates, interest rates and other market rates that were not closed out at 31 December 2017 and 2016 solely concerned interest rate swaps.

They hedge against the effects of fluctuations in interest rates in respect of assets and liabilities and may be broken down as follows, by reference to their residual maturity:

Interest Rate Swaps (“Over the counter” contracts (OTC))	2017 (in notional value)	2016 (in notional value)
Up to 3 months	10,000,000.00	25,400,000.00
3 - 12 months	15,000,000.00	264,679,999.97
1 - 5 years	120,868,947.36	120,371,578.94
More than 5 years	19,965,000.00	52,800,000.00
TOTAL	165,833,947.36	463,251,578.91

Interest Rate Swaps (“Over the counter” contracts (OTC))	2017 (in market value)	2016 (in market value)
Up to 3 months	-24,321.07	-843,851.70
3 - 12 months	-348,266.87	-3,134,475.87
1 - 5 years	-7,531,468.22	-12,214,973.83
More than 5 years	-3,354,067.77	-7,154,272.99
TOTAL	-11,258,123.93	-23,347,574.39

(in EUR)

NOTE 4.27 - MANAGEMENT AND REPRESENTATIVE SERVICES

The Bank offers management and underwriting services under which it may be held to be negligent or liable for breaching its obligations.

Management and representative services comprise:
- **wealth management;**
- **fiduciary operations;**
- **holding third-party assets;**
- **underwriting.**

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

NOTE 4.28 - BREAKDOWN OF INCOME BY GEOGRAPHIC MARKET

The Bank carries out its activities primarily on the internal market of the European Union and has a significant share of the Luxembourg market.

NOTE 4.29 - OTHER OPERATING INCOME

This item may be broken down as follows:

	2017	2016
Rental income	1,394,606.20	1,465,733.34
Reimbursement of AGDL claims	258,057.22	587,011.28
Gain on sales of real property	1,575,045.90	1,445,152.39
Income in respect of prior periods	1,157,229.33	1,778,345.19
Other	80,270.11	114,921.41
TOTAL	4,465,208.76	5,391,163.61

(in EUR)

NOTE 4.30 - OTHER OPERATING EXPENSES

The amount of "Other operating expenses" recorded in the income statement comprises the following items:

	2017	2016
Costs in respect of prior periods	368,770.98	119,544.48
Provisions	1,315,000.00	1,373,283.18
Other	255,451.09	141,732.44
TOTAL	1,939,222.07	1,634,560.10

(in EUR)

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 income from ordinary activities.

NOTE 4.32 - ADVANCES AND LOANS TO THE MEMBERS OF THE BANK'S VARIOUS EXECUTIVE BODIES AND MANAGERIAL STRUCTURE

The amount of the advances and loans granted by the Bank to members of the executive and supervisory bodies and to members of the managerial structure, together with commitments made on behalf of those persons under guarantees was as follows:

	Advances and loans at 31/12/2017	Commitments at 31/12/2017
Members of the management and supervisory bodies	47,296	5,832
Members of the managerial structure (55 persons)	12,050	3,033
TOTAL	59,346	8,865

	Advances and loans at 31/12/2016	Commitments at 31/12/2016
Members of the management and supervisory bodies	40,501	2,074
Members of the managerial structure (49 persons)	13,382	397
TOTAL	53,883	2,471

(in EUR)

NOTE 4.33 - NUMBER OF EMPLOYEES

During financial year 2017, the Bank's average number of employees may be broken down as follows:

	Number in 2017	Number in 2016
Executive Committee	5	5
General Management	50	44
Other executives and employees	566	562
TOTAL	621	611

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

NOTE 4.34 - REMUNERATION OF THE MEMBERS OF THE BANK'S VARIOUS EXECUTIVE BODIES AND MANAGERIAL STRUCTURE

The amount of the compensation granted in the financial year to members of the administrative and supervisory bodies and to members of the managerial structure in consideration for their duties, and the commitments arising or entered into with members of the aforementioned bodies in respect of pensions is as follows:

	Emoluments 2017	Pensions 2017
Members of the management and supervisory bodies	359	0
Members of the managerial structure (55 persons)	8,752	887
TOTAL	**9,111**	**887**

	Emoluments 2016	Pensions 2016
Members of the management and supervisory bodies	224	0
Members of the managerial structure (49 persons)	7,673	781
TOTAL	**7,897**	**781**

(in EUR)

NOTE 4.35 - AUDITORS' FEES

The total amount, excluding VAT, of the fees paid during the financial year to the auditors may be broken down as follows:

	2017	2016
Statutory audit of accounts	204	199
Tax advisory activities	0	0
Other services	6	37
TOTAL	**210**	**236**

(in EUR)

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

NOTE 4.36 - DEPOSIT GUARANTEES AND RESOLUTION FUNDS

The law on resolution, recovery and liquidation measures of credit institutions and certain investment firms, and on deposit guarantee schemes and the indemnification of investors (the "Law"), transposing directive 2014/59/EU, which provides a framework for the recovery and resolution of credit institutions, and directive 2014/49/EU, on deposit guarantee schemes and the indemnification of investors, into Luxembourg law, was passed on 18 December 2015.

The previous deposit guarantee and investor indemnification scheme, implemented by the Association pour le Garantie des Dépôts Luxembourg (AGDL), has been replaced by a new contributory deposit guarantee and investor indemnification 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' annual accounts in order to meet obligations, if any, towards the AGDL shall be used to make contributions to the Luxembourg Resolution Fund (FRL) and to the Luxembourg Deposit Guarantee Fund (FGDL), respectively.

By the beginning of 2024, the FRL's financial resources are required to reach at least 1% of the amount of guaranteed deposits, as defined in paragraph 36 of Article 1 of the Law, held at all approved credit establishments in all participating Member States. This amount will be collected from credit establishments through annual contributions from 2015 to 2023.

The FGDL's targeted level of financial resources is set at an amount equal to 0.8% of guaranteed deposits, as defined in paragraph 8 of Article 153 of the Law, held by participating establishments, and the FGDL is required to reach that target by the end of 2018. Contributions will be payable annually between 2016 and 2018.

When the level of 0.8% is reached, Luxembourg credit establishments will continue to contribute for another eight years in order to build up an additional safety buffer of 0.8% of guaranteed deposits, as set out in paragraph 8 of Article 153 of the Law.

At 31 December 2017, the FGDL/FRL provision amounted to €48,111,775.98 (at 31 December 2016: €57,176,565.78).

The amount paid in 2017 in respect of the FGDL amounted to €7,604,594.98 (at 31 December 2016: €6,913,027.00) and, in respect of the FRL, amounted to €1,460,194.82 (at 31 December 2016: €991,997.00).