

Annual Report 2015

**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 2015
and
Independent auditor's report
and
Consolidated management report**

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Independent auditor's report

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

Report on the consolidated financial statements

Following our appointment by the Board of Directors, we have audited the enclosed consolidated financial statements of BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN, including the consolidated balance sheet at 31 December 2015, as well as the income statement for the year ending on that date, and a summary of the main accounting policies and other explanatory notes.

Responsibility of the Board of Directors for preparing and presenting the consolidated financial statements

The Board of Directors is responsible for the true and fair preparation and presentation of these consolidated financial statements, in accordance with current Luxembourg legal and regulatory requirements concerning the preparation and presentation of consolidated financial statements, and for an internal audit which it deems necessary for the preparation and presentation of consolidated financial statements containing no material misstatements, whether due to fraud or error.

Responsibility of the approved independent auditor

Our role is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the international auditing standards adopted for Luxembourg by the Commission de Surveillance du Secteur Financier (Luxembourg financial supervisory authority). These standards require that we comply with ethical rules and plan and carry out our audit in such a way as to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves the implementation of procedures intended to gather evidence regarding the figures and the information provided in the consolidated financial statements. The choice of procedures is at the discretion of the approved independent auditor, as is the assessment of the risk that the consolidated financial statements may contain material misstatement, whether arising from fraud or from error. In making this assessment, the statutory auditor takes account of the internal control system operating within the entity in respect of the preparation and fair presentation of the consolidated financial statements in order to define audit procedures that are appropriate in the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes assessing the appropriateness of the accounting principles used and the reasonableness of the accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

Responsibility of the approved independent auditor (continued)

We consider that the evidence gathered is pertinent and sufficient to serve as a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the assets and financial situation of BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN at 31 December 2015, as well as the results for the year ending on that date, in accordance with the legal and regulatory obligations relating to the preparation and presentation of consolidated financial statements applying in Luxembourg.

Report on other legal or regulatory requirements

The consolidated management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

Ernst & Young
Société anonyme (public limited company)
Approved audit firm

Sylvie Testa

Luxembourg, 15 April 2016

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
CONSOLIDATED BALANCE SHEET

31 December 2015

(expressed in EUR)

ASSETS	NOTES	2015	2014
Cash in hand, balances with central banks and post office banks	4.1	500,969,532.52	523,876,796.95
Loans and advances to credit institutions:			
a) repayable on demand		72,963,803.12	61,102,481.21
b) other loans and receivables		<u>238,982,825.08</u>	<u>95,777,273.45</u>
	4.1	311,946,628.20	156,879,754.66
Loans and advances to customers	4.1, 4.10, 4.12, 4.32	5,181,126,755.10	4,938,538,162.77
Leasing transactions	4.1, 4.2	88,781,871.27	89,445,671.30
Bonds and other fixed-income securities:			
a) issued by public bodies		426,924,267.49	530,441,228.84
b) other issuers		<u>576,364,481.88</u>	<u>308,125,017.28</u>
	4.1, 4.3, 4.4, 4.8, 4.13	1,003,288,749.37	838,566,246.12
Shares and other variable-yield securities:	4.3, 4.5	19,421,557.64	2,970,975.09
Participating interests	4.3, 4.5, 4.8	1,388,139.88	1,362,434.89
Shares in affiliated undertakings	4.3, 4.6, 4.8	25,198,914.71	22,198,914.71
Intangible assets	4.8	12,651,788.67	14,065,038.69
Tangible assets	4.8, 4.9	49,655,186.85	48,483,131.74
Other assets	4.7	9,416,168.73	2,927,031.51
Accruals and deferred income	4.4	18,695,208.47	18,622,695.19
TOTAL ASSETS		7,222,540,501.41	6,657,936,853.62

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
CONSOLIDATED BALANCE SHEET (CONTINUED)

31 December 2015

(expressed in EUR)

LIABILITIES	NOTES	2015	2014
Amounts owed to credit institutions:			
a) repayable on demand		55,721,559.57	45,139,701.65
b) with agreed maturity dates or notice periods		269,223,356.44	261,849,279.13
	4.14	324,944,916.01	306,988,980.78
Amounts owed to customers:			
a) savings deposits		1,150,672,840.50	912,710,039.43
b) other amounts owed		4,906,674,445.25	4,586,180,608.40
<i>ba) repayable on demand</i>		3,905,750,395.52	3,692,720,454.42
<i>bb) with agreed maturity dates or notice periods</i>		1,000,924,049.73	893,460,153.98
	4.14, 4.22	6,057,347,285.75	5,498,890,647.83
Debts evidenced by certificates:			
- debt securities in issue	4.14	244,182,837.79	345,095,341.26
Other liabilities	4.15	23,639,522.82	26,405,515.50
Accruals and deferred income	4.4	29,573,281.86	24,432,004.06
Provisions:			
a) provisions for taxation		14,907,443.57	9,505,845.11
b) other provisions		83,608,343.80	81,452,282.03
	4.17, 4.31, 4.36	98,515,787.37	90,958,127.14
Subordinated liabilities	4.14, 4.16	90,000,000.00	30,000,000.00
Special items with a reserve quota portion	4.18	26,438,587.03	24,923,852.93
Fund for general banking risks		10,641,220.90	10,641,220.90
Shares issued	4.19	430,670.75	328,080.75
Reserves	4.19	299,273,082.47	281,309,361.08
Profit/(loss) for the financial year	4.19, 4.20	17,553,308.66	17,963,721.39
TOTAL LIABILITIES		7,222,540,501.41	6,657,936,853.62

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
CONSOLIDATED OFF-BALANCE SHEET

31 December 2015
(expressed in EUR)

OFF-BALANCE SHEET	NOTES	2015	2014
Contingent liabilities	4.24	201,560,338.86	220,779,491.21
<i>Including: guarantees and assets pledged as collateral security</i>		<i>81,175,911.43</i>	<i>81,224,964.99</i>
Commitments	4.25, 4.32	768,794,015.52	675,653,151.82

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
CONSOLIDATED INCOME STATEMENT

31 December 2015

(expressed in EUR)

CHARGES	NOTES	2015	2014
Interest payable and similar charges	4.16	41,149,611.66	44,347,641.07
Commission paid		1,537,687.03	945,661.30
General administrative expenses			
a) staff costs	4.33, 4.34	49,793,892.40	48,316,574.11
<i>including:</i>			
- wages and salaries		41,164,329.16	40,020,706.01
- social security costs		6,943,159.55	6,497,189.65
<i>including:</i>			
those relating to pensions		4,714,284.93	4,514,747.35
b) other administrative expenses	4.35	27,663,879.32	27,962,564.79
		77,457,771.72	76,279,138.90
Value adjustments in respect of intangible and tangible assets		9,225,550.02	8,791,444.54
Other operating expenses	4.30, 4.36	2,428,933.66	2,227,424.30
Value adjustments in respect of loans and advances and provisions for contingent liabilities and commitments		18,542,304.11	17,378,637.94
Value adjustments in respect of securities held as financial fixed assets, participating interests and shares in affiliated undertakings		24,027.97	204,894.47
Allocation to special items with a reserve quota portion	4.18	1,715,861.54	2,037,596.54
Tax on ordinary and extraordinary profit	4.31	6,798,523.18	7,008,718.41
Other taxes not shown under the preceding items		372,525.91	362,553.28
Profit/(loss) for the financial year	4.19, 4.20	17,553,308.66	17,963,721.39
TOTAL CHARGES		176,806,105.46	177,547,432.14

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
CONSOLIDATED INCOME STATEMENT (CONTINUED)

31 December 2015

(expressed in EUR)

INCOME	NOTES	2015	2014
Interest receivable and similar income <i>including: on fixed-income securities</i>		133,425,102.24 <i>12,750,402.72</i>	137,632,055.16 <i>19,854,008.00</i>
Income from securities:			
a) income from participating interests		1,070,178.91	1,216,620.31
Commission received		21,751,230.23	19,445,071.78
Net profit on financial operations		1,831,421.48	1,765,673.96
Value re-adjustments in respect of loans and advances and provisions for contingent liabilities and commitments		12,144,086.58	11,034,067.71
Value re-adjustments in respect of securities held as financial fixed assets, participating interests and shares in affiliated undertakings		2,153.37	0.00
Other operating income	4.29, 4.36	6,380,805.21	6,252,815.51
Income from the writing back of special items with a reserve quota portion	4.18	201,127.44	201,127.71
TOTAL INCOME		176,806,105.46	177,547,432.14

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2015

NOTE 1 - GENERAL INFORMATION

Formation and administration

Banque Raiffeisen was formed on 9 February 1926, by deed under private seal, under the name "RAIFFEISENZENTRALE DES GROSSHERZOGTUMS LUXEMBURG" (CENTRAL LUXEMBOURG AGRICULTURAL ASSOCIATION OFFICE).

The name of the Bank was changed on two occasions, firstly to "CAISSE CENTRALE RAIFFEISEN" by the Extraordinary Shareholders' Meeting of 30 December 1982 and then to "BANQUE RAIFFEISEN" by the Extraordinary Shareholders' Meeting of 14 June 2001.

Banque Raiffeisen – hereinafter "the Bank" – was formed as a cooperative credit institution.

Banque Raiffeisen carries out all of its activities exclusively in Luxembourg where its entire workforce is located.

The duration of the Bank is indefinite.

The Bank's affiliates are, to date, legal entities from the Luxembourg agricultural, viticultural and horticultural industries, as well as affiliated savings and credit institutions (Caisses Raiffeisen) and a limited number of natural persons who were members of the "Caisse Centrale des Associations Agricoles Luxembourgeoises" on 30 December 1982. The Bank's articles of association permit enlargement of the corporate structure.

The Board of Directors manages Bank business, defines commercial strategy and prepares the Bank's assessment procedures within the context of legal and statutory provisions. It takes, and determines the conditions for the application of, any measures to develop and improve the Bank and its services and, generally speaking, forming part of the Bank's objectives. It is responsible for the smooth operation of the affiliated Caisses.

The Bank's Board of Directors is made up of representatives from the agricultural and viticultural cooperatives, associations and companies affiliated with the Bank, representatives from the affiliated Caisses Raiffeisen and two independent members, as well as the Chairman and two members of the Management Board.

By virtue of article 12 of the law of 5 April 1993 on the financial sector, as amended, the composite entity formed by Banque Raiffeisen and the affiliated Caisses Raiffeisen is considered a single credit institution. Within the meaning of the aforementioned article, affiliation means holding one or more shares in the Bank's capital.

Commitments undertaken by Banque Raiffeisen and the affiliated Caisses Raiffeisen constitute joint and several commitments.

The Management Board is responsible for managing Bank business on a day-to-day basis as well as representing the Bank in respect of said management.

Each affiliated Caisse Raiffeisen is monitored by one or more auditors. Their individual annual financial statements are not audited in line with international auditing standards. By virtue of the first article of the law of 17 June 1992 relating to annual and consolidated financial statements of credit institutions governed by Luxembourg law, as amended, the composite entity constituted by Banque Raiffeisen and the affiliated Caisses Raiffeisen is represented in the consolidated financial statements.

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2015

NOTE 1 - GENERAL INFORMATION (CONTINUED)

Nature of the business

The Bank's object is to operate as a financial clearing and banking institution, in the form of a savings and credit organisation within the meaning of financial sector law, whose main operations consist in conducting banking and financial transactions, receiving deposits and other repayable funds from the public and granting loans, managing and administering portfolios and business activities on behalf of third parties, assisting affiliated Caisses Raiffeisen and performing all transactions that are necessary or useful to it in the achievement of its corporate object.

The Bank's aim is to meet the financial needs of its partners and customers by giving them the best service at the lowest possible cost in line with the principles laid down by F.W. Raiffeisen.

One of its other objectives is to promote the interests of agricultural and viticultural concerns, their cooperatives and professional bodies, as well as of partners from other economic sectors and to take any measures that are useful and necessary for the smooth operation and the development of the cooperative savings and credit organisation.

With regard to the affiliated Caisses Raiffeisen, the Bank's aim, in particular, is to represent the Caisses, both collectively and individually, in order to assert their shared or individual rights and interests, to foster their smooth operation and to organise and exercise administrative, technical and financial control over their organisation and management.

All liquidities from affiliated savings and credit institutions, with the exception of liquidities required for day-to-day operations, are mandatorily deposited with the Bank, which guarantees the Caisses appropriate remuneration of their liquidities.

Consolidated financial statements

The financial year is the same as the calendar year.

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2015

NOTE 2 - PRINCIPAL ACCOUNTING METHODS

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

The principle accounting methods applied were as follows:

1. Presentation of consolidated financial statements

The consolidated financial statements were prepared pursuant to the law of 17 June 1992 relating to annual and consolidated financial statements of credit institutions governed by Luxembourg law, as amended ("the law on accounting for banks").

2. Scope of consolidation

In accordance with the applicable legal requirements, the composite entity constituted by Banque Raiffeisen and the affiliated Caisses Raiffeisen is represented in the consolidated financial statements. At 31 December 2015, the 13 affiliated Caisses Raiffeisen, which each hold shares in the Bank's capital, were fully consolidated.

All the companies included in the consolidation have the same financial year.

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2015

NOTE 2 - PRINCIPAL ACCOUNTING METHODS (CONT.)

	<i>Registered office:</i>	<i>Capital interest held 31/12/15</i>	<i>Capital interest held 31/12/14</i>
<i>Shares in affiliated undertakings:</i>			
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%
<i>Participating interests:</i>			
Lux-Sectors Advisory S.A. Holding	Luxembourg	0.0%	0.07%
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	8.25%	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	7.76%	7.37%
FS/B Actions	Luxembourg	6.53%	6.53%
FS/T Actions	Luxembourg	6.53%	6.53%

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2015

NOTE 2 - PRINCIPAL ACCOUNTING METHODS (CONT.)

3. Consolidation method

The full consolidation method is used.

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

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

4. Valuation

1. General principles

The consolidated financial statements are prepared in accordance with generally accepted accounting principles and in accordance with the law and regulations in force in the Grand-Duchy of Luxembourg. The valuation principles applied by the Bank are based on chapter 7 of the law relating to the accounts of credit institutions.

2. Foreign currency conversion

The Bank uses the multiple currency accounting method which consists in keeping assets and liabilities in their currencies of origin. Assets and liabilities denominated in foreign currencies are converted into EUR at the spot rate applicable on the balance sheet date.

Realised and unrealised exchange losses and gains upon revaluation are recorded in the income statement for the financial year, with the exception of losses and gains on assets and liabilities specifically hedged by forward exchange transactions (swaps and forward exchange transactions hedging interest items). Revaluation of these transactions does not affect the profit/loss for the current period.

Profit/loss arising from forward exchange transactions hedging balance sheet items is included on a pro rata temporis basis under interest received or accrued, according to the accrual principle.

Unhedged forward transactions are valued on an individual basis at the forward rates prevailing on the date the balance sheet is prepared. Gains are not reported; losses are posted as liabilities under the item "Provisions: other provisions".

Income and charges expressed in foreign currencies are converted into EUR at the exchange rates applicable on their date of posting.

3. Derivative instruments

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

If necessary, on the balance sheet date, a provision is established for unrealised losses recorded upon individual valuation at the market price of as yet unsettled transactions. This provision is recorded as a liability under the item "Provisions: other provisions".

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2015

NOTE 2 - PRINCIPAL ACCOUNTING METHODS (CONT.)

If the financial instrument is hedging an individual asset or liability or a portfolio of assets or liabilities and the economic unit has been established, or if the financial instrument is hedged by a reverse transaction leaving no open position, no provision is formed.

4. Specific value adjustments in respect of debts

The Bank's policy consists in making specific value adjustments for all doubtful and irrecoverable debts. The value adjustment corresponds to the difference between the book value of the debts and the estimated recoverable value. The Bank reviews all its assets on a regular basis and at the end of each period, and assesses whether there is any indication that a debt may have depreciated.

Value adjustments are deducted from the assets to which they relate.

5. Lump-sum provision for risk-weighted asset and off-balance sheet items

The Bank's policy consists in forming, in accordance with Luxembourg tax legislation, a lump-sum provision for risk-weighted asset and off-balance sheet items within the meaning of prudential banking regulations. The objective of this provision is to cover probable risks not yet identified when the annual financial statements are prepared.

Pursuant to the instructions issued by the Tax Authority on 16 December 1997, the provision, formed tax free, may represent a maximum of 1.25% of the risk weighted assets.

The lump-sum provision for risk-weighted asset and off-balance sheet items is broken down, *pro rata* to the items of the base used to calculate the provision, into the following parts:

- a value adjustment, which is deducted from the asset items comprising the at-risk assets; and
- a provision, which is attributable to the credit risk affecting off-balance sheet items, for foreign exchange risk and market risks, and which appears as a liability under the item "Provisions: other provisions".

6. Fund for general banking risks

The Bank's policy consists in creating a fund to cover general banking risks, pursuant to article 63 of the law on accounting for banks. This fund is posted separately under liabilities in the consolidated balance sheet.

Funds allocated for general banking risks are not tax deductible.

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2015

NOTE 2 - PRINCIPAL ACCOUNTING METHODS (CONT.)

7. Debt securities

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

- an investment portfolio of financial assets which includes securities intended to service the Bank's activities over the long-term;
- a trading book which includes securities purchased for short-term resale;
- a structural portfolio which includes securities purchased to produce a return and to form a specific asset structure.

Fixed-income securities are valued as follows:

Investment portfolio

Fixed-income securities are valued at the purchase price.

In the event of long-term depreciation of a debt security, a value adjustment is established corresponding to the difference between the purchase price and the estimated recoverable value. The Bank reviews this asset category on a regular basis and at the end of each period, and assesses whether there is any indication that a debt security may have depreciated.

Agios (positive difference between the purchase price and the redemption value of a security) and disagios (negative difference between the purchase price and the redemption value) are amortised on a straight-line basis.

Structural portfolio

Fixed-income securities included in the structural portfolio are valued using the "lower of cost or market" method. According to this method, securities are valued at the lower of the cost price or the market value. The market value is generally determined in reference to the stock market price.

Trading book

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

8. Shares and other variable-yield securities:

Shares and other variable-yield transferable securities are valued using the "lower of cost or market" method on the consolidated balance sheet date.

9. Participating interests and shares in affiliated undertakings

Participating interests and shares in affiliated undertakings held as a financial fixed asset are valued in their original currency at cost on the consolidated balance sheet date.

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2015

NOTE 2 - PRINCIPAL ACCOUNTING METHODS (CONT.)

In the event of long-term depreciation, a value adjustment is established corresponding to the difference between the purchase price and the market value. The Bank reviews this asset category on a regular basis and at the end of each period, and assesses whether there is any indication that a participating interest or share in an affiliated undertaking may have depreciated.

10. "Beibehaltungsprinzip"

The Bank's policy consists in maintaining value adjustments previously established for some asset items but which no longer correspond to a loss on the assets in question, by virtue of articles 56 (2) (f) and 58 (2) (e) of the law of 17 June 1992, as amended, on accounting for banks.

11. Intangible and tangible assets

Intangible and tangible assets are recorded at cost.

The value of intangible and tangible assets whose use is limited over time is reduced by value adjustments calculated to systematically amortise the value of the items over the duration of their use. Land, works of art and advance payments are not amortised.

The amortisation rates used for the most important items are shown below:

i)	Intangible assets:	from 10% to 33%
ii)	Buildings, plant and equipment:	from 1.5% to 25%
iii)	IT systems:	from 10% to 33%
iv)	Office equipment, furniture:	from 10% to 25%

12. Special items with a reserve quota portion

Special items with a reserve quota portion include gains which may be tax exempt. Pursuant to article 54 of the law on income tax, this exemption relates in particular to capital gains realised on the sale of participating interests or buildings and land.

13. Taxes

Taxes are recorded in the financial statements according to the accrual principle and not during the financial year in which they are paid.

14. Comparability of financial statements

Certain figures as at 31 December 2014 have been reclassified to facilitate comparisons between financial periods.

NOTE 3 - RISK MANAGEMENT

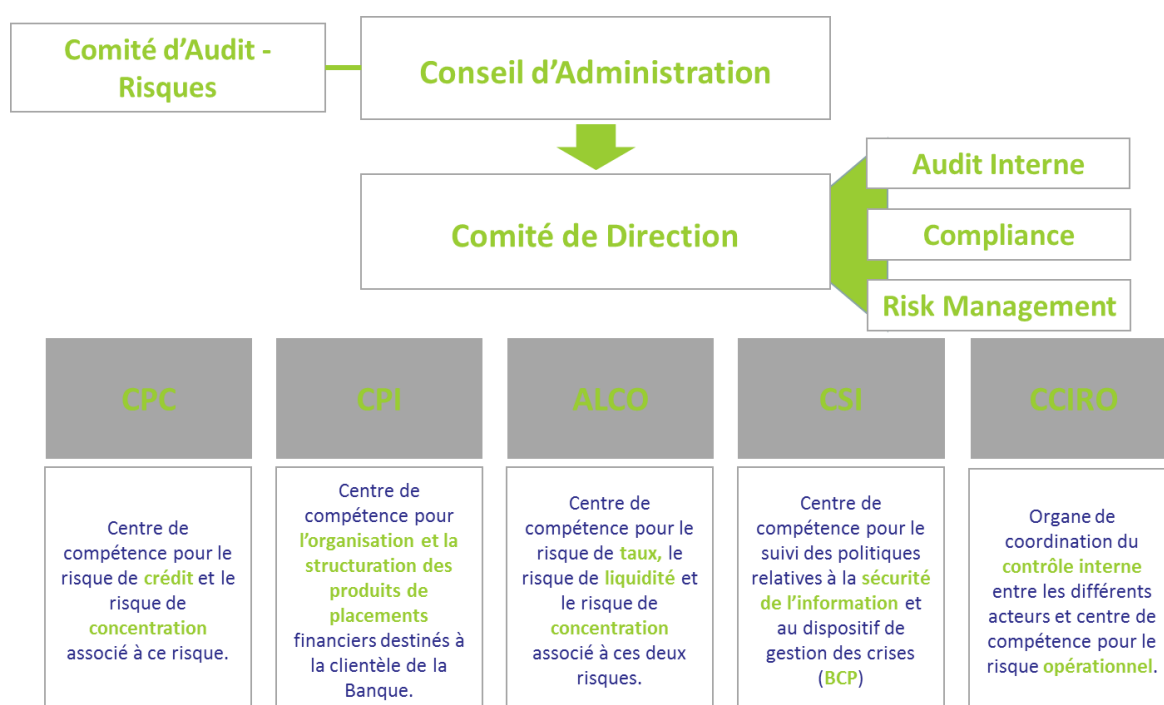
In view of its risk and business profiles and to carry out its tasks, the Bank is developing its business within a balanced framework of monitoring structures and procedures guaranteeing the Bank's values, long-term shareholder interests and sustainability.

The Bank has defined internal governance and risk management structures that are central to the process for monitoring its activities and in compliance with its profitability targets. The Bank's profit depends, therefore, on its ability to anticipate, identify, measure, assess and manage the risks inherent to its activities, as well as make provision for capital requirements and ensure a healthy liquidity position.

In 2015, in a highly competitive environment characterised by historically low interest rates and the introduction of new banking regulations, the Bank continued to develop and consolidate the internal structures and procedures needed to be compliant with banking regulations and to ensure optimum management of all the risks inherent to its activities.

1. Organisation of risk management

In order to ensure healthy and efficient risk management, the Bank has defined several specific operational bodies and committees which operate as Management support units. Each of these units develops guidelines and regularly monitors the banking risks for which it is responsible.



Board of Directors

The Board of Directors defines the Bank's risk strategy and risk appetite, as well as the organisational approach to risk management on which it relies, together with the resulting roles and responsibilities for the Bank's various bodies. It sets the guiding principles and objectives governing the Bank's risk-taking policy as well as the amount of economic capital and limits applicable to all business areas. The day-to-day management is entrusted to the Management Board, which regularly notifies the Board of Directors of the current position in terms of the overall level of risk, using a variety of approaches.

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2015

NOTE 3 - RISK MANAGEMENT (CONTINUED)

Audit and Risk Committee

The Board of Directors is assisted by a committee specialising in audit, risk and compliance. This committee provides the Board of Directors with assessments concerning the Bank's organisation and operation in the aforementioned areas to enable Board members to effectively fulfil their supervisory duties and assume their responsibilities.

Management Board

The Management Board implements the strategy defined by the Board of Directors, which is formalised through various risk policies. These policies define a range of risk limits and indicators designed to guarantee at all times the amount of economic capital the Board deems appropriate to protect against the type and degree of risks to which the Bank is, or could be, exposed. These are documented in the Risk Manual, which serves as a benchmark for the Bank.

The Management Board relies on five operational committees (see below), each chaired by a member of the Management Board, in order to monitor different types of risk. These committees are the Bank's "centres of expertise" for any questions relating to specific risks.

ALCO - Assets and Liabilities Committee

ALCO is the centre of expertise for interest rate and liquidity risk.

It is chaired by a member of the Management Board and consists of the heads of the Finance & Control, Financial Markets & Treasury, Specialised Customers, Retail Customers & Branch Network, Credit & Legal and Risk Management departments.

It defines the main guidelines in terms of structural risk management, whereas the day-to-day management is carried out by the Bank's Financial Markets & Treasury department. A set of dedicated ceilings defined by the Management Board is used to monitor the exposures. ALCO supervises the management of the Bank's overall exposure to interest rate risk and is authorised, where appropriate, to enter into strategic positions, subject to compliance with the overall Value-at-Risk (VaR) limit as laid down by the Bank's Management Board.

ALCO is called to on advise on the structure and level of rates for all new fixed income products impacting the determination of transfer rates, and thus of the interest margin.

As part of its duties, ALCO also oversees the sound and viable management of the Bank's liquidity position. To this end, ALCO monitors and ensures compliance with the indicators laid down in the "Contingency Funding Plan Liquidity" (CFPL).

Finally, ALCO is responsible for monitoring risk concentration within the various risk categories.

CPC - Credit Policy Committee

As the centre of expertise for credit risk, the CPC implements policies on credit risk management and ensures that procedures covering guarantees and provisions are followed. It is chaired by a member of the Management Board and consists of the heads of the Credit & Legal, Specialised Customers, Finance & Control, Public Relations, Communication & Marketing, Retail Customers & Branch Network and Risk Management departments.

The CPC validates commercial guidelines on credit.

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2015

NOTE 3 - RISK MANAGEMENT (CONTINUED)

It primarily monitors changes in the following:

- the structure of the credit portfolio;
- concentrations identified within this portfolio;
- late/outstanding payments;
- defaults and recovery operations;
- recognised provisions;
- the composition of the Bank's own portfolio.

ICORC - Internal Control and Operational Risks Committee

The Internal Control and Operational Risks Committee coordinates the internal control between the various actors. It is chaired by a member of the Management Board and comprises the Internal Control Coordinator and the heads of the Organisation, Operational Support, Credit & Legal, Facility Management, IT, Retail Customers & Branch Network, Specialised Customers, Risk Management, and Compliance departments.

Its roles and responsibilities are:

- Promoting an internal control culture according to the guidelines of the regulations in force;
- Sharing and exchanging experience and best practices with regard to internal control;
- Reporting periodically on the level of deployment of the internal control system in various business lines/functions;
- Assessing the level of control over operational risks by validating the mapping of risks and control plans;
- Monitoring the development of real financial impacts and potential incidents;
- Monitoring the implementation of actions decided on as part of incident management;
- Validating action plans resulting from risk self-assessment exercises, prioritising them according to available resources and following them up.

ISC - Information Security Committee

The ISC is responsible for defining, implementing, monitoring and following up policies concerning information security and the business continuity plan (BCP). It is chaired by a member of the Management Board and consists of the Information Systems Security Manager and the heads of the Human Resources, IT, Retail Customers & Branch Network and the Risk Management departments.

This Committee covers all of the following organisational areas:

- Security policies;
- Information security organisation;
- Profile and information systems access management;
- Management of incidents relating to information security and business continuity management (BCM).

The ISC may be called on to resolve problems associated with the above-mentioned areas and in connection with Personnel and Property security.

Investment Products Committee (CPI)

The purpose of the Investment Products Committee is to organise and structure investment operations intended for the Bank's customers. It is chaired by a member of the Management Board and brings together the Specialised Customers, Retail Customers & Branch Network, Public Relations, Communication & Marketing, Financial Markets & Treasury and Risk Management departments.

NOTE 3 - RISK MANAGEMENT (CONTINUED)

In particular, this committee ensures that internal procedures are followed whenever new businesses or products are launched.

Risk Management

Risk Management supervises and monitors risk with the support of the five operational committees on which it sits.

Risk Management's missions are therefore the following:

- development and improvement of the Bank's risk management methodologies;
- development of a "risk culture" in different departments;
- monitoring the Bank's risk profile and risk-taking strategy;
- risk reporting;
- preparing a coordinated risk control policy;
- aligning risk-taking operations with financial and human resources as well as systems;
- Updating a series of robust stress tests that include sensitivity and scenario analyses.

Risk Management helps the Management Board prepare reports and presentations for the Board of Directors and the Audit and Risk Committee on all matters relating to risk management.

Under the responsibility of the Information Systems Security Manager, Risk Management also organises and coordinates information security by implementing a Bank-wide security policy.

Risk Management also monitors all activity relating to insurance policies taken out by the Bank to protect its personnel and assets, as well as monitoring the operations of the Raiffeisen Vie and Raiffeisen Luxembourg Ré subsidiaries.

Compliance

The Compliance function ensures that the Bank complies with laws, regulations and professional practices. As an integral part of the third tier internal controls, it contributes to the Bank's adherence to the correct application of the codes of conduct applicable to the financial sector. These contributions to the smooth running of the Bank improve both the quality of customer service and the management of compliance risk. In this regard, the Compliance function centralises, evaluates and reacts to complaints made by customers.

Internal audit

Internal Audit is an independent and objective function within the Bank. Its purpose is to provide assurance as to the degree of control over operations and to supply consulting services to improve those operations and help create added value. It helps the Bank achieve its objectives by using a systematic and methodical approach to assess risk management, control and corporate governance processes and putting forward proposals to make these processes more effective. In general terms, Internal Audit's remit is to examine and assess whether the Bank's arrangements in terms of central administration, internal governance and risk management, designed and represented by senior management, are appropriate and function effectively. The duties, position, powers and responsibilities, scope and terms of intervention of the Internal Audit function within the Bank are laid down in the internal audit charter, which references the Institute of Internal Auditors' International Professional Practices Framework (IPPF) and regulations in force.

NOTE 3 - RISK MANAGEMENT (CONTINUED)

2. Risk management strategy

Basel III

The Basel III standards are a prudential mechanism intended to improve the understanding of banking risks, and principally credit and counterparty risk, as well as the capital required to cover those risks.

Basel III has four distinct objectives:

- to increase awareness of capital requirements to cover risks;
- reinforce the role of banking supervisors and financial transparency;
- understand all the risks to which banks may be exposed;
- promote a sound international financial system and fair competition.

The mechanism involves three complementary and interdependent pillars:

- pillar 1, which represents the basis for the minimum regulatory requirements;
- pillar 2, which institutes the principle of structured dialogue between credit institutions and supervisors;
- pillar 3, which focuses on market transparency and discipline.

In the context of Pillar 2, the internal capital adequacy assessment process (ICAAP) has been developed and is continuously applied, in accordance with regulations in force as well as the economic climate and developments internal and external to the Bank.

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 maintain sufficient economic capital and to use appropriate techniques to monitor and manage these risks. The ICAAP is a continuous process and an important management tool in light of recent changes in the financial and regulatory environment.

The ICAAP is structured around two main processes:

- a process of detecting, measuring, managing, monitoring, disclosing and reporting risks;
- an internal process of planning and managing economic capital judged appropriate by the Bank to protect against the type and level of risks to which it is, or could be exposed.

To roll out these two processes, each bank must establish a management framework comprising, in particular, the four essential properties listed below:

- a specific internal character making it possible to service the institution's own needs;
- a high-quality internal governance mechanism, both in terms of involvement of management and the efficiency of the internal control and documentation in place;
- a clear organisational structure with responsibilities divided in a well-defined, transparent and coherent manner;
- exhaustive risk coverage encompassing not only all proven risks but also those to which the institution may potentially be exposed.

The Bank's approach

The risks incurred by the Bank result from the business it conducts and the commercial strategy it applies. On the basis of the profile of the activities it undertakes, the Bank determines its risk profile. The latter clearly describes the principal risks to which it is exposed.

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2015

NOTE 3 - RISK MANAGEMENT (CONTINUED)

The process put in place to measure, monitor and report on risks is broken down into a liquidation approach and a going concern approach. Using the liquidation approach, these risks are quantified by assuming their materialisation and are then compared with the minimum value required to guarantee that the Bank's commitments are met.

Within the context of the ongoing concern approach, these risks are quantified in relation to their impact on the Bank's annual profit/loss and compared to a minimum profit/loss guaranteeing the Bank's ability to continue to operate.

These two approaches are supplemented by a series of stress tests combining sensitivity analyses of individual risks (described above) with integrated testing allowing for the impact of macroeconomic scenarios to be evaluated. Sensitivity analyses of principal risk factors are subject to adverse developments. Macroeconomic scenarios are representative of the risks incurred by the Bank and of the environment in which its activities are carried, and they focus on adverse developments.

To guarantee the Bank's continuity, the Board of Directors has defined a prudent approach to economic capital. It puts a limit on exposures resulting from the aggregation of different types of risk. The Board of Directors has authorised the Management Board to transpose these approaches into the Bank's day-to-day risk management, to monitor its development and to provide regular feedback. The Management Board is assisted in this mission by the Risk Management function.

3. Types of risks

The Bank's activities mainly expose it to the following risks:

- a) credit risk: this is the risk of partial or total loss due to the inability of sovereign, institutional and other customers to meet their financial obligations;
- b) concentration risk: this is the risk resulting from significant exposure to any one debtor, group of related debtors or economic sector, either in relation to a given risk or across more than one category of risks;
- c) market risk: this is the risk of loss due to price fluctuations on a given market;
- d) liquidity risk: this is the risk arising from the Bank's lack of access to sufficient financial resources to meet its obligations;
- e) operational risk: this is the risk of direct or indirect loss arising from a procedural fault, from human error or fault, from systems malfunctions or even from external events.

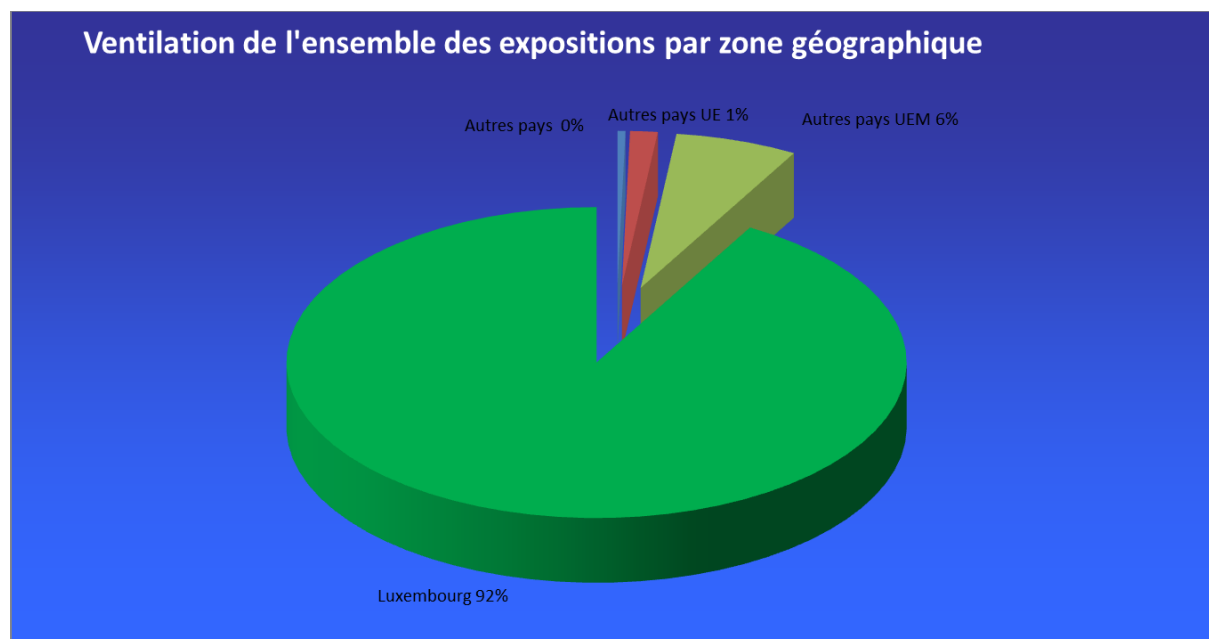
a) Credit risk

This risk is not only linked to customer credit activities but also to financial and capital market activities carried out by the Bank on its own behalf.

All of the Bank's departments and support functions use instruments and follow rules and procedures to manage credit risk. The business lines work within the scope of the rules and procedures in place, compliance with which is monitored via the internal control system.

Most of the Bank's exposure arises from loans to Luxembourg's economic sector, demonstrating the Bank's firm footing in the country's economy. During 2015, the Bank invested and had dealings mainly with OECD member countries, and established individual country limits in connection with its proprietary market activities.

NOTE 3 - RISK MANAGEMENT (CONTINUED)



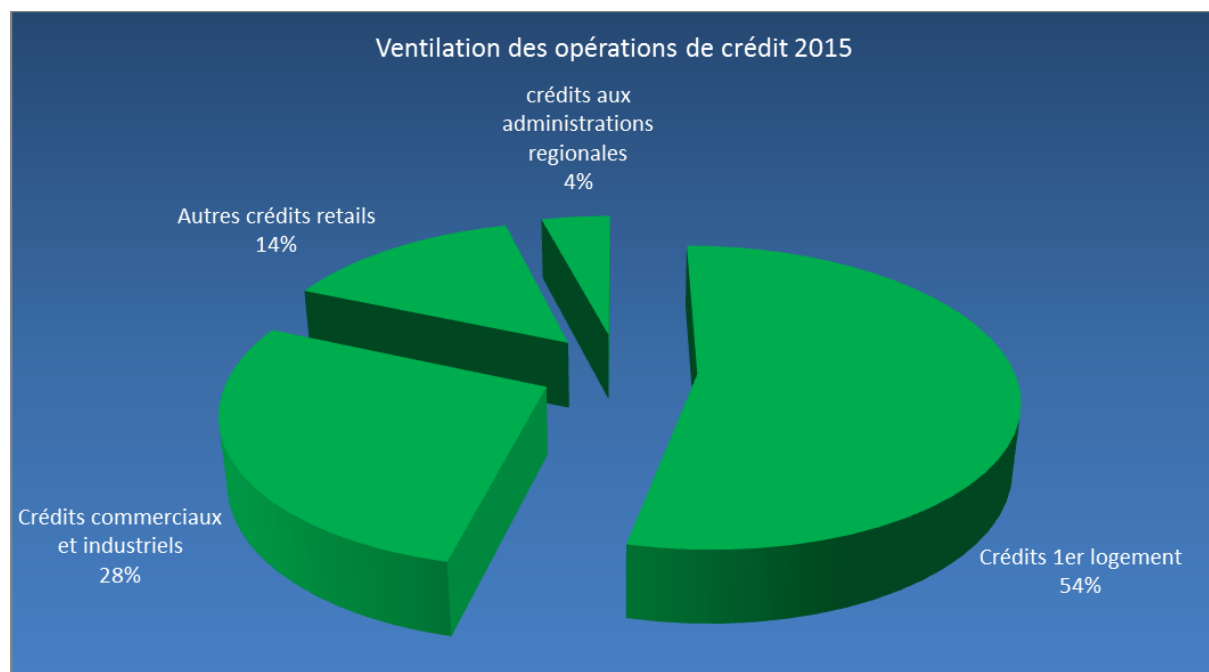
- Customer credit activities

Within the framework of the risk policy relating to Bank loans, criteria for approving counterparties have been defined. Approval of credit exposure is based on sound knowledge of the customer in question, the financial means at its disposal, the type of risks with which the Bank is faced, the object and structure of the operation as well as related guarantees, where applicable.

The Bank's decision-making structure is organised into a hierarchy of different loans committees according to debtors' total outstanding debt. The Bank aims to limit risks by having recourse to collateral (mortgages, pledged securities, escrow savings deposits) and personal guarantees (sureties) while closely monitoring adherence to repayment plans and the use of lines of credit.

Type of operation	Loans and advances to customers and leases (gross amounts)	
	2015 in EUR	2014 in EUR
First-time buyer mortgages	2,897,979,189	2,736,247,325
Commercial and industrial loans	1,479,738,273	1,419,707,798
Other retail loans	766,911,448	733,895,437
Loans to regional authorities	202,575,667	210,327,763
Total	5,347,204,577	5,100,178,323

NOTE 3 - RISK MANAGEMENT (CONTINUED)



Please note: Nearly two thirds of loans granted are to individual home owners, the remainder being loans to companies and municipalities.

Managing credit overruns and warning procedure

The deterioration of a counterparty's financial position leads to the debts being entered on a watchlist. For customers with late payments or who have exceeded their credit limits, follow-up actions are decided on by a central committee tasked with monitoring credit risk Bank-wide.

Detecting and monitoring defaults

The standard Basel III approach adopted by the Bank requires rigorous monitoring of loans in default, defined as follows:

- *The debtor is unlikely to repay its debt unless appropriate measures are taken by the Bank such as calling a guarantee;*
- *The debtor's arrears on a Bank loan are in excess of 90 days.*

The Bank has developed a Basel III-compliant definition with regard to the recognition of defaults.

The support service put in place by the Bank is organised in such a way as to be able to monitor all lending activity. Primary follow-up of credit overruns and outstanding loans is still the responsibility of the commercial departments. No later than 75 days after payment became due, facilities in arrears are presented to a central credit risk monitoring committee which decides on what action should be taken.

The Bank has computerised systems for detecting and managing current accounts in excess and loans in arrears. These systems are used by account managers and by the Credit and Legal departments.

NOTE 3 - RISK MANAGEMENT (CONTINUED)

Provision policy

Identified risks of losses on debts are the subject of specific value adjustments decided on by the Provision Committee.

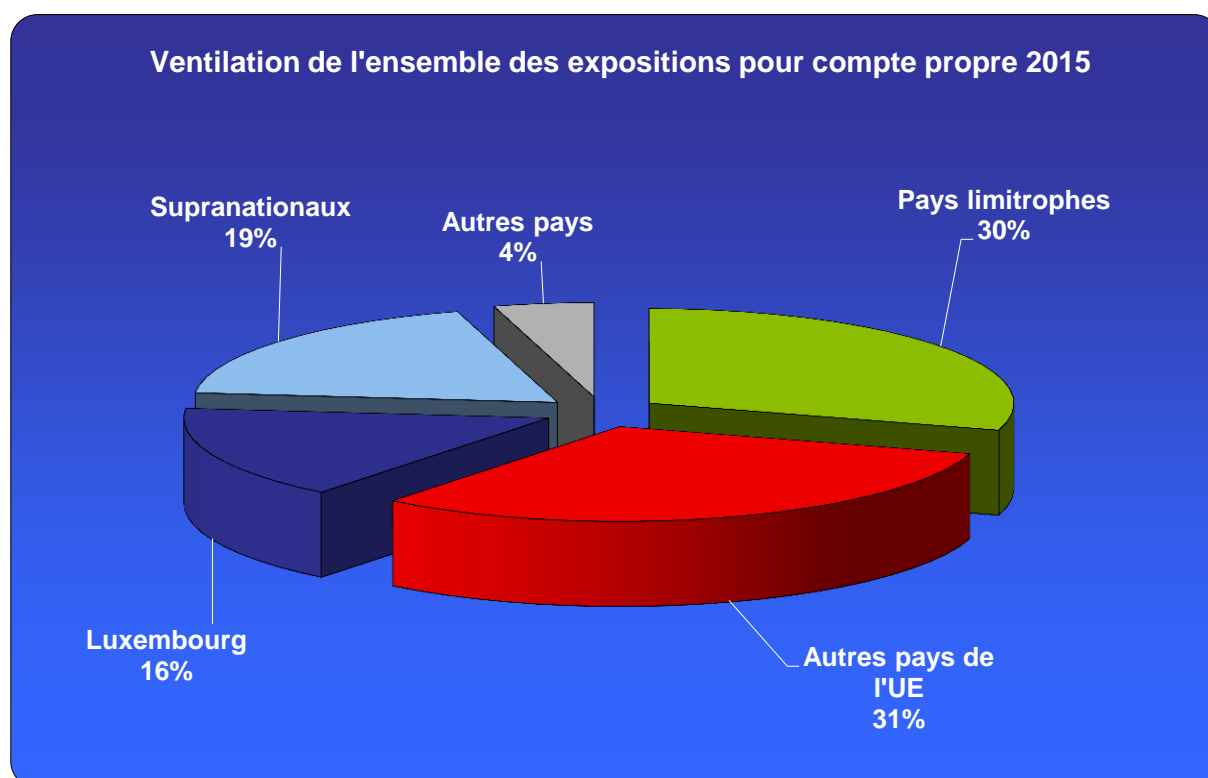
The level of value adjustment to be applied is determined in line with the principles described in NOTE 2.4.4 PRINCIPAL ACCOUNTING METHODS above.

- Market activities carried out by the Bank on its own behalf

To calculate counterparty credit risk, the Bank uses the concept of consolidated borrowings. This means that related counterparties belonging to the same group are considered to be one and the same counterparty.

The maximum limit for each counterparty is determined with reference to external counterparty ratings and the Bank's capital. Limit excesses and changes in external counterparty ratings are continuously monitored by Middle Office, which reports to the Risk Management department. Exposures are split into short-term (<12 months - Money Market) and long-term (maximum 10 year term - Capital Market) exposures.

The breakdown of exposures (securities portfolio) by country in 2015 is as follows:



The Bank's policy is to work with top-tier counterparties taking into account external agency ratings and each counterparty's capital. Individual limits are decided by the Management Board at the proposal of the Financial Markets & Treasury department and based on an opinion provided by the Credit, Legal and Risk Management departments.

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2015

NOTE 3 - RISK MANAGEMENT (CONTINUED)

Before a transaction is concluded, the Financial Markets & Treasury department uses software that enables it to check the credit limit given and amounts currently outstanding for each of the counterparties.

At 31 December 2015, fixed and floating rate notes purchased by the Bank for its proprietary portfolio had an average residual maturity of three years.

The Bank measures and monitors the aggregate credit risk on the proprietary portfolio using the following indicators:

Credit Value at Risk (CVaR)

Credit risk linked to the Bank's own portfolio, comprised of bonds, is calculated by a Credit Value at Risk (CVaR) in which the volatility of the additional premium that an issuer must pay compared with the market standard for the same external rating quality is used as a benchmark index. The CVaR reflects the likely potential loss due to credit risk for a given time horizon (1 year) and a confidence interval of 99%.

Sensitivity analysis

To monitor risk in the event of extreme fluctuations, sensitivity analyses supplement the CVaR analysis. The model's fundamental parameters are modified to test the Bank's ability to deal with extreme economic situations.

- Hedging and derivatives

The Bank's derivative positions are mainly limited to Interest Rate Swaps (IRS) entered into by means of the application of ISDA ("International Swaps and Derivatives Association Inc")-type master agreements.

Geographical area	Interest Rate Swaps	
	2015 in EUR	2014 in EUR
Luxembourg	56,166,667	56,073,333
Other MUMS* countries	714,735,300	770,837,556
Total	770,901,967	826,910,889

* Other EMU Member States

The total replacement cost of interest rate swaps, calculated in accordance with regulations in force, is as follows:

Interest Rate Swaps (Over the counter (OTC) contracts)	Overall replacement cost	
	2015 in EUR	2014 in EUR
Residual maturity of less than 1 year	1,948,992	1,229,556
Residual maturity of between 1 and 5 years	2,054,504	6,730,858
Residual maturity of more than 5 years	795,213	1,500,000
Total	4,798,709	9,460,414

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2015

NOTE 3 - RISK MANAGEMENT (CONTINUED)

b) Concentration risk

In accordance with the regulations in force, the Bank pays particular attention to different types of concentration risk (concentration risk arising from overexposure to countries, customers, a group of affiliated customers or an economic sector). In order to manage this risk, the Bank has implemented internal procedures aimed at ensuring the appropriate management of this risk within the Bank.

Concentration of credit risk

This table shows the concentration by sector of all Bank loans and advances:

Economic sector	Loans and other balance sheet items	
	2015	2014
Public and supranational administrations	10.22%	11.30%
Financial institutions and intermediaries, insurance companies	17.92%	14.83%
Other companies	17.30%	18.09%
Households and individuals	54.56%	55.78%
	100.00%	100.00%

With regards to concentration risk resulting from overexposure to countries, the Bank has put in place geographic limits to control this type of risk.

c) Market risk

Market risk relates to risks of potential loss following unfavourable movements on the financial markets resulting from changes in conditions such as the price of securities, interest rates and volatility.

Market risk includes the following categories:

- interest rate risk;
- currency risk;
- price risk.

In its market risk management policy, the Bank distinguishes between the risk of maturity transformation - resulting from the structural difference between the terms of the Bank's assets and liabilities (balance sheet and off-balance sheet) - on the one hand and the risk linked to trading on the other hand. It should be noted that the latter are negligible.

All the market-oriented activities are entrusted to the Financial Markets & Treasury department in its capacity as "one window to the market". Monitoring is the responsibility of the Middle-Office which supervises the application of procedures and compliance with limits.

Interest rate risk

The interest rate risk run by the holder of a receivable or a debt includes a general risk linked to a change in market rates.

Appropriate limits have been set by the Bank within the context of managing risks linked to general changes in interest rates. These ceilings are monitored on a daily basis by the Middle-Office.

The Bank measures and controls its overall interest rate risk using the following indicators:

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2015

NOTE 3 - RISK MANAGEMENT (CONTINUED)

- **Value at Risk (VaR)**

The Value at Risk (VaR) approach used by the Bank is based on the historical simulation method. The VaR takes into consideration a holding horizon of 25 days and a confidence interval of 99%. It reflects the risk of maximum loss due to changes in market rates which may only be exceeded with a 1% probability. The Management Board has set the maximum loss permitted, which is monitored daily by Risk Management. The modelling parameters are regularly reviewed and, where appropriate, adapted. The monitoring of compliance with the limit is presented monthly to ALCO.

- **Sensitivity analysis**

To monitor the risk in the event of extreme market fluctuations, the Bank uses sensitivity analyses. To this end, the Bank applies various interest rate curve deformation scenarios.

These aim to ensure that the Bank is capable of dealing with vastly deteriorated economic situations. Scenarios are regularly reviewed to ensure that they correspond to the Bank's real position and take into account economic trends. In addition, the Bank produces an interest margin sensitivity analysis on a daily basis for a translation of ± 200 basis points of the interest rate curve.

The Middle-Office is responsible for the daily monitoring of adherence to ceilings and changes in the Bank's exposure in relation to market risks as well as for reporting to the Management Board.

Currency risk

The Bank's currency risk is primarily the result of foreign exchange transactions resulting from customer business, transactions which are, for the most part, hedged directly within the market. Consequently, the residual risk in terms of foreign exchange positions is very low.

Ceilings have been established by the Bank and are monitored on a daily basis.

Price risk

Price risk is linked to changes in stock market prices and is related to the position taken on a specific financial asset.

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

d) 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 incurring disproportionate 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.

From a liquidity perspective, the Bank can be described as a retail bank, which means that its lending activities are predominantly refinanced from customer deposits. For this reason, the Bank makes limited use of the financial markets for borrowing money. Furthermore, the Bank applies a very conservative investment policy vis-à-vis maturity transformation. The Financial Markets & Treasury department is responsible for the day-to-day management of the Bank's liquidity.

The Bank monitors and manages its internal liquidity using two complementary mechanisms: daily monitoring by the Financial Markets & Treasury department and monthly monitoring by Risk Management and ALCO. This monthly monitoring is carried out using an in-house model that is based on projected cash flows from a liquidity perspective for the Bank's entire operations.

NOTE 3 - RISK MANAGEMENT (CONTINUED)

Sensitivity analysis

To monitor risk in the event of extreme fluctuations, the Bank adjusts certain parameters of its in-house model to reflect a severe deterioration in the economic situation.

Definition of the preventative mechanism for dealing with a possible liquidity crisis

The Bank monitors its exposure to liquidity risk by applying various stress test scenarios which are systematically compared with the actual current economic situation. ALCO may therefore anticipate and, where necessary, correct certain movements that are unfavourable for the Bank.

The ratings quality and maturity profile of the Bank's securities portfolio mean the Bank can access additional liquidity via the repo market or by participating in the Banque Centrale du Luxembourg's monetary policy operations.

These arrangements form an integral part of the Bank's CFPL (Contingency Funding Plan Liquidity).

e) Operational risk

Operational risk is controlled by means of detailed rules and procedures and an internal control system defined and implemented at all levels and monitored by the Bank's Management Board. Bank losses arising from operational risks are recorded in a database and are regularly monitored, analysed and reported to the ICORC.

The Bank also aims to reduce operational risk by continually improving operating systems and organisational structures.

BCP (Business Continuity Plan)

The BCP takes the form of the introduction of measures to protect the Bank from the consequences of a disaster. The approach taken by the Bank defines the operational procedures and measures to be taken to ensure the continuity of standard and critical business.

To do so, the BCP is based on an assessment of the criticality of systems and processes.

The Bank sees to it that various processes are followed to ensure that the organisation's critical activities are resumed as quickly as possible.

Insurance

With the aim of obtaining the best possible cover against potential financial losses, the Bank takes out insurance policies relating to the occurrence of various risks inherent to its activities.

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2015

NOTE 4 - NOTES TO THE FINANCIAL STATEMENTS

NOTE 4.1 - MATURITY SCHEDULE OF MAIN FINANCIAL ASSETS

Main financial assets are broken down by residual duration as follows:

<i>At 31 December 2015</i>	<i>Up to 3 months</i>	<i>3-12 months</i>	<i>1-5 years</i>	<i>Over 5 years</i>	<i>Total 2015</i>
Cash in hand, balances with central banks and post office banks	500,969,532.52	0.00	0.00	0.00	500,969,532.52
Loans and advances to credit institutions	311,946,628.20	0.00	0.00	0.00	311,946,628.20
Loans and advances to customers	586,778,084.25	159,466,011.42	620,433,452.47	3,814,449,206.96	5,181,126,755.10
Leasing transactions	865,603.67	5,722,314.13	77,149,098.42	5,044,855.05	88,781,871.27
Bonds and other fixed-income securities	56,504,978.07	122,756,490.67	725,779,389.22	98,247,891.41	1,003,288,749.37
TOTAL	1,457,064,826.71	287,944,816.22	1,423,361,940.11	3,917,741,953.42	7,086,113,536.46

<i>At 31 December 2014</i>	<i>Up to 3 months</i>	<i>3-12 months</i>	<i>1-5 years</i>	<i>Over 5 years</i>	<i>Total 2014</i>
Cash in hand, balances with central banks and post office banks	523,876,796.95	0.00	0.00	0.00	523,876,796.95
Loans and advances to credit institutions	156,879,754.66	0.00	0.00	0.00	156,879,754.66
Loans and advances to customers	527,929,084.89	168,830,783.37	617,154,165.71	3,624,624,128.80	4,938,538,162.77
Leasing transactions	1,184,398.43	8,315,846.03	74,028,594.33	5,916,832.51	89,445,671.30
Bonds and other fixed-income securities	61,080,261.66	175,591,573.76	497,098,791.49	104,795,619.21	838,566,246.12
TOTAL	1,270,950,296.59	352,738,203.16	1,188,281,551.53	3,735,336,580.52	6,547,306,631.80

(figures expressed in EUR)

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2015

NOTE 4 - NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4.2 - LEASING TRANSACTIONS

Leasing transactions were only conducted with non-banking customers.

NOTE 4.3 - TRANSFERABLE SECURITIES

Securities included under the items "Bonds and other fixed-income securities", "Shares and other variable-yield securities", "Participating interests" and "Shares in affiliated undertakings" are broken down as follows, depending on whether or not they are listed on an official stock exchange:

	<i>Listed securities 2015</i>	<i>Unlisted securities 2015</i>	<i>Total 2015</i>
Bonds and other fixed-income securities	1,003,288,749.37	0.00	1,003,288,749.37
Shares and other variable-yield securities:	19,421,557.64	0.00	19,421,557.64
Participating interests	0.00	1,388,139.88	1,388,139.88
Shares in affiliated undertakings	0.00	25,198,914.71	25,198,914.71
TOTAL	1,022,710,307.01	26,587,054.59	1,049,297,361.60

	<i>Listed securities 2014</i>	<i>Unlisted securities 2014</i>	<i>Total 2014</i>
Bonds and other fixed-income securities	838,566,246.12	0.00	838,566,246.12
Shares and other variable-yield securities:	2,970,975.09	0.00	2,970,975.09
Participating interests	0.00	1,362,434.89	1,362,434.89
Shares in affiliated undertakings	0.00	22,198,914.71	22,198,914.71
TOTAL	841,537,221.21	23,561,349.60	865,098,570.81

(figures expressed in EUR)

NOTE 4.4 - BONDS AND OTHER FIXED-INCOME SECURITIES

At 31 December 2015, the amount of securities appearing under "Bonds and other fixed-income securities" and maturing in the year following the date on which the balance sheet closed amounted to EUR 179,261,468.74 (at 31 December 2014: EUR 236,671,835.42).

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2015

NOTE 4 - NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4.4 - BONDS AND OTHER FIXED-INCOME SECURITIES (CONT.)

Securities included under "Bonds and other fixed-income securities" are broken down as follows:

	2015	2014
Investment portfolio securities	521,628,243.94	577,718,287.24
Structural portfolio securities	481,660,505.43	260,847,958.88
Trading book securities	0.00	0.00
TOTAL	1,003,288,749.37	838,566,246.12

(figures expressed in EUR)

At 31 December 2015, previous value adjustments maintained in line with "Beibehaltungsprinzip" totalled EUR 3,088,601.25 (at 31 December 2014: EUR 3,764,084.34).

At 31 December 2015, the fair value of investment portfolio securities amounted to EUR 538,254,718.72 (at 31 December 2014: EUR 602,453,055.22).

At the end of the financial year, the net difference between the fair value and the book value of the investment portfolio, excluding total agios and disgios, amounted to EUR 16,626,474.78 (at 31 December 2014: EUR 24,734,767.98).

At 31 December 2015, total disgios and agios on bonds and other fixed-income securities held as financial fixed assets amounted, on a pro rata basis, to the following:

	2015	2014
Disgios	563,918.43	346,442.32
Agios	14,089,547.06	10,245,813.10

(figures expressed in EUR)

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

At 31 December 2015 and 2014, there were no longer any accumulated value adjustments recognised in prior periods and maintained in accordance with the "Beibehaltungsprinzip" valuation principle.

At 31 December 2015 and 2014, participating interests did not include units/shares in credit institutions.

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2015

NOTE 4 - NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4.6 - COMPANIES IN WHICH THE BANK HOLDS A PARTICIPATING INTEREST OF AT LEAST 20% OF THE CAPITAL

<i>Name and registered office</i>	<i>% of shares held</i>	<i>Annual financial statement s drawn up on</i>	<i>Currency</i>	<i>Equity capital</i>	<i>Profit/(loss) for the financial year</i>
Immobilière Raiffeisen Luxembourg S.A. - Luxembourg	100.00%	31/12/2015	EUR	9,866,367	-184,680
Raiffeisen Finance S.A. - Luxembourg	100.00%	31/12/2015	EUR	281,320	15,498
Raiffeisen Vie S.A. - Luxembourg	50.00%	31/12/2015	EUR	19,715,542	2,170,053
Raiffeisen Luxembourg Ré S.A. - Luxembourg	100.00%	31/12/2015	EUR	3,500,000	0

* excluding profit/(loss) for the financial year

At 31 December 2015 and 2014, shares in affiliated undertakings did not include units/shares in credit institutions.

NOTE 4.7 - OTHER ASSETS

The item "Other assets" is made up of the following:

	<i>2015</i>	<i>2014</i>
Short-term receivables	227,890.24	188,936.53
Precious metals	1,361.62	1,361.62
Other	9,186,916.87	2,736,733.36
TOTAL	9,416,168.73	2,927,031.51

(figures expressed in EUR)

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2015

NOTE 4 - NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4.8 - FIXED ASSET MOVEMENTS

Changes in the Bank's fixed assets over the year were as follows:

<i>Items</i>	<i>Gross value – opening balance</i>	<i>Inflows</i>	<i>Outflows</i>	<i>Gross value – closing balance</i>	<i>Total value adjustments - closing balance</i>	<i>Lump-sum provision</i>	<i>Net value – closing balance</i>
1. Bonds and other fixed-income securities	577,850,697.34	49,432,000.00	-105,528,570.15	521,754,127.19	0.00	-125,883.25	521,628,243.94
2. Participating interests	1,699,496.98	48,444.08	-827.27	1,747,113.79	-358,973.91	0.00	1,388,139.88
3. Shares in affiliated undertakings	22,198,914.71	3,000,000.00	0.00	25,198,914.71		0.00	25,198,914.71
4. Intangible assets including:	28,354,412.66	1,734,933.07	0.00	30,089,345.73	-17,437,557.06	0.00	12,651,788.67
Concessions, patents, trademarks and similar rights acquired for valuable consideration without forming part of the goodwill	28,354,412.66	1,734,933.07	0.00	30,089,345.73	-17,437,557.06	0.00	12,651,788.67
5. Tangible assets including:	103,302,461.68	7,349,113.53	-5,566,285.53	105,085,289.68	-54,632,403.79	-797,699.04	49,655,186.85
a) Land, buildings, plant, machines and equipment	79,318,643.59	784,664.54	-610,537.41	79,492,770.72	-38,679,253.38	-671,139.96	40,142,377.38
b) Computer systems and company vehicles	16,619,793.92	2,857,555.51	-4,898,540.43	14,578,809.00	-11,458,735.29	-51,306.68	3,068,767.03
c) Office equipment, furniture and works of art	7,321,047.64	273,682.31	-57,207.69	7,537,522.26	-4,494,415.12	-50,041.04	2,993,066.10
d) Advance payments and tangible assets under construction	42,976.53	3,433,211.17	0.00	3,476,187.70	0.00	-25,211.36	3,450,976.34

(figures expressed in EUR)

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2015

NOTE 4 - NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4.9 - TANGIBLE ASSETS

At 31 December 2015, EUR 36,590,613.25 of the tangible assets on the balance sheet (at 31 December 2014: EUR 36,466,067.14) comprised land and buildings used by the Bank within the context of its own business.

NOTE 4.10 – LOANS AND ADVANCES TO AFFILIATED UNDERTAKINGS AND COMPANIES WITH WHICH THE GROUP IS LINKED BY VIRTUE OF A PARTICIPATING INTEREST

Loans and advances to affiliated undertakings and companies with which the Bank has an equity relationship are included in the items below (excluding the lump sum provision):

	<i>Affiliated undertakings 2015</i>	<i>Participating interests 2015</i>
Loans and advances to customers	34,480,910.90	38,302.40

	<i>Affiliated undertakings 2014</i>	<i>Participating interests 2014</i>
Loans and advances to customers	35,699,108.73	35,094.05

(figures expressed in EUR)

NOTE 4.11 - ASSETS DENOMINATED IN FOREIGN CURRENCIES

At 31 December 2015, the total euro amount of assets denominated in foreign currencies other than the euro and the currencies of countries belonging to the European Monetary Union stood at EUR 176,109,746.16 (31 December 2014: EUR 81,322,549.48).

NOTE 4.12 - SUBORDINATED ASSETS

At 31 December 2015, the Bank held one subordinated asset:

	<i>2015</i>	<i>2014</i>
Loans and advances to customers	104,449.5	100,294.89

(figures expressed in EUR)

NOTE 4.13 - ASSETS PLEDGED AS COLLATERAL BY THE BANK

At 31 December 2015, the Bank had a portfolio of assets pledgeable as collateral with a total purchase cost of EUR 987,120,459.47 (31 December 2014: EUR 842,865,064.59). The amount of assets actually pledged as collateral stood at EUR 8,438,515.34 at 31 December 2015 (31 December 2014: EUR 22,314,802.47).

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2015

NOTE 4 - NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4.14 - MATURITY SCHEDULE OF MAIN FINANCIAL LIABILITIES

<i>At 31 December 2015</i>	<i>Up to 3 months</i>	<i>3-12 months</i>	<i>1-5 years</i>	<i>Over 5 years</i>	<i>Total 2015</i>
Amounts owed to credit institutions	139,636,922.79	46,320,438.17	138,200,000.52	787,554.53	324,944,916.01
Amounts owed to customers	5,198,475,986.47	348,520,590.74	472,572,625.08	37,778,083.46	6,057,347,285.75
<i>including:</i>					
<i>sight deposits</i>	<i>549,701,601.57</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>549,701,601.57</i>
<i>term or notice deposits</i>	<i>1,381,000.00</i>	<i>178,900,450.00</i>	<i>414,626,938.93</i>	<i>6,062,850.00</i>	<i>600,971,238.93</i>
<i>other debts with agreed maturity dates or notice periods</i>	<i>741,642,989.38</i>	<i>169,620,140.74</i>	<i>57,945,686.15</i>	<i>31,715,233.46</i>	<i>1,000,924,049.73</i>
Debts evidenced by certificates	29,394,702.01	59,331,797.05	147,489,437.71	7,966,901.02	244,182,837.79
Subordinated liabilities	0.00	0.00	30,000,000.00	60,000,000.00	90,000,000.00
TOTAL	5,367,507,611.27	454,172,825.96	788,262,063.31	106,532,539.01	6,716,475,039.55

<i>At 31 December 2014</i>	<i>Up to 3 months</i>	<i>3-12 months</i>	<i>1-5 years</i>	<i>Over 5 years</i>	<i>Total 2014</i>
Amounts owed to credit institutions	140,545,914.99	18,200,000.00	147,395,966.49	847,099.30	306,988,980.78
Amounts owed to customers	4,623,802,063.73	641,601,422.44	190,116,991.75	43,370,169.91	5,498,890,647.83
<i>including:</i>					
<i>sight deposits</i>	<i>554,853,265.43</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>554,853,265.43</i>
<i>term or notice deposits</i>	<i>1,457,300.00</i>	<i>206,688,704.00</i>	<i>144,721,770.00</i>	<i>4,989,000.00</i>	<i>357,856,774.00</i>
<i>other debts with agreed maturity dates or notice periods</i>	<i>374,771,043.88</i>	<i>434,912,718.44</i>	<i>45,395,221.75</i>	<i>38,381,169.91</i>	<i>893,460,153.98</i>
Debts evidenced by certificates	55,264,786.17	110,575,055.12	170,568,767.14	8,686,732.83	345,095,341.26
Subordinated liabilities	0.00	0.00	30,000,000.00	0.00	30,000,000.00
TOTAL	4,819,612,764.89	770,376,477.56	538,081,725.38	52,904,002.04	6,180,974,969.87

(figures expressed in EUR)

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2015

NOTE 4 - NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4.15 - OTHER LIABILITIES

Other liabilities are broken down as follows:

	2015	2014
Short-term payables	449,055.69	376,756.58
Preferential creditors	6,398,314.45	7,499,536.87
Other creditors	16,792,152.68	18,529,222.05
TOTAL	23,639,522.82	26,405,515.50

(figures expressed in EUR)

NOTE 4.16 - SUBORDINATED LIABILITIES

Interest charges paid by the Bank for subordinated liabilities over the financial year amounted to EUR 2,512,602.74 (31 December 2014: EUR 1,500,000.00).

Details of outstanding subordinated liabilities at 31 December 2015 are shown below:

<i>Loan amount (EUR)</i>	<i>Interest rate</i>	<i>Issue date</i>	<i>maturity</i>
30,000,000	5.00%	26/03/2010	26/03/2017
60,000,000	2.75%	22/05/2015	22/05/2025

Issue contracts provide for specific circumstances under which early repayment is possible, subject to approval from the *Commission de Surveillance du Secteur Financier* (CSSF – Luxembourg Financial Supervisory Authority).

NOTE 4.17 - PROVISIONS

At 31 December 2015, the item "Other provisions" was broken down as follows:

	2015	2014
AGDL/FGDL provision	65,081,589.78	64,336,498.28
Provisions for litigation	4,466,749.66	4,347,696.41
Lump sum provision for off balance sheet items	2,843,991.40	2,848,335.62
Provisions for charges	11,177,884.72	9,881,623.48
Other provisions	38,128.24	38,128.24
TOTAL	83,608,343.80	81,452,282.03

(figures expressed in EUR)

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2015

NOTE 4 - NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4.18 - SPECIAL ITEMS WITH A RESERVE QUOTA PORTION

The amount reported under "Special items with a proportion of reserves" only comprises re-investment gains amounting to EUR 26,438,587.03 arising from the application of Article 54 of the law on income tax (31 December 2014: EUR 24,923,852.93).

NOTE 4.19 - SHARES ISSUED (CAPITAL), RESERVES, PROFIT/LOSS FOR THE FINANCIAL YEAR AND PROFIT/LOSS CARRIED FORWARD

The Bank's capital is made up of 3 classes of shares:

- class A shares are held solely by savings and credit institutions set up in the form of cooperatives or agricultural associations within the meaning of Article 12(1) of the law on the financial sector and by the new legal entity formed in 2014: Raiffeisen Members S.C.
- class B shares are held by other affiliates, existing at 1 September 2005, natural persons and legal entities from the agricultural and viticultural sector;
- class C shares are reserved for third party investors.

The par value of one company share is EUR 0.25

At 31 December 2015, the value of shares issued by the Bank totalled EUR 430,670.75 (31 December 2014: EUR 328,080.75). Banque Raiffeisen's capital amounted to EUR 2,251.75 at 31 December 2015 (2014: EUR 2,251.75) and is made up of 4,425 class A shares and 4,482 class B shares. Shares amounting to EUR 1,131.00 held by Caisses Raiffeisen affiliates included in the scope of consolidation are eliminated.

Dividends may be distributed by Banque Raiffeisen from the available profit. These must be divided into three parts in proportion to the percentage of the Bank's capital represented by each class of share.

Class A shares may be allocated a cash amount not exceeding the maximum rate of interest for 10-year savings deposits offered by the Bank plus two percent, applied to the par value of class A shares. The balance of the class A dividend is distributed to owners of class A shares in the form of class A shares that have been newly issued by the Bank for this purpose. If there are fractional shares, the balance that cannot be distributed in the form of new class A shares is allocated to a class A special reserve fund which must be used to issue new class A shares once the fund has reached an amount that makes this possible.

Class B shares may be allocated a cash amount not exceeding the maximum rate of interest for 10-year savings deposits offered by the Bank plus two percent, applied to the par value of class B shares. The balance of the class B dividend is distributed to owners of class B shares in the form of class B shares that have been newly issued by the Bank for this purpose. If there are fractional shares, the balance that cannot be distributed in the form of new class B shares is allocated to a class B special reserve fund which must be used to issue new class B shares once the fund has reached an amount that makes this possible.

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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NOTE 4 - NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4.19 - SHARES ISSUED (CAPITAL), RESERVES, PROFIT/LOSS FOR THE FINANCIAL YEAR AND PROFIT/LOSS CARRIED FORWARD (CONT.)

Regarding the class C dividend, owners of class C shares may be offered a choice between receiving a cash amount or the proposed dividend amount in the form of class C shares newly issued by the Bank for this purpose. Should this proposal be made, each class C shareholder may decide, on an individual basis, whether he/she wishes to receive all or part of his/her dividend in cash or in shares. If there are fractional shares, the balance that cannot be distributed in the form of class C shares is allocated to a class C special reserve fund which must be used to issue new class C shares once the fund has reached an amount that makes this possible.

The remainder of the profit that has not been distributed is allocated to other reserves or carried forward.

In line with Luxembourg law on cooperatives, a deduction of at least 5% is made from the net profits and is allocated to a legal reserve until said reserve reaches 10% of the share capital. This allocation is made in the subsequent financial year. Distribution of the legal reserve is not permitted.

Changes in shares issued (capital), reserves and profit/loss carried forward can be detailed as follows:

	<i>Shares issued (capital)</i>	<i>Reserves</i>	<i>Profit/(loss) carried forward</i>
As at 1 January 2015	328,080.75	281,309,361.08	0.00
Capital increase			
Incoming partners	110,850.00	0.00	0.00
Outgoing partners	-8,260.00	0.00	0.00
Profit for the financial year ended 31/12/2013	0.00	0.00	17,963,721.39
Allocation of income			
- Transfer to reserves	0.00	17,963,721.39	-17,963,721.39
- Dividends on company shares	0.00	0.00	0.00
As at 31 December 2015	430,670.75	299,273,082.47	0.00

(figures expressed in EUR)

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2015

NOTE 4 - NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4.20 - CONSOLIDATED PROFIT/LOSS FOR THE FINANCIAL YEAR

The profit/loss from the consolidated financial statements can be reconciled as follows:

	<i>2015</i>	<i>2014</i>
BANQUE RAIFFEISEN	8,087,861.63	8,900,068.56
Affiliated CAISSES RAIFFEISEN, consolidated financial statements	9,465,447.03	9,063,652.83
TOTAL	17,553,308.66	17,963,721.39

(figures expressed in EUR)

NOTE 4.21 - MINORITY INTERESTS

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

NOTE 4.22 - AMOUNTS OWED TO AFFILIATED UNDERTAKINGS AND COMPANIES WITH WHICH THE BANK IS LINKED BY VIRTUE OF A PARTICIPATING INTEREST

Amounts owed to affiliated undertakings and companies with which the Bank is linked by virtue of a participating interest are included in the items below:

	<i>Affiliated undertakings 2015</i>	<i>Participating interests 2015</i>
Amounts owed to customers	24,073,756.88	11,706,829.06

	<i>Affiliated undertakings 2014</i>	<i>Participating interests 2014</i>
Amounts owed to customers	15,379,787.02	67,012,761.62

(figures expressed in EUR)

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2015

NOTE 4 - NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4.23 - LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

At 31 December 2015, the total euro amount of liabilities denominated in foreign currencies other than the euro and the currencies of countries belonging to the European Monetary Union stood at EUR 177,274,780.98 (31 December 2014: EUR 81,083,590.04).

NOTE 4.24 - CONTINGENT LIABILITIES

The Bank's contingent liabilities are broken down as follows:

	2015	2014
Guarantees and other direct credit substitutes	81,175,911.43	81,224,964.99
Counter-guarantees	120,384,427.43	139,554,526.22
TOTAL	201,560,338.86	220,779,491.21

(figures expressed in EUR)

At 31 December 2015 and 2014, contingent liabilities did not include any amount in respect of affiliated undertakings or equity investments.

NOTE 4.25 - COMMITMENTS

The Bank's commitments are broken down as follows:

	2015	2014
Confirmed credit, not used	768,794,015.52	675,653,151.82

(figures expressed in EUR)

At 31 December 2015 and 2014, commitments did not include any amount in respect of affiliated undertakings or equity investments.

There are commitments that are not included in the consolidated balance sheet or in the consolidated off-balance sheet and which relate to future commitments to pay fixed rents for rented premises or for leased property.

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2015

NOTE 4 - NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4.26 - OPERATIONS RELATING TO EXCHANGE RATES, INTEREST RATES AND OTHER MARKET RATES

Operations relating to exchange rates, interest rates and other market rates not settled at 31 December 2015 and 2014 only concern Interest Rate Swaps. They fulfil objectives in terms of hedging the effect of interest rate fluctuations on assets and liabilities and are shown below broken down by their residual duration:

	2015	2014
	(as a notional value)	(as a notional value)
Interest Rate Swaps (Over the counter contracts (OTC))		
Up to 3 months	76,275,000.00	50,000,000.00
3-12 months	77,107,142.87	16,000,000.00
1-5 years	564,719,824.54	660,910,889.71
over 5 years	52,800,000.00	100,000,000.00
TOTAL	770,901,967.41	826,910,889.71

	2015	2014
	(market value)	(market value)
Interest Rate Swaps (Over the counter contracts (OTC))		
Up to 3 months	1,843,318.68	1,229,556.28
3-12 months	-2,632,981.62	-324,723.24
1-5 years	-22,279,287.54	-19,143,465.87
over 5 years	-6,171,696.16	-16,184,043.16
TOTAL	-29,240,646.64	-34,422,675.99

(figures expressed in EUR)

NOTE 4.27 - MANAGEMENT AND REPRESENTATION SERVICES

The Bank offers management and underwriting services in respect of which it can be held liable for negligence or for failing to fulfil its obligations.

Management and representation services comprise:

- wealth management;
- fiduciary transactions;
- holding third party assets;
- securities underwriting.

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2015

NOTE 4 - NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4.28 - BREAKDOWN OF INCOME BY GEOGRAPHICAL MARKET

The Bank mainly operates on the domestic European Union market with a significant percentage of business conducted on the Luxembourg market.

NOTE 4.29 - OTHER OPERATING INCOME

This item can be broken down as follows:

	2015	2014
Rents received	1,388,449.65	1,483,926.40
Reimbursement of AGDL claims	1,105,065.48	557,608.16
Gains on sales of buildings	1,754,774.16	828,371.42
Gains on sales of participating interests	0.00	2,046,172.82
Income relating to previous financial years	1,619,699.33	808,728.03
Other	512,816.59	528,008.68
TOTAL	6,380,805.21	6,252,815.51

(figures expressed in EUR)

NOTE 4.30 - OTHER OPERATING EXPENSES

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

	2015	2014
Expenses relating to previous financial years	596,315.13	583,578.50
Allocations to provisions	1,605,065.48	1,557,608.16
Other	227,553.05	86,237.64
TOTAL	2,428,933.66	2,227,424.30

(figures expressed in EUR)

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2015

NOTE 4 - NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4.31 - TAXES ON ORDINARY AND EXTRAORDINARY PROFIT

Taxes on profit are only payable on profit from ordinary business.

NOTE 4.32 – LOANS AND ADVANCES TO MEMBERS OF THE BANK’S MANAGEMENT STRUCTURE AND VARIOUS BANK BODIES

The amount of loans and advances given by the Bank to members of administrative and supervisory bodies and members of the management structure as well as commitments undertaken on behalf of these persons by virtue of any type of guarantee are shown as follows:

	<i>Loans and advances at 31/12/2015</i>	<i>Commitments at 31/12/2015</i>
Members of administrative and supervisory bodies	43,094	4,279
Members of the management structure (47 people)	12,184	769

	<i>Loans and advances at 31/12/2014</i>	<i>Commitments at 31/12/2014</i>
Members of administrative and supervisory bodies	40,571	7,837
Members of the management structure (42 people)	10,047	1,849

(figures expressed in thousands of EUR)

NOTE 4.33 - STAFF

The average number of staff employed by the Bank during the 2015 financial year can be broken down as follows:

	<i>Number 2015</i>	<i>Number 2014</i>
Management	5	3
Senior executives	42	36
Employees	549	542
TOTAL	596	581

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2015

NOTE 4 - NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4.34 – REMUNERATION PAID TO MEMBERS OF THE BANK’S MANAGEMENT BODIES AND MANAGEMENT STRUCTURE

The amount of remuneration allocated for the financial year to members of administrative and supervisory bodies and members of the management structure in respect of the offices held by them as well as commitments conceived or contracted in terms of retirement pensions for members of the aforementioned bodies appears below:

	<i>Remuneration 2015</i>	<i>Retirement pension 2015</i>
Members of administrative and supervisory bodies	225	0
Members of the management structure (47 people)	6,966	695
TOTAL	7,191	695

	<i>Remuneration 2014</i>	<i>Retirement pension 2014</i>
Members of administrative and supervisory bodies	319	0
Members of the management structure (42 people)	6,087	653
TOTAL	6,406	653

(figures expressed in thousands of EUR)

NOTE 4.35 - APPROVED INDEPENDENT AUDITOR’S FEES

The total fee, exclusive of VAT, paid during the financial year to the approved independent auditor is broken down as follows:

	<i>2015</i>	<i>2014</i>
Audit fees	194	194
Tax advisory services	0	0
Other services	7	0
TOTAL	201	194

(figures expressed in thousands of EUR)

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2015

BANQUE RAIFFEISEN AND AFFILIATED CAISSES RAIFFEISEN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 December 2015

NOTE 4 - NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4.36 - DEPOSIT GUARANTEE AND RESOLUTION FUND

The law concerning resolution, reorganisation and liquidation measures of credit institutions and some investment firms, as well as deposit guarantee and investor compensation schemes (the "Law"), transposing 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 into Luxembourg law, was adopted on 18 December 2015.

The deposit guarantee and investor compensation scheme in force until then, implemented by the *Association pour le Garantie des Dépôts Luxembourg* (AGDL – Luxembourg Deposit Guarantee Association), will be replaced by a new contributory deposit guarantee and investor compensation scheme. The new scheme will guarantee all eligible deposits from the same depositor up to EUR 100,000 and investments up to EUR 20,000. The Law also provides that deposits resulting from specific transactions or fulfilling a social objective, or else linked to particular life events are protected above EUR 100,000 for a 12-month period.

The provisions formed in the annual financial statements over the years in order to be able, where appropriate, to fulfil their obligations vis-à-vis the AGDL are used as and when they are contributed to the new *Fonds de résolution Luxembourg* (FRL – Luxembourg Resolution Fund), or when the new *Fonds de garantie des dépôts Luxembourg* (FGDL – Luxembourg Deposit Guarantee Fund) is formed.

By early 2024, the amount of the FRL's financial means must reach at least 1% of the guaranteed deposits, as defined in Article 1 para. 36 of the Law, of all the credit institutions approved in all the participating Member States. This amount will be collected from credit institutions by means of annual contributions during the 2015-2023 financial years.

The target level for FGDL's financial means is set at 0.8% of the guaranteed deposits, as defined in Article 153 para. 8 of the Law, of member institutions and must be reached by late 2018. Contributions will be paid annually between 2016 and 2018. For the 2015 financial year, a provision amounting to 0.2% of the guaranteed deposits has been formed ahead of these contributions, rather than using the existing AGDL provision.

Once the 0.8% level has been reached, Luxembourg credit institutions will continue to contribute for a further eight years in order to form an additional safety buffer of 0.8% of the guaranteed deposits, as defined in Article 153 para. 8 of the Law.

At 31 December 2015, the FGDL provision was EUR 65,081,589.78 (at 31 December 2014: EUR 64,336,498.28), and the amount paid in 2015 in respect of the FRL was EUR 359,973.98 (at 31 December 2014: ---).

Consolidated management report

The scope of consolidation includes Banque Raiffeisen and the affiliated Caisses Raiffeisen entities within the meaning of article 12 of the law of 5 April 1993, as amended, on the financial sector. The term "Bank" shall hereinafter be used to refer to the group made up of Banque Raiffeisen and the affiliated Caisses Raiffeisen entities.

Similar to the 2014 financial year, both geopolitical and socio-economic factors had a major impact on the global economy during 2015.

From a geopolitical perspective, it is difficult to remain silent on the resurgence of terrorism worldwide with economic consequences for both countries whose main sources of revenue are linked to tourism and Western countries in which the heightened sense of insecurity urges caution and therefore a certain slowdown in the economy.

Concurrent with the wave of terror, various conflicts have compounded the migrant crisis and presented the entire international community with enormous social and economic challenges in terms of its management and resolution.

Fortunately, international diplomacy provides us with more positive prospects, notably with the resumption of diplomatic relations between the USA and Cuba on the one hand, and Iran on the other.

Economically speaking, the continuing environment of historically low commodity prices, combined with international sanctions, continued to put pressure on the Russian economy and the rouble. With growth of 6.9%, China posted its worst results in a quarter of a century. The Chinese stock exchanges were put under considerable pressure in the summer, and the Chinese central bank continued to support the yuan by drawing heavily on its currency reserves. Owing to the economic slowdown, combined with increased supply (notably following the addition of Iranian production and shale gas), the oil-producing countries were hit by the falling barrel price, which, consequently, impacted their budgetary balances.

The situation in Europe stabilised slightly, particularly in Greece where, following lengthy negotiations, drastic measures seem to have reassured the international organisations. With unemployment falling from 11.2% to 10.5% and GDP rising by 1.9%, Spain ranked first, posting 2.1% growth. It should be noted, however, that Germany had a less prosperous year, posting growth of 1%.

Against this backdrop, the ECB is pursuing its policy of supporting the economy by keeping its key interest rate historically low, while continuing its bank lending programme at preferential rates with the aim of reviving industrial investment (TLTRO).

To round off the section on key interest rates, we should point out that, in December 2015, the Fed hiked its rates for the first time since 2006 owing to the positive employment and growth prospects.

In terms of stock market activity, the beginning of the year confirmed the upturn observed since late 2013, but this trend was not consolidated in the second half, impacting the overall financial year, which posted very lacklustre results.

These various factors have caused predictable political effects with clearly renewed interest in both right-wing and left-wing extremism, resulting in national identity crises and the temptation for countries to be inward-looking, accompanied by all the underlying economic impacts of this.

At the domestic level, analysts envisage 2.1% growth, while unemployment has fallen below the 5.5% mark. Against this unstable and difficult backdrop, the Bank has continued its expansion as evidenced by the uninterrupted growth in volumes dedicated to financing of the economy, while also strengthening the customer relationship via, among others, the OPERA programme. This programme has been a runaway

success and at the end of the 2015 financial year, it had 22,373 members – an increase of 6,882 members compared with the previous year.

The Bank also continued to roll out its branch network modernisation plan so as to better meet its customers' expectations in terms of both reception quality and security. At the same time, the Bank's digital banking services continued their transformation in order to better meet customers' behavioural needs. In addition to these developments, the Bank has concluded negotiations with Entreprise des Postes et Télécommunications concerning opportunities to work together and develop a partnership. The partnership agreement was signed on 22 February 2016.

Balance sheet

At 31 December 2015, the balance sheet total was up 8.5% compared with a year earlier, standing at EUR 7.222 billion.

On the liability side of the balance sheet, funds deposited by non-banking customers (amounts owed to non-banking customers and debts evidenced by a certificate) increased by EUR 457 million. This growth occurred in the Bank's sales departments for both resident retail and resident business customers. The erosion of non-resident deposits continued throughout the period.

The 29.2% drop in debts evidenced by a certificate was mainly due to a change in the investment policy of our customers who are more inclined to go for more traditional products, which posted 10.2% growth.

The issue of a subordinated loan during the 2015 financial year for EUR 60 million explains the 200% increase in subordinated liabilities.

On the asset side of the balance sheet, receivables from customers and leasing operations totalled EUR 5.270 billion, up EUR 242 million relative to 31 December 2014.

This growth continues to demonstrate the role that the Bank wishes to play in financing the national economy. The vast majority of the Bank's lending is centred on to personal mortgages and property loans, as well as financing for businesses and SMEs.

The growth in loans and advances to credit institutions (+99%), along with the rise in bonds and other fixed income securities (19.5%), results from the reinvestment of deposits on the liabilities side by complying with the allocated risk levels.

Income statement

The slight decline in net interest income in 2015 compared with 2014 (-1.1%) confirms the competitive pressure on margins against a backdrop of historically low interest rates. The rise in the volume of new business was not sufficient to counteract the effects caused by this competition.

Net income from fees increased by 9.3% to EUR 20.2 million. This growth results from the expansion of our lending and customer services operations driven by an environment marked by the volatility of the financial markets.

Net banking income (the sum of net interest income, net fee income, income from securities and income from financial operations) was up 0.5% on the previous year, at EUR 115.4 million.

The Bank's operating costs rose by 1.9% compared with 2014. Higher staff costs were only partly offset by tight control over other overheads.

The 3.1% growth in staff costs was due to the increase in the average employee headcount (+2.1%), combined with the impact of pay-scale-related salary increases.

The tight control over overheads helped to continue their reduction, as observed since 2012. They were down 1.1% year on year.

The 4.9% rise in value adjustments on tangible and intangible assets results from investments linked to new sites or substantial transformations of existing sites, as well as to our increased IT investment in view of the challenges facing the Bank.

The strictly prudent approach to managing the risk on the Bank's lending portfolio resulted in a net provision for value adjustments of EUR 6.4 million. The Bank believes that this amount was sufficient to cover all credit risks identified in the year.

On the basis of the foregoing, the Bank posted profit after tax of EUR 17.6 million in 2015, compared with EUR 17.9 million in 2014 – a drop of 2.3%.

This performance, in addition to the Bank's strengthening of its workforce and action to modernise its infrastructure and develop the branch network, will provide the Bank with the means to continue its growth over the coming years in an uncertain economic, competitive, geopolitical and regulatory environment.

The return on assets as defined in Article 38.4 of the law of 5 April 1993, as amended, is 0.24%.

Proposed distribution of net profit at 31/12/2015

Net income for the year: EUR 8,087,861.63

- Category A reserve funds:
EUR 4,063,236.80 (of which reserve for wealth tax: EUR 2,231,301.77)
- Category B reserve funds:
EUR 4,024,624.83 (of which reserve for wealth tax: EUR 2,210,098.23)