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SEMI-ANNUAL REPORT

(in accordance with F.S.A. no. 1/2006 regarding issuers and issues of securities)*

30 June 2016

RAIFFEISEN BANK S.A.

Registered office: Sky Tower Building, 246 C Calea Floreasca, 014476, Bucharest 1

Telephone number: +40 21 306 1000

Fax number: +40 21 230 0700

Unique registration code with the Trade Registry Office: 361820

Number in the Trade Registry: J40/44/1991

Subscribed and paid in capital: 1,200,000,000 RON

Regulated market where the issued securities are traded: Bucharest Stock Exchange

*** The translation of the Semi-annual Report is a free translation from Romanian, which is the official version.**

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1. Economic and financial standing

1.1. a) Analysis of balance sheet items:

Assets

The total assets volume of Raiffeisen Bank S.A. is RON 31 billion at the end of June 2016. This value increased compared to the end of the similar period of the previous year by 7%. Customer business remains the main driving force.

The main components of total assets:

% of total assets	30-06-16	30-06-15
Loans and advances to customers	61.0%	60.4%
Cash and cash with Central Bank	23.9%	17.1%

Loans to customers increased by 8% compared to June 2015, from RON 17.5 billion in June 2015, to RON 18.9 billion in 2016, mainly due to a good sales performance of both private individuals and legal entities.

In 2016, we financed the economy with total loans approved in excess of RON 6.3 billion, up 32% yoy. Our efforts to provide accessible funding solutions for local businesses translate in new term loans for SME 9% greater yoy (up to RON 345 million), helped also by 50% higher disbursements from EIF sources. New corporate loans approved increased by 40% yoy, pushed upward by some major syndicated deals.

Originations of PI personal loans (RON 1.6 billion in H1 2016) increased yoy by more than 50%. Background factors include improved sentiment regarding economy perspectives, higher wages and our dedication to help our clients reach their goals through quality products that best suit their needs.

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Secured originations for PI were dominated once more by the approx. 1,250 "Prima casa" new loans disbursed in 2016, in a relatively uncertain and difficult legal background.

In the first half of 2016, organic growth in net loans of 6% was supplemented by the acquisition of a loan portfolio of EUR 75 million from a company part of RBI Group.

It is worth mentioning that, compared to the end of the same reporting period of the previous year, there has been a slight improvement in terms of relevant indicators of capital adequacy. We have a solid capital position and our capital ratio of 19.45% positions us well above regulatory requirements and up 118 bp vs the previous year.
Liquidity remains excellent, with over a third of total assets (35%) placed in liquid instruments (cash, cash equivalents and securities).

Securities portfolio decreased by 37% compared to June 2015 in the context of rather limited market opportunities and continuously lower yields.

Liabilities:

In RON thousand	**30-06-16**	**30-06-15**
Deposits from banks and loans from banks and other financial institutions	1,810,441	2,816,409
Deposits from customers	23,499,540	20,867,508
Debt securities issued	724,596	739,493
Subordinated liabilities	948,756	946,726
Other liabilities	767,005	753,277

The total amount of liabilities has increased compared to the end of June 2015 (by 6.2%), deposits from customers showing once again strong, double-digit growth pace (+13%), up to RON 23.5 billion, helped primarily by Retail current accounts (+40% yoy). On the background of interest rates at historically low levels, this trend further outlines the trust we gained in time from our clients and places us in a good position to continue developing our business.

b) profit and loss account: net sales; gross income; cost and expense elements with a share of at least 20% of net sales or gross income; provisions for risk and other expenses; reference to any sale or shutdown of an activity segment made within the past 6 months or about to be made in the next 6 months; paid and declared dividends.

The major Profit and Loss components are:

In RON thousand	30-06-16	30-06-15
Net interest income	538,685	505,259
Net fee and commission income	303,047	294,232
Net trading income	146,461	130,751
Operating and personnel expenses	-618,928	-584,233
Net impairment loss on financial assets	-307,505	-144,318
Profit net	**162,213**	**212,620**

The profit of Raiffeisen Bank S.A. in the first semester of 2016 decreased by 23.7% compared to the same period of the previous year, reaching Ron 162.2 million. Results were affected by two unusual events: RON 191 million provisions for the foreseen effects of the "Datio in Solutum" law and RON 95.4 million gain from the sale of Visa Europe Limited to Visa Inc.
Without these two events, the underlying profit development is positive, +13% yoy.

Lending volumes and business activity rose during the year, which managed to offset to some degree the downward impact of declining interest rate levels throughout the banking system. Net interest income increased from the prior year, primarily reflecting the impact of lower interest expense and higher average loan balances, but also helped two intra-group transactions (the one previously mentioned and another one consisting in the takeover of an approx. EUR 240 million loan portfolio in May 2015).

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Margins remain under pressure, influenced by the competitive environment, persistently low market rates, surplus liquidity in the banking system and also by lower yields for the debt instruments portfolio.

Interest rates declined in line with market trend for deposits (both LCY and FCY), with repricings on PI deposits mainly. Another factor for the decrease in average interest rate offered for the customer liabilities was that a large proportion of the balances increase was brought by products bearing low or no interest rates (notably, current accounts from individuals and SME have increased in balances by more than 40% yoy).

Transactional activity also intensified on all customer segments (+9% in number of payments) and contributed to the higher net commission income.

We continuously aim to deliver efficiencies and provide improved customer experience, with simple products and convenient multi-channel access, while at the same time streamlining our processes and systems:

- We are pleased to see sustained growth in our clients' usage of alternative channels. Especially worth noting the 66% growth in active users of our Mobile banking application, up to 33 thousand. Also, our multifunctional machines increased to 83 (vs. 13 in June 2015), allowing for greater speed and convenience in our clients' current operations.
- The number of payments from Corporate clients increased by 15% yoy, while the electronic penetration improved from 88% one year ago, to 94% in 2016. This latter trend is seen bank-wide and part of our clearly stated strategy of digitalization

Net provision expense increased to RON 308 million compared to the first semester of 2015 when it was RON 144 million, negatively affected by increased provisions related to 'Datio in solutum' law. Without the influence of this events, the dynamic of underlying provisioning for impairment losses on

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loans and advances to customers was positive yoy (lower by 20%), in close connection with the general up-swing in economic environment and sentiment. This comes as a confirmation of the positive signals we have witnessed in the last 2 years, outlining also the effects of our disciplined and prudent risk approach.

Our prudent risk strategy shows results also in terms of the non-performing loans ratio (computed in accordance with the International Accounting Standards IAS), which decreased to 6.9% in H1 2016, from 7.2% in H1 2015.

With respect to any sale or shutdown of an activity segment made within the past 6 months or about to be made in the next 6 months:

Not applicable.

Dividends declared and paid in 2015: RON 606 million

Dividends proposal for approval in AGA on 14th September 2016: RON 330 million

c) cash flow: all changes in cash of the main activity, investments and financial activities, the level of cash at the beginning and end of period.

Not applicable.

Under current regulations, credit institutions do not prepare such statements at half-year.

The financial statements at 30 June 2016 are not audited.

2. Analysis of the company's activity

2.1. Presentation and analysis of trends, items, events or uncertainty factors that affect or could affect the company's liquidity, compared to the same period of the previous year.

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The framework for managing the liquidity risk plays a decisive role in the process of ensuring adequate liquidity. To this end, the bank defines and implements the Liquidity Strategy and Policy, that is revised annually or whenever changes in the internal and external environment requires such revisions, through which the Management Board approves the framework for management, monitoring and control of the liquidity risk, as well as the funding plan of the bank.

Management, monitoring and liquidity control are made in accordance with the NBR Regulations No. 5/2013, No. 25/2011 and Regulation No. 575 / 2013 of the European Parliament and the Council of European Union, and also with applicable national regulations.

The main instruments utilized for managing and monitoring the liquidity risk are:

- the internal transfer pricing mechanism, applicable to all business lines, which ensures a pricing policy for assets and liabilities in accordance with the liquidity risk generated by each element;
- daily reports: liquidity gap used for identifying mismatches between assets' and liabilities' maturities, as well as a stress-test type report created for assessing the bank's liquidity position under three stress scenarios;
- early warning system: reveals the information that could indicate a vulnerability of the liquidity position caused either by factors related to financial markets, or by internal factors;
- balance sheet structure report: contains indicators such as the equilibrium between loans and deposits, financing concentration, liquidity reserve to total liabilities ratio;
- statutory report: represents a liquidity gap calibrated by the supervisory authority with the purpose of monitoring and controlling the liquidity risk of the bank.

Compared to the same period of the previous year, the situation of the financial markets in which the bank operates has improved, this period having been generally marked by a decreasing trend in risk aversion. This development was sustained by policies adopted by central banks that led to an increase in available liquidity and a reduction in the financing cost.

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During this period, the bank continued to prudently manage the liquidity position, pursuing a strategy of diversifying its financing structure by increasing the base of deposits from customers. The main funding source comes from deposits from retail customers, while sources attracted from other customers, deposits and interbank loans complete this funding structure. This diversification improves the flexibility of the Group on what funding is concerned, and generally reduces the liquidity cost. Thus, both the stability of funding structure and the loan-to-deposit ratio improved compared to the previous period.

Moreover, based on stress simulations, the bank has periodically calibrated the required liquidity reserve, which was maintained at an appropriate level for ensuring normal activities during an acceptable period of time, throughout unforeseen stress situations.

From a risk management perspective, in H1 2016, the bank continued to maintain the objectives of ensuring the equilibrium between funding continuity and flexibility given by the use of liabilities with different maturities, as well as ensuring an adequate ratio between loans and deposits from customers.

2.2. Presentation and analysis of the effects on the company's financial position of all capital expenditures, current or anticipated (stating the purpose and financing sources of these expenditures), compared with the same period of the previous year.

Raiffeisen Bank assesses the investment opportunities and deploys the necessary resources taking into account a series of criteria as follows:

- Alignment of projects to the long and medium term investment strategy
- The realized investment projects must be value accretive by meeting minimum return requirements
- The investments must be consistent with the Bank's risk appetite

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- The need to stay compliant with all rules and regulations.

The resource deployment towards investment programs is highly correlated to the Bank's strategic goals:

- **Customer experience and business growth.** An important part of the Bank's resources is focused on the identification of the specific needs of clients and customizing accordingly the banking products and services.
- **Simplification.** The Bank seeks to identify and implement those specific methods that allow continuous simplification of the internal processes and activities.
- **Infrastructure and business administration.** The costs needed to run the business and maintain the existing infrastructure.
- **Compliance and regulatory.** Adjusting the internal systems and processes to line up to legal and other regulatory requirements.

Compared to the similar period of 2015, the capital expenditures in the first half of 2016 had an upward trend, given that more resources were allocated to improve customer experience and business growth, continuous development of the IT infrastructure and higher expenditure on car fleet replacement.
Highlights and accomplishments for the first half of 2016 of the investment portfolio are summarized below:

- In order to increase the diversity of the services offered to our clients, we extended our network of multi-function cash machines. At the end of June 2016, 83 Multi Function Machine (MFM) are available to our customers for cash operations (besides cash disbursement, these devices provide additional options such as cash deposits and foreign exchange operations).

- Simplification of internal processes and facilitating collaboration within the organization. Automation and continuous optimization of the key processes in the Bank and new modern tools of communication and collaboration are now available to our employees.

- The Bank is consistent in continuous development of the IT infrastructure, 47 % of capital expenditure being focused in this area.

- Continuous development of our distribution channels to meet the needs of our customers. The orientation of our customers to alternative channels is on a steadily upward trend, confirming that the investments in Internet Banking and Smartmobile solutions have met the market demands. In 2016 several new releases have been implemented for both Raiffeisen Online and Smart mobile services and at the same time a new virtual operator Raiffeisen Bank (Ana) is now available for our Call Center services.

- The traditional distribution channel remained an important topic on the Bank's agenda in 2016. We focus on offering convenience to our customers by being in their proximity and facilitating a pleasant interaction in each of our branches. In the first half of 2016 we relocated 2 branches, 10 locations were closed and 2 others were refurbished.

2.3. Presentation and analysis of events, transactions, economic changes that significantly affect revenues from core activity.

In Q1 2016, real Gross Domestic Product (GDP) advanced by 4.3% yoy (1.5% qoq), beating expectations, and it was driven mainly by the fast increasing private consumption (9.5% yoy). Exports of goods and services reported an increase of 5.5% yoy, which was surpassed by the more rapid advance of imports of goods and services (9.7% yoy), thus resulting in a negative contribution of net

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exports to the GDP advance in the first quarter. On the supply side, the main driver of GDP growth in Q1 2016 was gross valued added in services (6.3% yoy), but also gross value added in industry and constructions posted positive dynamics of 0.6% yoy and respectively 1.8% yoy. In Q2 2016, economic growth accelerated as real GDP posted an impressive 6.0% yoy advance, significantly exceeding expectations, most likely driven by private consumption.

In H1 2016, the public budget reported a deficit in amount of RON 3.9 billion, equivalent to 0.5% of the official full year GDP projection (cash definition). However, this is a low level compared to the public deficit target set for 2016 (2.8% of GDP). During H1 2016, the external imbalances (current account balance and foreign trade balance) started to enlarge from their very low levels as imports' dynamics outpaced exports' growth.

The inflation rate remained deep in negative territory in H1 2016, determined by the VAT rate cuts (June 2015 and January 2016). However, the inflation rate augmented in June, to -0.7% yoy from -3.5% yoy in May as it was not anymore impacted by the cut of VAT rate for food products enforced one year ago (June 2015). Moreover, despite the fast increase in private consumption, underlying inflationary pressures did not intensify in this period of time. During H1 2016, the National Bank of Romania (NBR) maintained the key interest rate unchanged at 1.75%, while refraining from sterilizing the excess liquidity from the money market which stood at an elevated level. As a result, money market interest (ROBOR) rates remained at very low levels during H1 2016, significantly below the key interest rate, which also translated in lower levels of lending and deposit interest rates used by banks in relation with their customers. Yields for RON Government securities faced mixed developments during the first half of the year. The short end of the yield curve declined, benefiting from the liquidity surplus in the money market. The medium and long term dated governmental securities were more sensitive to developments of the external markets. Furthermore, during Q1, the entire yield curve shifted downwards, while in Q2 yields for medium and long term Government bonds moved up mainly due to increasing uncertainty related to Brexit, while embarking on an downward trend afterwards, starting with end June. In early 2016, NBR reduced the MRR ratio for FCY liabilities to 12% from 14%.

Lending activity had an ascending trend in H1 2016, but at a slower pace compared to end of 2015. The total stock of outstanding loans (RON+FCY) went up by 1.0% yoy in June 2016. The stock of loans denominated in RON remained on an upward trend (16.2% yoy in June), as a more solid advance was recorded in case of the household segment, while the advance of the corporate segment presented some signs of weakness towards end of H1 2016. The positive dynamics recorded in case of stock of loans denominated in RON fully compensated for the contraction of the FCY stock of loans (-12.7% yoy in June), as both household loans and corporate loans posted negative dynamics. The divergent trend for lending in RON (strong) and lending in FCY (weak) persisted in H1 2016, keeping the ratio of the FCY loans to total loans granted by banks to the private sector on a downward trend. Thus, in June, the ratio of FCY loans to total loans reached its lowest level since 1997, coming at 46.0%. The NPLs ratio declined further in H1 2016, and reached a level a level of 12.4% in May.

In H1 2016, the "Mortgage walk-away" law, allowing the borrowers to fully settle their liability by transferring to the lenders the ownership right over mortgages used as collateral for loans, was enforced (effective starting from 13 May). The "walk away" option is available only for loans backed by mortgages that qualify as dwellings and it can be exercised only by "consumers" as defined by the law. A ceiling of EUR 250,000 equivalent on the size of the loan at the time of origination was set, while the loans originated under the "First Home" governmental program are excluded. The Law applies for all existing contracts (retroactive applicability) and not only for those originated after its enforcement.

3. Changes in the capital and management of the company

3.1. Description of cases in which the company was unable to meet its financial obligations during the relevant time period.

Not applicable.

3.2. Description of any changes regarding the rights of holders of securities issued by the company.

Not applicable.

4. Significant transactions

For issuers of shares, information on major transactions concluded by the issuer with persons acting in concert with, or in which these persons have been involved in the relevant time period.

Not applicable.

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Annexes:

Please see the annexes attached to the Romanian version of the Semi-annual Report.

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