Raiffeisen BANK

Client inspired banking

ANNUAL REPORT 2018

Annual Report 2018

Raiffeisen BANK

Client inspired banking

Contents

Survey of Key Data

Unconsolidated data according to IFRS

In CZK thousand	2018	2017	2016	2015	2014
Income Statement					
Net interest income	7,290,089	6,184,282	6,286,222	6,104,446	5,887,896
Net commission income	1,863,240	1,919,411	1,694,634	1,834,722	1,966,630
Net profit on financial operations	1,412,533	2,263,562	2,060,374	1,258,742	1,028,409
Operating expenses*	(5,818,506)	(6,041,384)	(6,112,611)	(5,074,645)	(5,227,389)
Profit before tax	4,176,273	3,924,552	3,286,780	3,154,783	2,533,237
Profit after tax	3,364,971	2,824,658	2,604,336	2,538,362	2,049,030
Earnings per share	3.04	2.55	2.35	2.29	1.91
Balance Sheet					
Loans and advances to banks	99,358,402	103,583,094	5,664,472	4,047,655	29,453,508
Loans and advances to customers	234,091,842	214,944,301	207,686,359	182,790,328	163,810,265
Deposits from banks	32,135,721	27,379,967	29,489,006	10,385,876	10,582,889
Deposits from customers	271,118,509	252,076,227	227,462,765	183,704,256	164,655,562
Equity	28,782,198	27,186,990	25,082,887	24,395,816	22,871,660
Balance-sheet total	362,563,907	337,874,148	318,278,079	246,325,030	226,028,508
Regulatory information					
Risk-weighted assets (credit risk)	139,427,627	111,400,113	108,319,196	102,492,155	112,071,865
Total own funds requirement	12,726,551	10,434,868	10,111,265	9,538,983	10,369,999
Total regulatory capital	26,909,407	23,074,379	22,145,560	21,171,347	20,869,679
Tier 1 ratio – Basel II	14.9%	16.1%	15.4%	15.4%	13.3%
Capital adequacy ratio	16.9%	17.7%	17.5%	17.8%	16.1%
Performance					
Return on average equity (ROAE) before tax	15.2%	15.9%	14.2%	14.4%	13.4%
Return on average equity (ROAE) after tax	12.3%	11.4%	11.2%	11.6%	10.9%
Cost/income ratio	53.9%	58.1%	59.4%	54.6%	58.9%
Return on average assets (ROAA) before tax	1.2%	1.1%	1.1%	1.3%	1.2%
Return on average assets (ROAA) after tax	1.0%	0.8%	0.9%	1.1%	1.0%
Impairment losses to average assets	0.2%	0.1%	0.3%	0.5%	0.5%
Non-performing loans ratio	1.8%	2.5%	3.6%	4.7%	6.0%
Risk/earnings ratio	7.5%	4.2%	8.6%	11.5%	12.5%
Resources as of reporting date					
Recalculated number of staff	2,972	2,900	3,030	2,656	2,618
Business outlets	128	124	136	122	119

*Includes personnel expenses, general operating expenses and depreciation/amortisation of property and equipment and intangible assets

On 2 January 2019, the Bank was awarded the following rating:

Rating agency	Long-term rating	Short-term rating	Outlook
Moody´s Investor Service	Baa1	Prime-2	Positive

Moody’s Investors Service is registered under Regulation (EU) No 462/2013 of the European Parliament and of the Council.

Introducing Raiffeisenbank a.s.

We are a comprehensive bank providing services to a wide range of clients. However, **we focus on key groups of clients** that have a lot in common – they are **active, demanding, and satisfied**! Customer satisfaction is for us a key mantra in all that we do and offer as a bank.

We started in 1993 with two branch offices, and thanks to successful growth, we gradually became the **fifth largest bank** firmly established on the Czech market with 3,000 employees. We provide today in the Czech Republic **precision banking services, transparent products, and reliable service** to private and business clientele. We have at our disposal 128 branch offices and client centres. We also offer the services of specialised mortgage centres and personal, business, and corporate advisors.

Raiffeisenbank's wide range of awards confirms the outstanding quality of the services it offers. Of all of these, our multiple success in the Hospodářské noviny awards stands out. We are the first and so far only bank in history to win in both main categories during the same year. As a part of these prestigious awards, we were awarded in 2018 as **the Most Client-Friendly Bank of the Year for the fourth year in a row**, which has never been achieved by anyone.

Besides its business activities, Raiffeisenbank is also involved in a number of community service activities related to education, charity, and culture. Social responsibility is an integral part of the bank's corporate values, culture, and strategy, and reflects the longstanding traditions of the Raiffeisen brand.

As is generally known, the traditional trademark of the Raiffeisen Group is a special feature – two crossed horse heads. For hundreds of years, this emblem has adorned the facades of many buildings throughout Europe and is a symbol of protection for families gathered under one roof against evil and life-threatening situations. **In 2018, we celebrated our 25th anniversary on the Czech market**.

Raiffeisenbank's majority shareholder is the Austrian financial institution Raiffeisen Bank International AG (RBI). RBI provides services to corporate and investment clientele in Austria and also serves clients in many countries in Central and Eastern Europe. The group's shares have been listed on the Vienna Stock Exchange since 2005.

Important Events of 2018

- In February 2018, Raiffeisenbank was awarded by Market Vision, which carries out a study each year relating to **life insurance** on the Czech market, as the **highest quality provider** of these services.

- Raiffeisenbank appointed Jarmila Brčáková to the position of **ombudsman**. She has taken over the symbolic sceptre from Petr Rögner, who has retired after many years of success at the bank.

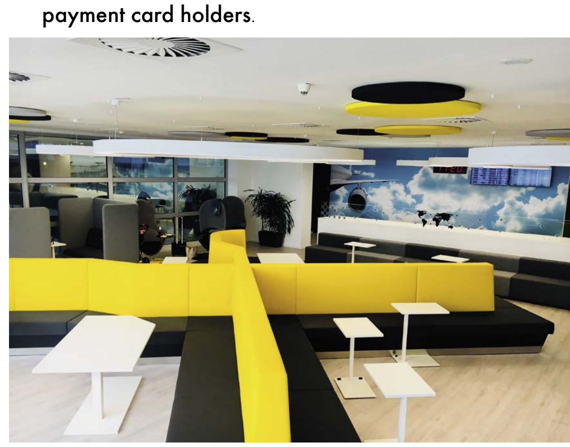
- On Monday, 25 June 2018, Raiffeisenbank celebrated **25 years on the Czech market**.

- With effect from 15 April 2018, **Martin Stotter** became a **new member** of the Board of Director of Raiffeisenbank. In his position as CRO (Chief Risk Officer), Martin is responsible for risk management. As of the same date, František Ježek took over the management of the Corporate segment. Starting on 1 July 2018, **Vladimír Matouš** became a new member of the Board of Directors of Raiffeisenbank and is responsible for IT.

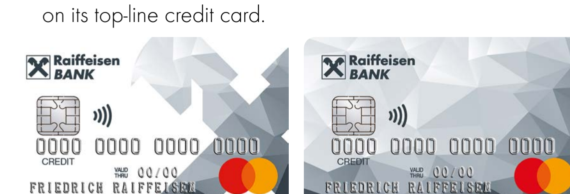
Martin Stotter

Vladimír Matouš

- The Prague **Václav Havel Airport has opened a newly renovated lounge** for demanding Raiffeisenbank clients as well as other guests. It is located on the 2nd floor of the departures hall in Terminal 2, and all of the benefits are available free of charge to select Raiffeisenbank **premium payment card holders**.



- After last year's successful launch of a new design for debit cards, which was created in cooperation with the illustrator Maria Makeeva, Raiffeisenbank also changed the **design of its STYLE and EASY credit cards**. This time, the bank stayed within its own ranks and developed the concept used on its top-line credit card.

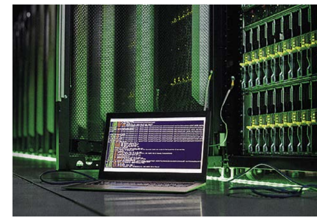


During 2018, Raiffeisenbank opened **six new branch offices**, expanded its **network of deposit ATMs** to 97, and installed **contactless readers** on almost the entire network of its ATMs.

The bank finished integrating all of its clients into the new Internet banking system, and right before the end of the year, offered its clients a completely **new mobile banking application**.

Raiffeisenbank is the only bank on the Czech market to be awarded **four times in a row the title Most Client-Friendly bank of the Year**.

The Czech Competence Centre for Cryptology and Biometrics won a competition for consultation and analysis of customer service security supported by cryptographic algorithms and biometrics. As a result, **these services are provided as the international competence centre for Raiffeisen Bank International (RBI)**.



After becoming a **general partner of the National Theatre** in 2017, Raiffeisenbank would like to continue to promote and develop quality artistic creations that the National Theatre produces on all of its stages. For its partnership in 2018, Raiffeisenbank supported a creative campaign reflecting the values that represent a link between both institutions – a focus on exceptional performance, precision, and reliability.

The objective of the creative project Zlatka.in is to improve the financial literacy of children in the form of entertaining instruction. With the support of Raiffeisenbank, they created for small school children an interactive page with many tasks and games, which children enjoy visiting even on the weekend. **Zlatka.in was established with the goal of developing the financial literacy of students** in the first and second grades of primary school. Through games and non-traditional tasks, children master the basics of managing money. They also find out how banks and their products function, for example, payment cards or consumer loans.

Statement of the Chairman of the Board of Directors

Dear Ladies and Gentlemen,

I am very pleased to confirm that we have managed to follow up on our successes of 2017, and hence the twelve months of 2018 will go down in history as the most successful period in Raiffeisenbank's long and rich existence. During the year, we have fulfilled our growth strategy and strengthened the position of Raiffeisenbank on the domestic market.

Indeed, 2018 was a year of historical success for us. It is also true that it was a very demanding year. Just like all the other banks on the market, we not only had to deal with the constantly increasing requirements of Czech and European regulators, but also the burgeoning agenda related to introducing technological innovations. Despite all of these challenges, we achieved year-on-year growth in the area of lending (+8.8%) and deposits (+7.6%) and reached an historical level of net profit of CZK 3.36 billion, which is a 19% increase year-on-year. The bank's total assets reached CZK 362.5 million, thus increasing year-on-year by 7.3%.

The above figures confirm our position among the best and systemically most important banks on the Czech market. In addition, to last year's record results, we celebrated our 25th anniversary in a more than dignified manner and also commemorated it throughout 2018.

During the past 25 years, we have received a wide range of domestic and international awards which symbolize a seal of quality. Of all of these, our multiple success in the Hospodářské noviny awards stands out. We are the first and so far only bank in history to win in both main categories in the same year. During these prestigious awards last year, we were awarded as the Most Client-Friendly Bank of the Year for the fourth year in a row, which had not been achieved before. We greatly value this award because it is an independent and objective comparison of all relevant domestic banks.

In 2019, Raiffeisenbank will remain a comprehensive bank providing professional, quality, and precision banking services. Our mission is to be a client-friendly bank and to stand out among the other banks in customer service and experience. Hence, we will continue to invest our funds and efforts into digitalisation and increasing the comfort of our clients and employees. The key priorities for 2019 include further increasing customer satisfaction, which we measure using the Net Promoter Score (NPS) index. We will also work, for example, on improving the mobile application, which we introduced to the public before the holiday season and which brings new functionality, a higher level of security, and new design, We will also focus on preparing mobile payments and a new authentication tool which will gradually replace SMS messages, and we will also continue with an important front-end project for our branch network.

On behalf of the bank's management, I would like to thank our employees who stand behind the excellent results of Raiffeisenbank in 2018. I thank them for their determination and all the effort and care that they have put into the bank throughout the past year. I am fully aware of the fact that it is mainly because of their work that we can be a successful and flourishing bank. It is a great pleasure for me to state that Raiffeisenbank is one collaborating team in the spirit of its corporate values – a company where all employees take responsibility for their own work as well as for the results of the entire bank. We do things simply, efficiently, and with deliberation. We are a bank where one can rely on the other and where the success of the whole is more important than individual success.

I would also like to sincerely thank our shareholders for their support, and of course, first and foremost, our clients and business partners, whose trust and loyalty are very inspiring for us. We value this trust greatly, and we are intensely working so that we may continue to provide the highest quality products and services.

Faithfully yours,

Igor Vida
Chairman of the Board
of Directors and CEO

Board of Directors' Report on the Business Activities of the Company and the State of its Assets

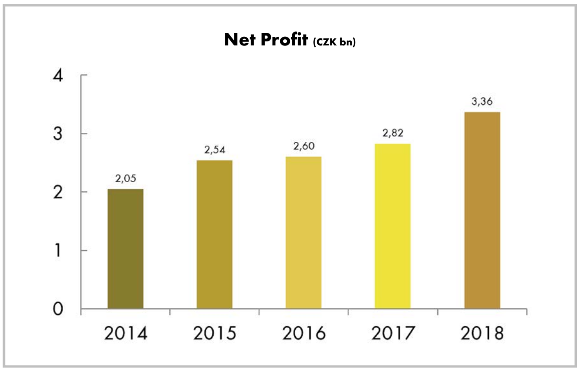
Raiffeisenbank (the "Bank", the "issuer", or the "company") managed in 2018 to follow up on the successes from the previous year, which was reflected not only in excellent economic results but also in an increase in its market share. The Bank has managed to reach tens of thousands of new clients with an offer of high quality products and services, while maintaining the existing ones, thanks, among other things to new online banking services.

It has become a tradition that Raiffeisenbank has been placed at the forefront of various awards from independent authorities. Even in 2018, the Bank has continued in this tradition and for the fourth time in a row, won the title of Bank of the Year as the Most Client-Friendly Bank. Raiffeisenbank continues to confirm that it is one of the best banks on the market, and with the record results in 2018, celebrated, 25th anniversary on the Czech market.

The Bank's economic results for 2018

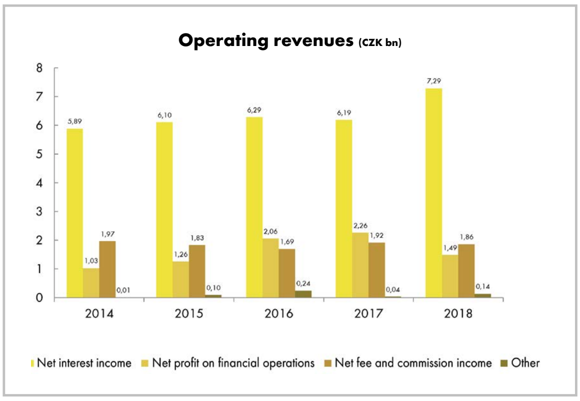
Net profit and revenue

The Bank's **net profit** for 2018 reached **CZK 3.36 billion**, which is a year-on-year increase of 19.1%. The Bank's **total operating income** increased by 2.5%, reaching CZK 10.77 billion.



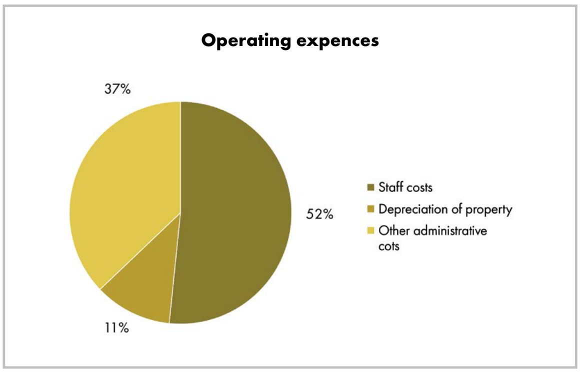
Other revenue of the bank, primarily including gains from financial market operations, dropped 34.4% year on year, reaching CZK 1.49 billion. The principal reason behind the annual drop is the fact that revenue in 2017 was boosted by the one-off sale of government bonds and revenue related to the discontinued foreign exchange interventions of the Czech National Bank.

The net interest income of the bank increased by 17.9%, totalling CZK 7.29 billion. This growth is mostly driven by rising market interest rates. **Net income from fees** saw a mild decline of 2.9% over the year, reaching CZK 1.86 billion.



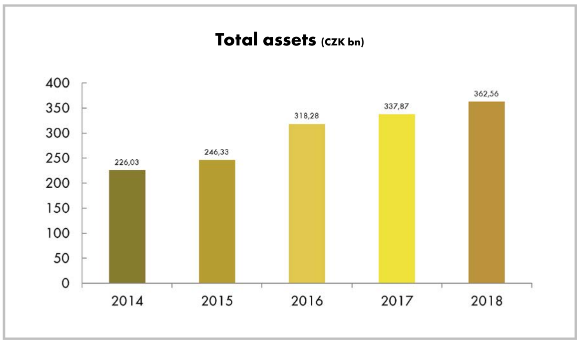
Expenses

Operating expenses in the amount of CZK 5.81 billion declined by 3.7% compared to 2017, despite the bank's higher contribution to the Crisis Resolution Fund. The result is a clear demonstration of Raiffeisenbank's sound cost discipline.

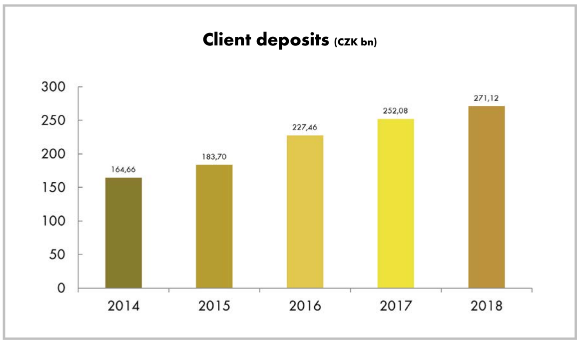


Balance sheet, deposits, and loans

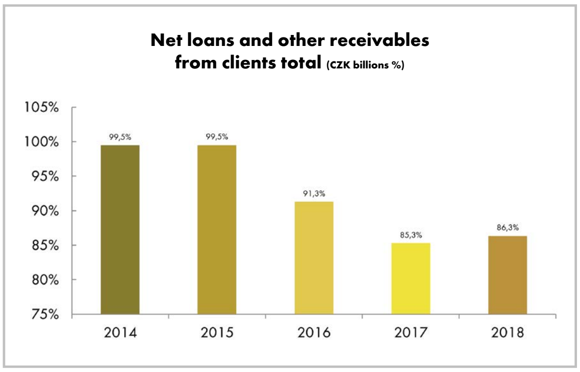
The Bank's **total assets** reached CZK 362.5 billion and thus rose year-on-year by 7.3%.

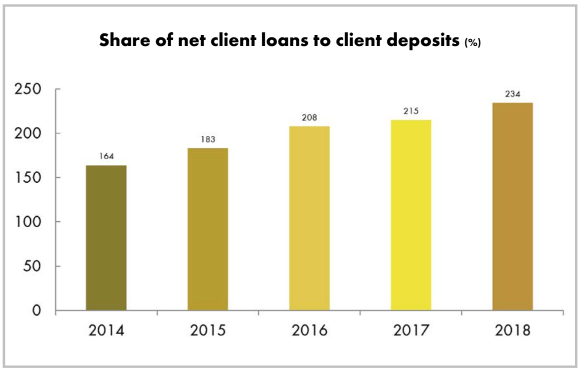


The **volume of deposits accepted from clients** rose over the year by 7.6% to a total of CZK 271 billion.



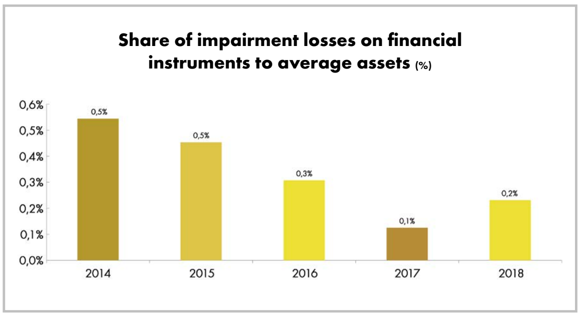
The **volume of loans provided to clients** annually grew by 8.8% to CZK 234 billion. The growth was seen in both household (mortgage and consumer loans) and corporate financing.





Risk management

Impairment of loans added 85.0 % year on year, totalling CZK 809 million. The Bank continues to maintain a very sound loan portfolio. The proportion of loans and advances with default decreased year-on-year from 2.5% to 1.8% of the total loan portfolio. Share of impairment losses to average assets of the Bank reached 0.2%.



Capital

The **Bank's capital adequacy ratio** as at 31 December 2018 reached 16.92%. In late April 2018, the Bank's general meeting resolved to distribute the profits for 2017 in the amount of CZK 2.82 billion, disbursing CZK 1.52 billion to shareholders and transferring CZK 1.30 billion to the account of retained earnings. The increase of retained earnings had a positive impact on the Bank's capital adequacy ratio.

Further information regarding capital and capital management strategy of the Bank and the Group can be found on pages 251 – 255.

Raiffeisenbank's Market Position

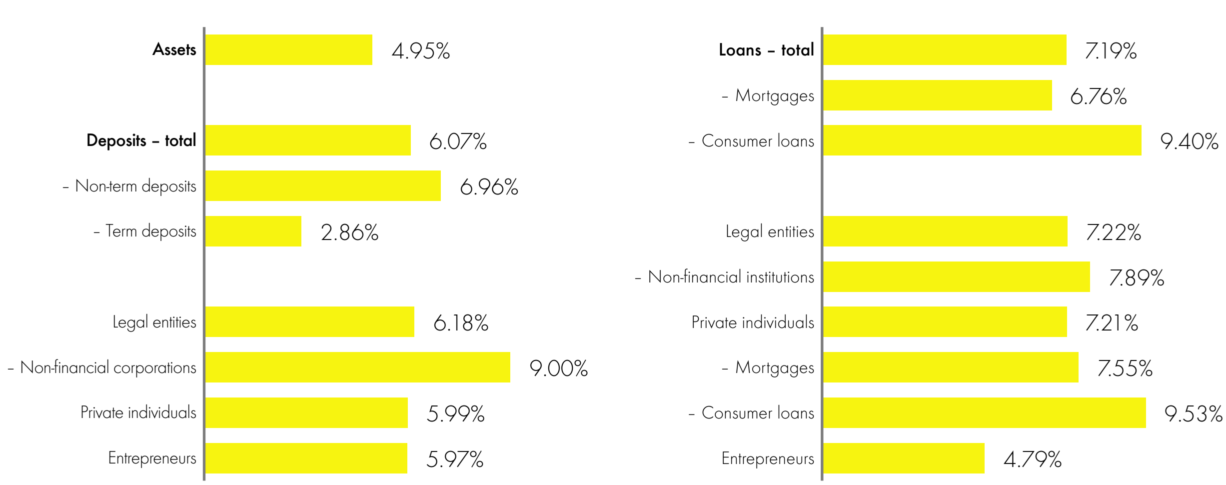
In 2018, mortgages were the focus of the Czech banking sector. Already in the previous year, the market anticipated a decline in the volume of mortgages as a result of introducing limits on loan amounts in relation to the value of acquired real estate (LTV). However, this has not materialised and mortgages continued to be on the rise. At the beginning of 2018, the CNB issued a recommendation that set the limits restricting the amount of loans in relation to the financial possibilities of applicants (DTI and DSTI). Mortgages once again became the most talked about topic. It is still too soon to evaluate the actual impact of the last regulation. It has only been valid for a few months, and in addition, a "frontloading" effect has occurred where loan applicants, those who would be significantly affected by the newly introduced regulation, have made decisions more rapidly. Thus, the total volume of new mortgages in 2018 again exceeded the last records for previous years.

In 2018, Raiffeisenbank continued in its long-term journey of healthy growth. The volume of its balance sheet rose to 7.3%, and the bank achieved a market share of 4.95%. The bank's total deposits also rose faster than the market, and its share in the market reached 6.07%. The same development is true of its total lending volume, and the bank increased its market share to 7.19%.

The structure of deposits at Raiffeisenbank changed in favour of time deposits, though only very slowly for the time being. Time deposits rose last year at a quicker pace than demand deposits. However, a long period of low interest rates weakened their position so much that their share in total bank deposits remains at a low level of 10%, despite this year's growth of 18%. The highest volume of deposits at Raiffeisenbank were made by private individuals, and they now make up more than 52% of all deposits at the bank. In addition, the bank's market share in this segment increased to its current level of 5.99%. The volume of deposits of legal entities managed by the bank rose last year by 4.8%, and the bank's market share reached 6.18%. Non-financial corporations, the main corporate client group, increased their deposit volume by 2.6%, and the bank now manages 9% of the deposits of non-financial corporations in the banking sector. The volume of deposits from entrepreneurs rose year-on-year by 12.4%, and this meant a market share at year end of 5.97%.

As opposed to deposits, the majority of growth of Raiffeisenbank's credit transactions took place in 2018 in the segment of legal entities, which now makes up approximately 52% of the bank's total credit portfolio. The volume of lending for this segment rose last year by 12%, and as a result, the bank's market share increased to 7.22%. Despite the significant increase of 7.2%, growth for loans granted to entrepreneurs did not reach the market growth rate. Thus, the market share of Raiffeisenbank in this segment slightly decreased to 7.21%. More than three fourths of the credit portfolio of retail clients is made up of mortgages. Its total volume rose by 8.2%, and the bank now manages 7.55% of all mortgages in the banking sector. Raiffeisenbank successfully used the potential of the mortgage market and provided 7.3% more new mortgages than in 2017. Consumer loans were also successful. The total volume of these loans increased in year-on-year terms by 7%, and the bank achieved a market share of 9.53%. The volume of loans granted by Raiffeisenbank to small businesses rose during last year by 0.4%, which was reflected in a market share of 4.79%.

Raiffeisenbank's market shares



Note: The data are based on statistical reports created according to the methodology of the CNB.

Corporate Activities

The Czech economy was in very good condition in 2018. Although the rate of economic growth, according to the Czech Statistical Office, had slowed down, it did remain above long-term sustainable growth rates. Raiffeisenbank took advantage of this positive trend and, through its quality products and services, managed to strengthen its position as an important domestic bank primarily geared to wealthier and more demanding clientele. We succeeded in completing ongoing key projects and also to expand our portfolio with new attractive products.

We finished integrating all of our clients into the new Internet banking system and launched a new version of mobile banking

Undoubtedly, one of the main successes of last year was developing and installing the new Internet banking system, which we introduced to the public for the first time in June 2017. It was one of most complicated projects in recent years, and as a result, Raiffeisenbank has provided high added value to its clients. The positive feedback of clients points in particular to the intuitive menu, the ease and comfort of making payments between one's own accounts, and generally the overall simplicity, transparency, and graphic design of the new version.

One of the new services in 2018 includes the option of credit card holders to set up an instalment programme "Cash on Demand" in Internet banking, and from September 2018, we allow credit card holders to increase the limit on their card through a pre-approved offer. The limit may easily be increased by clicking on one of the banners and filling in a short application followed by certification without having to visit a branch office.

A key task for 2018 was to integrate all corporate clients into the new Internet banking system, still using the original Internet banking, i.e. blue eKonto, which was successfully completed.

We offered these clients as well many improvements during the year and provided a number of additional new sales and service functions. These features relating, for example, to statements and batch payments, have helped us during the year generate additional sales and increase customer satisfaction.

The innovations also include a new version of the mobile app. As with Internet banking, mobile banking has a new dashboard with an overview of all client products and new capabilities that increase the comfort of the app service (e.g. full text searches, reading QR codes from your telephone, touch ID, etc.).

We have completed the development of the regulatory part of the European PSD2 directive

During the year, we completed the development of the regulatory part of the European PSD2 directive, and we launched services for "Open Banking". With this service, clients can give other people access to their accounts at Raiffeisenbank via an API (application programming interface). We managed to complete a challenging integration project in cooperation with colleagues from RBI and thus to fulfil the regulatory requirements.

We offer micro loans in Internet banking without having to visit a branch office

In November, we introduced to private business entities the opportunity to arrange Micro Loans up to CZK 500,000 completely on-line. After the client certifies the offer in Internet banking, the loan is assessed by the certification department, and if accepted, the loan is immediately available. Clients do not have to visit a branch office to sign the agreement and can arrange the loan from their office or home. The loan is obtained much quicker, and this on-line service saves clients as well as branch offices time and reduces the overall administrative burden.

We arrange mortgages remotely

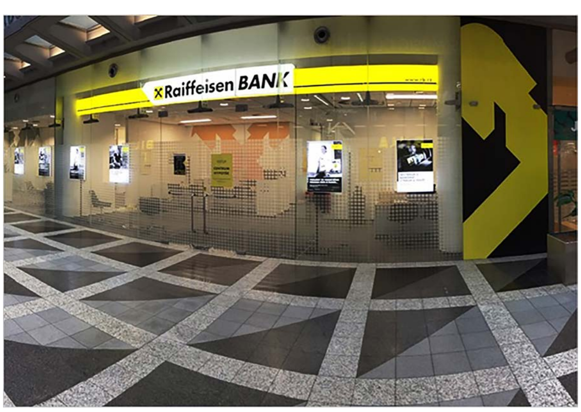
Starting in October 2018, clients have the option of arranging mortgages remotely. This service is taken care of by a mortgage advisor at the contact centre in Teplice. All communication with the client takes place by e-mail and telephone. The client only visits the bank in order to sign the loan agreement after the whole process is completed.

We continue to develop and update the interiors of branch offices

At the end of 2018 we served our clients at 128 branch offices and client centres. We also offer the services of specialised mortgage centres and private, business, and corporate advisors.

During 2018, we completed 16 large and 10 smaller renovations and opened six new branch offices (Blansko, Havlíčkův Brod, Nový Jičín, Svitavy, Litoměřice, and Jindřichův Hradec).

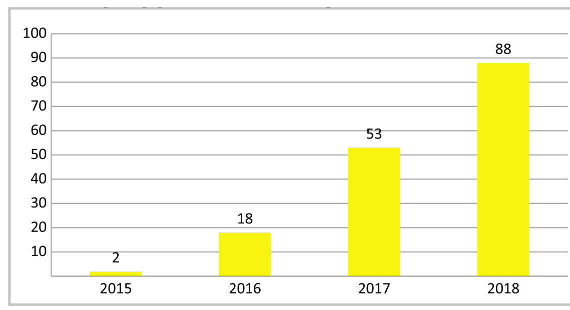
During 2018, we opened four new mortgage centres: Praha Dejvice, Brno Olympia, Písek, and Kladno. We moved the Mortgage Centre Prague Karlovo náměstí into new modern premises.



We have 88 deposit ATMs and 75% of the ATMs are contactless

In 2018, we installed 35 deposit ATMs. We now have a total of 88 deposit ATMs (covering 66% of the branch offices). In 2018, 75% of the ATMs were equipped with a contactless reader.

Number of deposit ATMs



Raiffeisen Investment Company introduced a new investment strategy

The main goal when creating and supporting investment products for Raiffeisenbank clients is to cover all basic investment opportunities with an adequate approach to risk. We want to have a meaningful and transparent line of products for conservative and more progressive investors and also to offer special investment opportunities for "sprucing up" the client portfolio. The main distributors of the funds of Raiffeisen investiční společnost are advisors at Raiffeisenbank branch offices, and the funds are created so that they complement Raiffeisenbank's overall line of products and services in a harmonious fashion. Funds created by Raiffeisen investiční společnost cover all of the basic segments of the bond market for Czech crown investors and also all stock market territory. In addition to these two key areas, we offer several mixed or alternative funds geared to sustainable development, balanced investment strategies, alternative investment, real estate, and others.

Development on the global financial markets in 2018 was relatively unstable, and most asset classes experienced higher volatility, especially when we compare this development to the previous, less volatile years. If we look at the figures from the various economies, it can be inferred that even 2018 was a year of stable growth in developed as well as developing parts of the world. Along with this growth, we also witnessed an adequate rise in inflation (more significantly, for example, in the USA or the Czech Republic), which had an impact on rising bond yields. The central banks reacted to this inflation growth with another increase in interest rates. In the Czech Republic in particular, rates were increased on a much more intensive scale than what was anticipated or expected at the beginning of the year. Another relatively major topic that developed throughout last year with an adverse impact, especially on stock markets, was the trade wars initiated by the United States and its president Donald Trump. It can be generally said that the growth phase of the current economic cycle has lasted for an usually long time, and we must take into consideration that it is probably near or at its peak.

At the beginning of the year, we decided to modify our funds to target more specifically indecisive clients. We created three strategy funds for our three most common types of clients (conservative, balanced, and progressive). The three strategies differ from each other in their levels of discretion, so clients can more easily select their target fund. A big advantage was that we did not have to create all three funds, but could use two of our existing and active funds. In these two cases, we only adjusted the tactics for allocation of the funds. Almost one-third of clients' assets are deposited at RIS in these strategies.

Other important news was the purchase of a second property in the Raiffeisen real estate fund in the summer of 2018, and the purchase of additional real estate is being prepared. The fund currently manages about CZK 1 billion.

As of 31 December 2018, the total volume of funds managed by Raiffeisen investiční společnost was CZK 18.7 billion.

We introduced new features to the Friedrich Wilhelm Raiffeisen private banking segment

Since March 2018, clients of Friedrich Wilhelm Raiffeisen private banking can invest in gold. The total volume of investments during the year climbed to CZK 270 million. We import the investment commodity in the form of certified gold bars and 24-carat coins from Vienna. Clients may purchase and store the gold in a safe deposit box, and they may also sell the gold. We offer investment gold in the form of gold bars and coins from the world-renowned Viennese company Münze Österreich, which has been dealing in precious metals for 800 years.

In 2018, we also offered FWR clients the exclusive debit card MC FWR World Elite, thanks to which they have access to premium travel insurance, more than 880 VIP lounges at airports in more than 450 cities around the world, discounts and benefits as a part of the VIP Premium RB Club, and top-notch concierge services.

We are a bank for businesses and large corporations

Raiffeisenbank is a firmly established bank operating on the Czech corporate banking market in all segments. We are founded in particular on the principle of long-term relationships, and we are a trustworthy and reliable partner for our clients.

We try to anticipate the needs of our clients and effectively respond to them, which reflects, for example, the fact that we were the first bank in the "top five" to offer its clients a new generation of electronic banking MultiCash (v 4.0).

We provide clients with high-quality standard products and purely individual and customized solutions, for example, in the form of structured or project financing. We also offer agent services and arrange club and syndicated loans.

In the real estate and structured finance segment, we expanded our cooperation with the Penta financial group by concluding two syndicated loans amounting to a total of EUR 86 million for financing the office projects Churchill and SmíchOFF and a club loan for CZK 600 million to finance the 3rd phase of the residential project Waltrovka.

We should also mention an increase in the club loan to EUR 143 million for the developer CTP to finance the office building Spielberk Office Center in Brno.

In cooperation with the European Investment Fund (EIF), Raiffeisenbank offered in 2018 preferential financing of innovative projects for small and medium-size enterprises. As a part of the InnovFin programme, companies with up to 500 employees may obtain loans with a preferential interest rate and lower requirements for security. Clients can draw down the loan in Czech crowns or euros. The funds from the preferential loan are meant to finance innovative investments in development or the implementation of new or substantially improved products, processes, and services. Raiffeisenbank provides preferential loans with an EIF guarantee as a part of the initiative "EU InnovFin Finance for Innovators" with financial support from the European Commission's programme Horizon 2020.

Non-Commercial Activities

People

We believe that our employees are the basis of the successful fulfilment of our strategy at Raiffeisenbank, and therefore, we consider their motivation, potential, and value to be pivotal. Our priority is to be the best and most attractive employer in the areas of personal and career growth, the inspirational management of people, and excellent interpersonal relations. We verify the fulfilment and subjective assessment of these priorities on a regular basis with our employees as well as with job candidates at Raiffeisenbank starting with their first contact with representatives of the bank. We ask our employees on a regular basis to fill out satisfaction surveys as a part of the annual assessment and during everyday life at work.

We consider education and development to be a basis for fulfilling the described priorities of our work with people. This is why we invest more resources and capacities than other companies on the market, and this increases every year. In 2018, our employees had on average **75% more training than in the previous year**, and they currently have the option to use contributions for studies outside of work.

Since 2017, all of our managers complete a unique, three-year **development programme Leadership 2020**. The programme is intended for current and future leaders, and up to the end of 2018, more than 430 employees have completed or are currently participating in the programme. The objective of the programme is to support the potential and growth of talented people in the bank as well as to ensure the top-quality management of people and to increase the responsibility of our leaders for fulfilling the bank's strategies and achieving maximum customer satisfaction. We devote a lot of time to preparing and educating our own talented people in key positions – **we recruit four out of five of our mangers at Raiffeisenbank with internal candidates**, and we promote 500 people per year to senior positions with a higher level of responsibility.

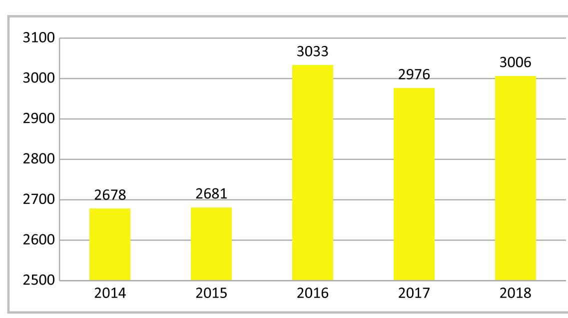
In addition to development promoting growth at work, we support the personal growth of our people during their free time. Hence, we provide for example time-off for studies in addition to holidays, contributions to development outside of work, or the opportunity to invest all their benefits in education only. Raiffeisenbank is also a long-term partner for programmes geared to the development of women, and each year strengthens its collaboration with students of universities and secondary schools. We offer students the opportunity of internships and cooperation in preparing their theses, as well as an annual, intensive and carefully **structured programme in which more than 50 students and graduates have taken part**.

We understand that a key aspect in the satisfaction of our people is also who we spend our time with at work every day. Thus, we encourage our people to meet outside the office and office hours, often together even with our clients. We organise large company events, informal events in small teams, and family afternoons. We also engage employees in the recruitment process, and a large part of our new people have been recommended by current employees.

We devote special attention at Raiffeisenbank to supporting employees on maternity and parental leave and making the process of returning to work easier for them. **Fifteen per cent of women at Raiffeisenbank take advantage of shortened work schedules. We offer all employees flexible working hours, and work from home is often used as well.** The children of our employees can visit the company's nursery school Žiraifka. Since 2018, 333 children of our employees have been taken care of at the school.

The average number of employees at Raiffeisenbank in 2018 was 3006. The average age of employees is 36.4 years old, and 57% of employees are women. Half of the employees have been working at Raiffeisenbank for more than five years, and 19% of employees less than one year.

Average number of employees

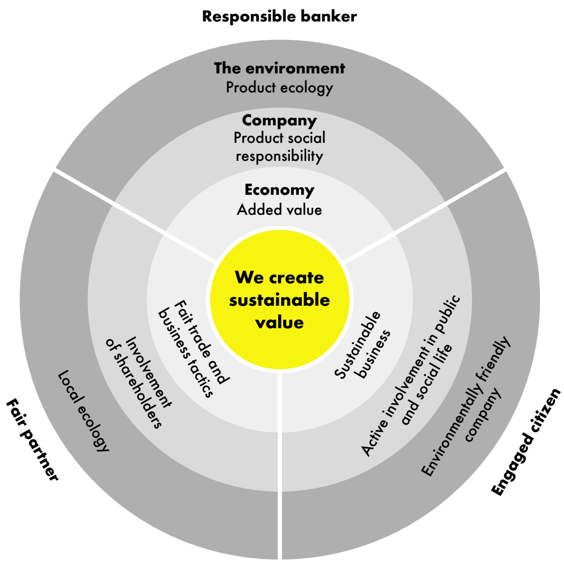


Corporate social responsibility at Raiffeisenbank a.s.

How we define sustainability of resources

The sustainability of resources has always been a basic principle of the entire RBI group and also a key benchmark of our success. For 130 years, the Raiffeisen group has always combined financial success with success in the area of social responsibility.

We will continue to combine financial success with success relating to social responsibility, and we incorporate the sustainability of resources as a fixed component of our business. We rely on three pillars, which are the basis of our Principles of Sustainable Development: "Responsible Banker", "Fair Partner", and "Engaged Citizen" so that we can connect our business



activity even more to sustainable development both in our society and in the public sphere.

Our Principles of Sustainable Development focus on "Creating sustainable values", which provides direction for all of our business, activities, and services provided by RBI or on behalf of RBI. The objective that we are committed to is to concentrate our efforts in areas where we can achieve the most changes, and this requires continuous improvements in relation to the impact of our sustainable activities as well as defining the method of measuring this impact and its verification. Only then can we achieve a long-term effect and thus contribute to the sustainable development of society as a whole.

Our strategy of sustainability

In 2013, the group strategy for sustainability was published "We Create Sustainable Value" with the objective of improving the effectiveness and scope of managing sustainability throughout the entire RBI group. This strategy contains nine key areas that we focus on and that stakeholders focus on as well, including employees, customers, shareholders, and suppliers, but also non-governmental institutions, and other entities.

Nine key areas of our strategy of sustainability, see below.

All activity, financial and non-financial data, projects, and other parts of the Raiffeisen group's corporate social responsibility, even for non-financial reporting, are specified in the separate **RBI Group Sustainability Report 2018**, which consolidates all results of the separate companies, including the Czech Republic's results.

Nine key areas of our strategy of sustainability

RBI Sustainability Matrix	The Economy	Society	The Environment
Responsible banker	**Added value**	**Socially responsible product**	**Product ecology**
	Successful business thanks to responsible management and business strategy, sustainable economic value and integrating the aspects of sustainability into our business.	Social responsibility of our products and services based on customer requirements; on responsible indebtedness; on the protection of customer data; and on providing precise information.	Ecological responsibility when providing products and services, guaranteeing compliance with national standards, international agreements, and considering the impact on the environment when projecting financial plans and products.
Fair partner	**Fair business and procedural practices**	**Employees and stakeholders**	**In-house ecology**
	Fairness and transparency with respect to employees, clients, and shareholders with model behaviour in all areas of their interest. To be an attractive employer, to report in a transparent manner, and to prevent corruption and fraud.	Continually involve key people in the topic of sustainable development and strengthening cooperation with management with the goal of reducing corporate risk and taking advantage of business opportunities.	Responsible treatment of resources and the environment in an attempt to reduce the impact on the environment through its sustainable use.
Engaged citizen	**Sustainable corporate activities**	**Active civil society**	**Environmentally friendly company**
	Commitment to sustainable business and the generation of wealth thanks to creating a business framework for sustainable financing and direct or indirect support of relevant organisations and institutions.	Commitment to create an active civil society, responsible political cooperation, promoting the public interest and literacy support and volunteering.	To protect the environment and the climate by promoting diversity and protecting various ecosystems and services.

Selected social responsibility projects and activities in the Czech Republic

Economic area

One of Raiffeisenbank's priorities continues to be its ethical and transparent approach backed by the group's Code of Conduct, which is also available on the rb.cz website. The Code is binding for every employee and is an integral part of every activity that each employee is involved in and governs each interaction with clients, suppliers, or partners. This also promotes the firm's culture and strengthens fair relations throughout the market.

Social area/society

In the social area, we focus on corporate social responsibility relating to products and public life – especially volunteering and sponsorship.

Four out of five managing positions at Raiffeisenbank were occupied by an internal candidate.

As at 31 December 2018, Raiffeisenbank had an average of 3006 employees of which 57% are women.

Key considerations for us are also equal employment opportunities, health and security, and education and development. We also emphasise flexibility, not only with regard to parents on maternity leave, but also various unexpected life situations of our employees.

In the area of product social responsibility, we focus on the economy of products for our clients. In 2014, we introduced eKonto SMART, an account that is free of charge if clients actively use it. We introduced a similar product in 2017 for entrepreneurs and small businesses. Even the business eKonto SMART is free of charge when actively used. In addition to products connected with ordinary banking, we are also involved in social responsibility in the area of lending. Our processes and the risk assessment of clients strongly support healthy lending and have the objective of eliminating any future default. However, if such a situation does occur, we recommend to clients **"financial distress advice"** in cooperation with a partner, and advice on how to solve the situation.

Since 2018, our products are also available to deaf and hearing impaired clients at selected locations. This has been done through cooperation with the **Tiché spojení** organization, which provides real-time interpretation of meetings with our bankers in the form of transcription or translation into the sign language for deaf and hard of hearing fellow citizens.

Some of the key projects that Raiffeisenbank continues to support are projects geared to increasing financial literacy. An already traditional project that we have supported since 1998 is the international non-profit educational organisation **Junior Achievement**, the goal and mission of which is to provide young people with a practical economic education and to test this acquired knowledge in practice. Students get specific practical experience by getting involved in JA Student firm awards where they try out business for themselves in a real student "*business*" environment. Raiffeisenbank is a partner of two competition categories, namely Student Leader and Business Teacher.

Another supported financial project is the **Zlatka.in** interactive learning platform for pupils of the first and second grades of elementary schools and grammar schools. Children can learn the basics of proper money management, how banking products work, etc. through online assignments and games.

In addition, our employees supported a joint project in 2017 with the Czech Banking Association **"Bankers to School"**, where basic and secondary school students can get to know not only the banking world but also the digital world and cybersecurity.

Last but not least, Raiffeisenbank and its employees have continued to support the **Good Angel endowment fund**. Thanks to the active involvement of our employees, we are once again one of the companies with the highest concentration of Good Angels among employees.

Raiffeisenbank supports Good Angel

In 2018, Raiffeisenbank donated more than CZK 1 million to the Good Angel endowment fund. This happened once again thanks to our project "Dobrá rána pomáhá" where participants influence the amount of the bank's financial donation to charity with their athletic performance. The second sporting event, that sponsored the Good Angel, was the first year of the race Raiffrun. The last and highest part of the contribution was generated by employees themselves with their personal contributions of almost CZK 650,000.

The environment

Raiffeisenbank continuously endeavours to increase the demands for the positive environmental impact of our business. This is accomplished not only when carrying out business activities (e.g. financing projects with a positive impact on the environment) but employees themselves also contribute to the positive impact on the environment, mainly by recycling, sustainable use of energy, using more ecological transportation for business trips and generally replacing them with teleconferences, but also personal support with special projects such as **"Cycling to Work"**.

A whole month of cycling to work

In 2018, our employees participated in this national initiative in several cities (Pardubice, Olomouc, Brno, Ústí nad Labem and Prague). In this way, they encouraged people to think more about what impact driving a car everyday has on the environment.

General Information about the Issuer

Company name:
Raiffeisenbank a.s.

Registered office:
Hvězdova 1716/2b, 140 78 Prague 4

Company registration number: 49240901
LEI: 31570010000000004460

Date of Incorporation: 25 June 1993

Court of registration and number under which the issuer is registered at this court:
Commercial Register at the Municipal Court in Prague, Section B, Insert 2051

The issuer was established in accordance with the laws of the Czech Republic, pursuant to Act no 513/1991 Coll. , the Commercial Code (or Act no. 90/2012 Coll., the Companies Act), and Act no. 21/1992 Coll., the Act on Banks. The issuer is a joint-stock company.

The issuer's scope of business under Article 2 of the issuer's Articles of Association is banking and financial transactions and other operations listed in the banking licence, granted in accordance with Act no. 21/1992 Coll. The issuer is also entitled to set up branch offices or other company units in the Czech Republic and abroad, and to establish subsidiaries and hold capital interests provided that generally binding legal regulations are respected.

As of 31 December 2018, Raiffeisenbank a.s. owns the following real estate:
In the real estate registration area of Hradec Králové, parcel number: construction parcel no. 103, additional land area no. 76, title deed no. 20767, identification code: 646873, address: V Kopečku 75, 500 02 Hradec Králové.

The issuer does not depend on patents or licences, industrial, commercial, or financial agreements, or new production processes which could be of fundamental significance for the issuer's business activities or profitability.

Information to Shareholders in accordance with Section 118(4) of Act no. 256/2004 Coll., the Capital Market Act

Section 118(4) letter a in connection with point 6.2 of Annex XI to Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses, and dissemination of advertisements

In accordance with the bank's Articles of Association, no shareholders have the possibility to influence the activities of Raiffeisenbank a.s. other than by their votes. None of the members of their bodies had an ownership interest in Raiffeisenbank a.s. as at the date stated above.

Section 118(4) letter a in connection with point 9.2 of Annex XI to Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses, and dissemination of advertisements

The bank declares that it is not aware of any conflict of interest between the obligations of the members of the steering and supervisory bodies to the bank and their personal interests or other obligations.

Section 118(4) letter a in connection with point 10.1 of Annex XI to Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses, and dissemination of advertisements

In Raiffeisen CEE Region Holding GmbH is the owner of 75% of the shares of the bank (and the corresponding share in the registered capital and voting rights). Raiffeisen CEE Region Holding GmbH is a subsidiary of Raiffeisen Bank International AG (indirectly). Regional Raiffeisen banks (Landesbanks) own approximately 59% of Raiffeisen Bank International AG, while the remaining shares are held by diverse investors (the shares are listed on the Vienna stock exchange). Representatives of the majority shareholder are in the bank's Supervisory Board, the Executive Committee and the Audit Committee. The Supervisory Board also includes a representative of the second shareholder, RB Prag Beteilgungs GmbH, which holds 25% of the bank's shares (and the corresponding share in the registered capital and voting rights). As of 31 August 2018, RB Prag Beteiligungs GmbH was merged with RLB OO Sektorholding GmbH as the successor company. This resulted in a change of the direct shareholder of Raiffeisenbank a.s. holding 25% of the shares. The two above companies are members of the group of Raiffeisenlandesbank Oberosterreich Aktiengesellschaft.

Section 118(4) letter b:

Internal control is defined as a process carried out/influenced by the bank's Board of Directors, the executive body, and other employees, devised in such a way as to provide adequate assurance in reaching objectives in three areas:
- Effectiveness, efficiency, and economy
- Reliability of internal management and controls, including the protection of assets
- Harmonisation with the rules and regulations

Key concepts of internal control:
- Internal control is a process (a means of reaching objectives, not an objective in and of itself),
- Internal control is carried out by people (it does not involve only forms and manuals, but people at each level of organisation),
- Internal control can only achieve a proportional level of certainty (not absolute certainty, with respect to the management of the organisation).

Control activities are an integral part of the everyday activities of the bank. The objective is to ensure that the risk undertaken was kept within the tolerance level set out by the management risk process.

Control activities include, in particular:
- Inspecting the management structure,
- Adequate control of mechanisms for the individual processes at the bank,
- Physical control.

The control system consists of, in particular:
- Control implemented by each employee when carrying out their work activities,
- Control implemented by the head employee when carrying out management activities,
- Compliance activities,
- Internal audit activities,
- Management of operational and other risks,
- Management of the continuity of the bank's activities.

The procedures for control activities are contained in the internal regulations of the bank and consist of approval procedures, authorisation, verification, approval, reconciliation, control of performance, securing assets, separation of obligations, or establishing rights and obligations. Compliance with the established procedures and their adequacy is regularly verified. As a part of internal control, the bank has introduced and maintained internal mechanisms for preventative and subsequent evaluation of the functioning and effectiveness of the steering and control system as a whole and its integral parts.

Section 118(4) letter c:

The executive body of the bank is the Board of Directors. The bank's Board of Directors has seven members. The members of the Board of Directors are elected and recalled by the Supervisory Board. One of the members of the Board of Directors is elected as the chairman of the Board of Directors and one as the vice-chairman. The first term of office is three years, and if re-elected, the term of office is five years. Each member of the Board of Directors is also the executive director for a certain area of management. The Board of Directors constitutes a quorum if at least more than half of its members are present at a meeting. The Board of Directors makes decisions through voting, and the votes of a majority of all board members are required to adopt a resolution. In the event of a tied vote, the vote of the chairman of the Board is decisive. In addition to meetings, the Board of Directors may also make decisions through per-rollam voting.

The Supervisory Board is the supervisory body of the company. The Supervisory Board has seven members, which are elected and recalled by the General Meeting of the company. Members serve a term of five years. One of the members of the Supervisory Board is also elected chairman of the Supervisory Board. The Supervisory Board constitutes a quorum if the majority of its members are present. A simple majority of votes of all Supervisory Board members is required to adopt resolutions. In addition to meetings, the Supervisory Board may also make decisions through per-rollam voting.

Note: Effective as of 1 January 2019, the number of Supervisory Board members was increased to twelve, where 2/3 of the Supervisory Board members are appointed by the general meeting and 1/3 by the company's employees.

Additional executive and supervisory bodies of the issuer include the Executive Committee and the Audit Committee. The Executive Committee has three members, who are elected and recalled by the General Meeting of the company.

Members of the Executive Committee may also be members of the Supervisory Board. The term of office for members of the Executive Committee is four years. One of the members of the Executive Committee is also elected chairman of the Executive Committee. The Executive Committee constitutes a quorum if all of its members are present at a meeting. The agreement of all members of the Executive Committee is necessary to adopt resolutions. In addition to meetings, the Executive Committee may also make decisions through per-rollam voting. The members of the Executive Committee as at 31 December 2018 were Peter Lennkh, Hannes Mosenbacher, and Reinhard Schwendtbauer.

The Audit Committee has three members who are appointed or recalled by the General Meeting of the company. They are appointed from members of the Supervisory Board or third parties. The term of office for members of the Audit Committee is five years. One of the members of the Audit Committee is elected chairman of the Audit Committee. The Audit Committee constitutes a quorum if at least two of its members are present at a meeting. Agreement by a majority of all members of the Audit Committee is required to adopt resolutions. In addition to meetings, the Audit Committee may also make decisions through per-rollam voting. Members of the Audit Committee as at 31 December 2018 were Pavel Zavitkovsky (Chairman), Stanislav Staněk, and Andrea Vlasek.

Raiffeisenbank has 13 committees established by the Board of Directors:

Assets and Liabilities Committee

Quorum	Decision-making	
More than 50% of members present	Approval of all present members	
JELÍNEK TOMÁŠ	Executive Director for Finance	Chairman
VIDA IGOR	Chief Executive Officer	Vice-Chairman
PUDIL JAN	Member of the Board for Markets & Investment Banking	Member
JEŽEK FRANTIŠEK	Member of the Board for Corporate	Member
STOTTER MARTIN	Member of the Board for Risk	Member
KREIDL VLADIMÍR	Member of the Board for Retail	Member
FISCHER MILAN	Head of Trading	Member
HANUŠ MARTIN	Head of Risk Controlling	Member
HOUFEK JAN	Head of Market Risk	Member
MELOUN VÁCLAV	Head of Asset & Liability Management	Member

Credit Committee

Quorum	Decision-making	
At least three members of the committee and at least one must be from credit risk	Approval of all present members	
STOTTER MARTIN	Member of the Board for Risk	Chairman
JEŽEK FRANTIŠEK	Member of the Board for Corporate	Member
VIDA IGOR	Chief Executive Officer	Member
PŘÍHODA HYNEK	Head of Corporate & SE Risk	Member
HAVRÁNEK JIŘÍ	Head of Corporate Credit Risk	Member
GÜRTLER TOMÁŠ	Executive Director for Real Estate & Structured Finance	Member
TUTASS BARBARA	Head of Large Corporates	Member
ŠTĚTINA VÁCLAV	Head of Corporate Sales	Member
PUDIL JAN	Member of the Board for Markets & Investment Banking	Member

Problem Loans Committee

Quorum	Decision-making	
At least three members of the committee and at least one must be from Workout	Not specified	
STOTTER MARTIN	Member of the Board for Risk	Chairman
KLUMPAR JIŘÍ	Head of Workout	Vice-Chairman
VIDA IGOR	Chief Executive Officer	Member
PŘÍHODA HYNEK	Head of Corporate & SE Risk	Member
LÁTAL MAREK	Head of Legal & Management	Member
POŘÍZ JAROSLAV	Head of Special Assets	Member
LANGMAYER JOSEF	RL Representative	Member

Pricing and Interest Committee

Quorum	Decision-making	
More than 50% of members present	Consent of all present members needed for adopting a specific proposal	
KREIDL VLADIMÍR	Member of the Board for Retail	Chairman
JELÍNEK TOMÁŠ	Executive Director for Finance	Vice-Chairman
VIDA IGOR	Chief Executive Officer	Member
KOVÁŘOVÁ HANA	Head of Brand Strategy & Communication	Member
ŠTĚTKA PETR	Head of PI Segment & Product Management	Member
KAPUŠANSKÁ VIKTORIA	Head of Corporate Development	Member
DŽAVAN MATÚŠ	Head of Retail Risk & Collections	Member
HANUŠ MARTIN	Head of Risk Controlling	Member
POCHOPIN MARTIN	Head of Controlling & Cost management	Member

Investment Committee for Asset Management

Quorum	Decision-making	
If at least four members of the committee are present at the meeting, and at least one must be the chairman or vice-chairman	Consent of all present members needed for adopting a specific proposal	
SLADKOVSKÝ JAROMÍR	Head of Investment Management	Chairman
ONDRUŠKA MICHAL	Head of Asset Management	Vice-Chairman
VIDA IGOR	Chief Executive Officer	Member
RÁŽ PAVEL	Head of Private Banking	Member
HANUŠ MARTIN	Head of Risk Controlling	Member
PADĚRA MIROSLAV	Portfolio Manager	Member

Retail Risk Management Committee

Quorum	Decision-making	
More than 50% of members present and at least one from Risk	Consent of all present members needed for adopting a specific proposal	
STOTTER MARTIN	Member of the Board for Risk	Chairman
KREIDL VLADIMÍR	Member of the Board for Retail	Vice-Chairman
DŽAVAN MATÚŠ	Head of Retail Risk & Collections	Member
SMRČEK MARTIN	Head of Retail Underwriting	Member
ŠTĚTKA PETR	Head of PI Segment & Product Management	Member
KLÍMOVÁ ANDREA	Head of Credit Card Business	Member

Operational Risk Management & Controls Comittee

Quorum	Decision-making	
More than 50% of members present	Consent of more than 50% of all members needed to adopt a specific proposal	
STOTTER MARTIN	Member of the Board for Risk	Chairman
HANUŠ MARTIN	Head of Risk Controlling	Vice-Chairman
KREIDL VLADIMÍR	Member of the Board for Retail	Member
JEŽEK FRANTIŠEK	Member of the Board for Corporate	Member
PUDIL JAN	Member of the Board for Markets & Investment Banking	Member
VIDA IGOR	Chief Executive Officer	Member
ONDRŮŠEK ČESTMÍR	Head of Compliance & Financial Crime Mangement	Member
MATULA MILOŠ	Member of the Board for Operations	Member
MALÍK PAVEL	Head of IT Operations	Member
LÁTAL MAREK	Head of Legal & Management Support	Member
JELÍNEK TOMÁŠ	Head of Finance	Member

Projects Committee

Quorum	Decision-making	
More than 50% of members present	Consent of a two-thirds majority of present members is needed to adopt a proposal	
VIDA IGOR	Chief Executive Officer	Chairman
MATULA MILOŠ	Member of the Board for Operations	Vice-Chairman
MATOUŠ VLADIMÍR	Member of the Board for IT	Member
KREIDL VLADIMÍR	Member of the Board for Retail	Member
PUDIL JAN	Member of the Board for Markets & Investment Banking	Member
STOTTER MARTIN	Member of the Board for Risk	Member
JEŽEK FRANTIŠEK	Member of the Board for Corporate	Member

Real Estate Investment Committee

Quorum	Decision-making	
More than a 50% majority and a representative of Risk Management must always be present	Consent of all present members needed for adopting a specific proposal	
GÜRTLER TOMÁŠ	Executive Director Real Estate and Structured Finance	Chairman
LANEGGER ALOIS	Executive Director/Manager of RLCZ	Vice-Chairman
STOTTER MARTIN	Member of the Board for Risk	Member
JEŽEK FRANTIŠEK	Member of the Board for Corporate	Vice-Chairman
PŘÍHODA HYNEK	Head of Corporate & SE Risk	Member
ONDROUŠKOVÁ TEREZA	Head of Accounting & Taxes	Member

IT Change Control Committee

Quorum	Decision-making	
More than 50% of members present	Consent of a two-thirds majority of all present members of the committee is needed to adopt a proposal	
MATOUŠ VLADIMÍR	Member of the Board for IT	Chairman
JELÍNEK TOMÁŠ	Executive Director for Finance	Vice-Chairman
KREIDL VLADIMÍR	Member of the Board for Retail	Member
JEŽEK FRANTIŠEK	Member of the Board for Corporate	Member
STOTTER MARTIN	Member of the Board for Risk	Member
MATULA MILOŠ	Member of the Board for Operations	Member
PUDIL JAN	Member of the Board for Markets & Investment Banking	Member
SLADKOVSKÝ JAROMÍR	Head of Investment Management	Member
VIDA IGOR	Chief Executive Officer	Member

Investment Products Committee

Quorum	Decision-making	
More than 50% of members present	Consent of a majority of all members of the committee is needed to adopt a proposal	
SLADKOVSKÝ JAROMÍR	Head of Investment Management	Chairman
JELÍNEK TOMÁŠ	Executive Director for Finance	Vice-Chairman
KREIDL VLADIMÍR	Member of the Board for Retail	Member
PUDIL JAN	Member of the Board for Markets & Investment Banking	Member
STOTTER MARTIN	Member of the Board for Risk	Member
RÁŽ PAVEL	Head of Private Banking	Member
KAPUŠANSKÁ VIKTORIA	Head of Corporate Development	Member
MICHELFEIT JAN	Head of Segment Management & Investments	Member
VIDA IGOR	Chief Executive Officer	Member

Corporate Products Committee

Quorum	Decision-making	
If at least two members of the committee are present at the meeting	Consent of at least two members of the committee	
JEŽEK FRANTIŠEK	Member of the Board for Corporate	Chairman
STOTTER MARTIN	Member of the Board for Risk	Vice-Chairman
MATULA MILOŠ	Member of the Board for Operations	Member

Marketing Committee

Quorum	Decision-making	
More than 50% of members present	Consent of all present members needed for adopting a specific proposal	
KREIDL VLADIMÍR	Member of the Board for Retail	Chairman
ŠTĚTKA PETR	Head of PI Segment & Product Management	Member
KOVÁŘOVÁ HANA	Head of Brand Strategy & Communication	Member
REMR JAN	Head of Branch Network	Member
RICHTER MAREK	Head of Strategic Sales & Mortgage Business	Member
HEJNÝ ALEŠ	Head of Direct & Remote Sales	Member
KLÍMOVÁ ANDREA	Head of Credit Cards Business	Member
RÁŽ PAVEL	Head of Private Banking	Member
VIDA IGOR	Chief Executive Officer	Member

Each member of the Board of Directors is entitled to attend any meeting of any committee. Each member of the Board of Directors has veto power over any decision made by any committee. In such case, the specific matter is to be discussed at the following meeting of the Board of Directors.

Valid as at 31 December 2018

Section 118(4) letter d:

The registered capital of the issuer is allocated to the relevant number of common bearer shares with a nominal value of CZK 10,000 each. The company's shares are dematerialised and are not quoted. The same rights and obligations are associated with all the company's shares. These rights and obligations are set out in the relevant provisions of the company's Articles of Association and the Companies Act. The rights associated with the company's shares include the right to participate in the company's general meeting and to vote on matters within the competency of the general meeting, and the right to a share in the profit – dividends. Voting rights belonging to stock are based on the nominal value, with a single vote given for each CZK 10,000 (per share). None of the shares of the company have restrictions on voting rights. Each shareholder has the same rights to a share in the profit of the company – dividends – in the scope approved by the general meeting on the basis of the financial results of the company in a ratio equivalent to its share in the registered capital. Each shareholder has the same rights to participate in increasing the company's registered capital in proportion to its share in the registered capital and voting rights and also the obligation to pay up the subscribed shares by the deadline during an increase in the registered capital. There are no special rights or obligations associated with the company's shares, with the exception of those set out in the Articles of Association of the company and in the Companies Act.

Section 118(4) letter e:

The competence of the General Meeting of companies is defined in the Companies Act and the Articles of Association of the companies.

The General Meeting constitutes a quorum if shareholders are present who have stock with a nominal value of more than half of the registered capital. Voting rights belonging to stock are based on the nominal value, with a single vote given for each CZK 10,000 (per share). The company has two shareholders whose shares in the registered capital and voting rights are 75% and 25%. Decisions of the General Meeting require a two-thirds majority of the duly submitted votes of present shareholders, unless specified otherwise by law or these Articles of Association. Voting at the General Meeting is performed by a show of hands (acclamation). Voting at the General Meeting or decision-making outside the General Meeting (per rollam) may be carried out by technical means relating to all matters in the competence of the General Meeting.

The following fall under the competence of the General Meeting:

a) Decisions about a change in the Articles of Association, unless this is a change resulting from an increase in the registered capital or a change which occurred based on other legal circumstances,
b) Decisions to increase or reduce the registered capital or to authorise the Board of Directors to increase the registered capital,
c) Decisions to issue bonds in accordance with Section 286 of the Companies Act,
d) Election and recall of members of the Supervisory Board and other bodies specified in the Articles of Association,
e) Approval of regular or exceptional accounting statements and consolidated financial statements, including, in legally mandated cases, interim financial statements, decisions on the distribution of profit, covering losses, and determining bonuses,
f) Decisions on registration of the company's participating securities in accordance with special legal regulations, and for cancelling their registration,
g) Decisions on liquidating the company,
h) Decisions on mergers, transfer of equity to a single shareholder, or demergers, or change of legal form,
i) Decisions on the conclusion of contracts for transfer of the enterprise or its significant portion and/or its lease holding, or decisions on the conclusion of such contracts by controlled entities,
j) Approval of controlling contracts, contracts for transfer of profit, and contracts for silent partnerships and their modification,
k) Approval of the conclusion of contracts, based upon which the company is to acquire or appropriate assets, if the value of the assets acquired or appropriated during a single accounting period exceeds one third of the equity capital based upon the most recent duly compiled accounting statements of the company or the consolidated financial statements,
l) Decisions on other matters which the law or the Articles of Association place under the competence of the General Meeting.

Section 118(4) letter f:

Monetary and natural income received by top management from the issuer and from entities controlled by the issuer during the accounting period:

CZK Thousand			Monetary income		Natural income
Board of directors	Total	Remuneration board member	63,133	79%	
		Other	17,249	21%	
			80,382		4,665
	From entities controlled by the issuer		–		
Supervisory board	Total	Remuneration sup. board member	4,030	100%	
		Other	–		
			4,030		
	From entities controlled by the issuer		–		
Other management	Total	via employment	–		
		Other	–		
			–		
	From entities controlled by the issuer		–		

Section 118(4) letter g:

The top managers of the issuer or closely related individuals do not own stock or similar securities representing a share in the issuer, do not hold any options or similar investment instruments related to the stock or similar security representing a share in the issuer, and are not the contracting parties of such contracts or have such contracts concluded in their favour.

Section 118(4) letter h:

Principles of remuneration for the top managers of the issuer.

Remuneration for the members of the Board of Directors

The members of the Board of Directors perform their offices under a mandate agreement, and in accordance with Act no. 90/2012 Coll., the Companies Act, hold no executive positions. The former agreements for the position of executive directors were terminated as at 30 June 2014. The principles contained in the agreement on performance of the office of board member are:

- Fixed wage for performance as a board member (paid by the issuer and approved by the majority shareholder) – monetary remuneration,
- Flexible wage for performance as a board member upon fulfilment of the financial and non-financial criteria (paid by the issuer, approved by the Supervisory Board),
- Financial criteria: reaching the set amount of profit after tax, the ratio of costs to operating revenue, return on risk-weighted capital, complying with the operating costs and meeting the limit for weighted assets, and
- Non-financial criteria: meeting the goals relating to the strategic projects of the issuer, attaining quality with respect to providing products and services and relating to the activities of units under the direct management of the board member.

Payment of the flexible component of salaries is duly regulated by the provisions of Annex 1 to Decree no. 163/2014 Coll., on performance of the undertakings of banks, savings banks, and credit institutions and securities traders, as amended, the application of which is contained in the Basic Regulations for Remuneration approved by the Supervisory Board. The flexible component of salaries for performance of the office of member of the Board of Directors is 50% paid in the form of equity instruments. The bank will use the Value In Use method ("ViU"). This is based on a Dividend Discount Model (DDM) and is the sum of the net present value of dividends (NPV) for the following five years starting from the valuation year and the continuing value. A substantial part of the remuneration, 40%, is distributed over a period of three years. The flexible component of the monetary form of remuneration is acknowledged in the following scheme: 60% non-deferred part, 1/3 40% first year deferment, 1/3 40% second year deferment, and 1/3 40% third year deferment. The flexible component of the non-monetary form of remuneration is acknowledged in the following scheme: 60% deferred part by 18 months from the end of the business year for which the bonus is acknowledged, 1/3 40% first year deferment, 1/3 40% second year deferment, and 1/3 40% third year deferment.

The majority shareholder monitors and assesses fulfilment of the financial and non-financial criteria for the flexible wage and also proposes the amount of the flexible wage and submits a proposal for payment to the Supervisory Board.

The board members have company cars at their disposal for a total purchase price of CZK 10,5 million.

The above principles of remuneration for the members of the Board of Directors who are also in top management positions are valid as at June 2014.

The members of the Board of Directors and the Supervisory Board of Raiffeisenbank do not have any unusual or special provisions in their contracts that would exceed the statutory obligations of mutual settlement.

Remuneration of the supervisory board members

The supervisory board members are elected by the General Meeting of the issuer.

Under the agreement on the performance of the office, all members of the Supervisory Board (appointed by the General Meeting and elected from among the employees) are paid monetary remuneration. This remuneration is fixed in nature and is not dependent on the company's results. Shares in the profit or any other variable remuneration are not paid to members of the Supervisory Board.

The principles of remuneration for members of the Supervisory Board are contained in the Basic Principles of Remuneration approved by the Supervisory Board of the issuer.

Identification of top managers of the issuer, their job positions, and executive authority:

Board of Directors:

Igor Vida, Chairman of the Board of Directors, responsible for Compliance & Financial Crime Management, Brand Strategy & Communication, Finance, Human Resources, Legal & Management Support, Investment Management, Internal Audit

František Ježek, Member of the Board of Directors, responsible for Risk Management untill 14 April 2018, since 15 April 2018 Member of the Board of Directors responsible for Corporate banking

Miloš Matula, Member of the Board of Directors, responsible for Operations

Vladimír Kreidl, Member of the Board of Directors, responsible for Retail Banking

Jan Pudil, Member of the Board of Directors, responsible for Markets & Investment Banking

Milan Hain, Member of the Board of Directors, responsible for IT (note: Mr Milan Hain resigned as a Member of the Board of Directors as of 30 June 2018)

Vladimir Matouš, Member of the Board of Directors responsible for IT from 1 July 2018

Martin Stotter, Member of the Board of Directors responsible for Risk Management 15 April 2018

The Board of Directors is the executive body that manages the company's activities, that acts on behalf of the company, and that decides in all matters of the company that do not fall within the competence of the General Meeting or the Supervisory Board.

The Board of Directors secures the business management of the company, including the proper keeping of the company's accounts. In particular, the Board of Directors is responsible for the following:

a) Handling the company's business management and securing the company's operations;
b) Setting, approving, and assessing the bank's strategy;
c) Exercising the employer's rights, setting and approving the concept of employment policies and the collective interests of employees;
d) Convening the General Meeting;
e) Arranging for and submitting to the General Meeting:
   i) A proposal for amending the articles of association,
   ii) A proposal for increasing or reducing the registered capital,
   iii) Approval for the ordinary, extraordinary, consolidated, or interim financial statements and a proposal for the distribution of profit, including setting the amount and manner of paying out dividends and bonuses,
   iv) A report on the business activities of the company and on the state of its assets within six months of the end of the calendar year,
   v) A proposal for the manner of covering the company's losses incurred during the business year as well as a proposal for additional approval of the use of a reserve fund,
   vi) A proposal for establishing and terminating other bodies not set out in the articles of association as well as for defining their function and powers;
f) Performing the resolutions of the General Meeting;
g) Deciding when to use resources from the reserve fund;
h) Keeping a list of shareholders;
i) Ensuring the proper management of mandatory records, accounting, business ledgers, and other company documents;
j) Electing and recalling head employees appointed to their positions under law, establishing their wages and remuneration;
k) Granting and recalling powers of attorney, after prior consultation with the Supervisory Board;
l) Determining the methods and means for the development and profitability of company operations and measures for using instruments of economic management, in particular relating to financing, the creation of prices, wages, salaries, and funds, and assessing the economic results;
m) Approving the internal regulations of the company and ensuring compliance with the internal regulations and the generally binding legal regulations by the Company's employees and the rules establishing the ethical principles of conduct of the company's employees;
n) Creating, maintaining, and assessing the effective steering and control system of the company and ensuring that all of the Company's employees have understood their role in the internal control system and are actively engaged in this system;
o) Approving and assessing the functional organisational structure of the company;
p) Negotiating with the top management on matters that relate to the effectiveness of the steering and control system and assessing the reports that are submitted to the Board of Directors and adopting adequate measures;
q) All other matters that are entrusted to the powers of the Board of Directors based on the valid generally binding legal regulations.

Additional regulation of the Board of Directors, its powers, and the rules of conduct are contained in the Rules of Procedure of the Board of Directors.

Supervisory Board
Lukasz Januszewski, Chairman of the Supervisory Board (Member of the Supervisory Board since 24 April 2018, Chairman of the Supervisory Board since 8 May 2018)
Peter Lennkh, Vice-Chairman of the Supervisory Board
Reinhard Schwendtbauer, Member of the Supervisory Board
Johann Strobl, Member of the Supervisory Board
Martin Grüll, Member of the Supervisory Board untill April 24, 2018
Andreas Gschwenter, Member of the Supervisory Board
Hannes Mösenbacher, Member of the Supervisory Board
Andrii Stepanenko, Member of the Supervisory Board since April 24, 2018

The Supervisory Board oversees performance of the powers of the Board of Directors and carrying out the business activities of the Company. The Supervisory Board reviews the ordinary, extraordinary, and consolidated or interim financial statements and the proposal for distribution of profit or covering losses and submits its statement to the General Meeting. Other matters that require the prior consent of the Supervisory Board are stipulated in the Rules of Procedure of the Supervisory Board. Consent of the Supervisory Board as well as the General Meeting is required for entering into an agreement based on which the company should acquire or divest assets, provided that the value of the acquired or divested assets during one accounting period exceeds one third of the equity capital recorded in the last ordinary financial statements or the consolidated financial statements. For the purpose of performing their positions, the members of the Supervisory Board are entitled to request the assistance of experts for the specific area under the management of the Supervisory Board, as set out above. The Supervisory Board reviews the effectiveness of the steering and control system of the company as a whole, and assesses it at least once a year. The Supervisory Board participates in the direction, planning, and assessment of the activities of internal audit and compliance. The Supervisory Board establishes principles and decides on the remuneration of members of the Board of Directors and the head of internal audit and compliance.

With effect from May 8, 2018, the Bank established the Remuneration Committee (RemCo) with the power to discuss matters and remuneration materials and makes recommendations to the Supervisory Board before final approval. Its members are: Lukasz Januszewski – chaiman, Johann Strobl – member, Peter Lennkh – member.

Additional regulation of the Supervisory Board, its powers, and the rules of conduct are contained in the Rules of Procedure of the Supervisory Board.

Section 118(4) letter j:

The bank has not officially adopted any corporate governance code. The bank observes the standards of the Raiffesen Bank International AG financial group.

Section 118(4) letter k:

Information on remuneration charged by the auditors during the accounting period, shown by individual type of service and separately for the issuer and the consolidated group:

	2018
Consolidated	**CZK thousand**
Statutory audit of the financial statements	5,725
Other verification services	3,058
Individually for RB	**CZK thousand**
Statutory audit of the financial statements	4,473
Other verification services	2,848

Other verification services include following services:
- Limited assurance procedures on preparation of the Raiffeisenbank a.s.'s Financial information Reporting as at 1 January 2018 in connection with the implementation of IFRS 9 prepared in conformity with the instruction issued by group management of Raiffeisen Bank International;
- Review of the interim Financial Information of Raiffeisenbank a.s., reporting package, prepared for consolidation purposes for the period from 1 January 2018 to 30 June 2018 in conformity with the instructions issued by management of Raiffeisen Bank International;
- Review of the Financial Information Reporting of Raiffeisenbank a.s., to Czech National Bank.

Section 129 Information on the Guarantee Fund contribution

As a securities trader, Raiffeisenbank contributes to the Guarantee Fund which safeguards the guarantee system from which compensation is paid to clients of securities traders unable to meet their client obligations. The calculation base for Raiffeisenbank was CZK 287,798 thousand and the contribution itself was CZK 5,756 thousand in 2018. The base for the 2017 contribution was CZK 328,421 thousand and the contribution itself amounted to CZK 6,568 thousand.

Expenses relating to research and development

In 2018, the Bank had outlays of CZK 76 million for research and development. Most of these outlays were related to development studies and implementation of individual projects, particularly in the area of information technologies and systems.

Information about securities

Raiffeisenbank a.s. bond programme

Maximum volume of unpaid bonds: CZK 50,000,000,000
Duration of the programme: 15 years

The bond programme for Raiffeisenbank a.s. with a maximum unpaid bond volume of CZK 50,000,000,000 and a programme duration of 15 years. The prospectus for the bond programme containing the general issue terms was approved by a decision of the Czech National Bank dated 20 November 2008, no. 2008/13442/570 under file no. Sp/2008/330/572, coming into legal force on 20 November 2008.

The following is a list of bonds issued as a part of the programme that have not yet reached maturity.

International bond programme for Raiffeisenbank mortgage bonds

Maximum volume of unpaid bonds: EUR 5,000,000,000

The bond programme consists of a maximum unpaid bond volume of EUR 5,000,000,000. The prospectus for the bond programme containing the general issue terms was approved by the Commission de Surveillance du Secteur Financier in Luxembourg and was announced to the Czech National Bank.

The following is a list of bonds issued as a part of the programme that have not yet reached maturity.

RBCZ 0.75% 5/11/2019

ISIN:	XS1132335248;
Issue date:	5 November 2014;
Class:	mortgage bond
Form:	bearer
Type:	dematerialised
Total issue volume:	EUR 500,000,000
Par value per security:	EUR 100,000
Quantity:	5,000

Interest on bonds and maturity dates for interest or other yield: the yield on the Bonds is fixed interest rate 0.75 % p.a., paid annually always by 5 November retrospectively each year.
Method of transferring the securities: transferability is not restricted; mortgage bonds are transferred on registration of the transfers at Clearstream Banking société anonyme Luxembourg and/or Euroclear Bank SA/NV in accordance with the valid regulations.
Issue administrator: Citibank N.A.
Designated premises of the administrator: Citibank N.A., Citi Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom
Names of the public markets on which the securities are accepted for trading: Luxembourg Stock Exchange;
Bond currency: EUR
Maturity of bonds: the mortgage bonds are payable in their par value on 5 November 2019.

Rights associated with the bonds:
All rights and obligations associated with the Bonds are governed by and construed in accordance with the laws of Great Britain. The rights and obligations of the block of mortgage bonds is governed by the laws of the Czech Republic.

HZL RBCZ 4Y

ISIN:	XS1574150261;
Issue date:	8 March 2017;
Class:	mortgage bond
Form:	bearer
Type:	dematerialised
Total issue volume:	EUR 300,000,000
Par value per security:	EUR 100,000
Quantity:	3,000

Interest on bonds and maturity dates for interest or other yield: the yield on the Bonds is composed of the fix interest rate of 0.50 % p.a., paid annually always by 8 March retrospectively each year.
Method of transferring the securities: transferability is not restricted; mortgage bonds are transferred on registration of the transfers at Clearstream Banking société anonyme Luxembourg and/or Euroclear Bank SA/NV in accordance with the valid regulations.
Issue administrator: Citibank N.A.
Designated premises of the administrator: Citibank N.A., Citi Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom
Names of the public markets on which the securities are accepted for trading: Luxembourg Stock Exchange;
Bond currency: EUR
Maturity of bonds: the mortgage bonds are payable in their par value on 8 March 2021.

HZL RBCZ 5Y

ISIN:	XS1574149842;
Issue date:	8 March 2017;
Class:	mortgage bond
Form:	bearer
Type:	dematerialised
Total issue volume:	EUR 300,000,000
Par value per security:	EUR 100,000
Quantity:	3,000

Interest on bonds and maturity dates for interest or other yield: the yield on the Bonds is composed of the fix interest rate of 0.625 % p.a., paid annually always by 8 March retrospectively each year.
Method of transferring the securities: transferability is not restricted; mortgage bonds are transferred on registration of the transfers at Clearstream Banking société anonyme Luxembourg and/or Euroclear Bank SA/NV in accordance with the valid regulations.
Issue administrator: Citibank N.A.
Designated premises of the administrator: Citibank N.A., Citi Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom
Names of the public markets on which the securities are accepted for trading: Luxembourg Stock Exchange;
Bond currency: EUR
Maturity of bonds: the mortgage bonds are payable in their par value on 8 March 2022.

HZL RBCZ 6Y

ISIN:	XS1574150857;
Issue date:	8 March 2017;
Class:	mortgage bond
Form:	bearer
Type:	dematerialised
Total issue volume:	EUR 300,000,000
Par value per security:	EUR 100,000
Quantity:	3,000

Interest on bonds and maturity dates for interest or other yield: the yield on the Bonds is composed of the fix interest rate of 0.875 % p.a., paid annually always by 8 March retrospectively each year.
Method of transferring the securities: transferability is not restricted; mortgage bonds are transferred on registration of the transfers at Clearstream Banking société anonyme Luxembourg and/or Euroclear Bank SA/NV in accordance with the valid regulations.
Issue administrator: Citibank N.A.
Designated premises of the administrator: Citibank N.A., Citi Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom
Names of the public markets on which the securities are accepted for trading: Luxembourg Stock Exchange;
Bond currency: EUR
Maturity of bonds: the mortgage bonds are payable in their par value on 8 March 2023.

HZL RBCZ 7Y

ISIN:	XS1574151236;
Issue date:	8 March 2017;
Class:	mortgage bond
Form:	bearer
Type:	dematerialised
Total issue volume:	EUR 300,000,000
Par value per security:	EUR 100,000
Quantity:	3,000

Interest on bonds and maturity dates for interest or other yield: the yield on the Bonds is composed of the fix interest rate of 1.125 % p.a., paid annually always by 8 March retrospectively each year.
Method of transferring the securities: transferability is not restricted; mortgage bonds are transferred on registration of the transfers at Clearstream Banking société anonyme Luxembourg and/or Euroclear Bank SA/NV in accordance with the valid regulations.
Issue administrator: Citibank N.A.
Designated premises of the administrator: Citibank N.A., Citi Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom
Names of the public markets on which the securities are accepted for trading: Luxembourg Stock Exchange;
Bond currency: EUR
Maturity of bonds: the mortgage bonds are payable in their par value on 8 March 2024.

2019: focus on digitalization

In 2019, Raiffeisenbank will remain a comprehensive bank offering professional, high-quality and accurate banking services.

We will focus on digitalization and continuous development of client and employee comfort. Top priorities of 2019 include further improvement of customer satisfaction measured by the Net Promoter Score (NPS) index.

For example, we will be working on improvements of our mobile application launched in late 2018 to bring new functionalities, higher security and a new graphic design. Also, we will focus on preparations for mobile payments or on a new authentication tool to replace SMS messages over time. A major project of a new front-end for our branch network will be carried on as well.

Further growth is another of our top priorities, relying on success in new client acquisition. Raiffeisenbank wishes to maintain its position of an attractive employer in 2019 by being both a client-inspired bank and a bank creating opportunities for personal and professional growth of its members of staff and offering an atmosphere of teamwork and superior interpersonal relationships.

On behalf of Raiffeisenbank's Board of Directors

Igor Vida
Chairman of the Board and CEO

Statement of the Chairman of the Supervisory Board

Ladies and gentlemen,

2018 was a very successful year for Raiffeisenbank. The bank recognised annual growth in both loans (+8.8%) and deposits (+7.6%) as well as record-breaking net profit of CZK 3.36 billion, up 19% year-on-year. Total assets reached CZK 362.5 billion, adding 7.3% compared with the previous year.

The above figures highlight the fact that Raiffeisenbank still rightfully ranks among the Czech banking market's key players, 25 years after its foundation.

The Supervisory Board members held four regular meetings during the financial year of 2018. The overall attendance rate at meetings of the Supervisory Board was approximately 94 per cent. Between the regular meetings, the Supervisory Board adopted resolutions by letter on an ad hoc basis.

The Supervisory Board regularly and comprehensively monitored the business performance and risk developments at Raiffeisenbank. Discussions were regularly held with the Management Board on the adequacy of capital and liquidity as well as on the direction of the bank's business and risk strategies. The Supervisory Board also dealt at length with further development in the area of corporate governance and monitored the implementation of corresponding policies. In the course of its monitoring and advisory activities, the Supervisory Board maintained direct contact with the responsible Management Board members, the auditor and heads of the internal control functions. It also maintained a continuous exchange of information and views with representatives of the banking supervisory authorities on topical issues.

Moreover, the Management Board provided the Supervisory Board with regular and detailed reports on relevant matters concerning performance in the respective business areas.

Between meetings, the Supervisory Board also maintained contact with the Chairman of the Management Board and the Management Board members. The Management Board was available where required for bilateral or multilateral discussions with members of the Supervisory Board, where applicable with the involvement of experts on the matters addressed by the Supervisory Board.

The work undertaken together with the Management Board was based on a relationship of mutual trust and conducted in a spirit of efficient and constructive collaboration. Discussions were open and critical, and the Supervisory Board passed resolutions after considering all aspects. If additional information was required in order to consider individual issues in more depth, this was provided to members of the Supervisory Board without delay and to their satisfaction.

The Supervisory Board carried out its tasks in accordance with generally binding legislation, the Articles of Association of Raiffeisenbank, and the Supervisory Board's Rules of Procedure. The Supervisory Board reviewed the individual annual financial statements, consolidated annual financial statements including the report on relations between related parties for the year 2018, as well as the proposal to distribute the profits for 2018, and recommended that the general meeting approve them without comments. The Supervisory Board discussed important matters relating to the bank with special consideration in the form of Focus Topics.

I would like to take this opportunity to thank all of our customers for their continued trust and all of the employees of Raiffeisenbank for their hard work and unwavering efforts in 2018, as well as to ask for their continued commitment in tackling any challenges going forward.

On behalf of the Supervisory Board

Lukasz Janusz Januszewski
Chairman of the Supervisory Board

note: Foto RBI / David Sailer

Report of the Supervisory Board of Raiffeisenbank a.s.

1) The Supervisory Board carried out its tasks in accordance with Section 446 to 447 of the Companies Act, the Articles of Association of Raiffeisenbank a.s., and the company's rules of procedure. The Board of Directors presented reports on the bank's operations and its financial situation to the Supervisory Board at regular intervals.

2) The financial statements were prepared in accordance with the International Accounting Standards.

3) The financial statements were audited by "KPMG Česká republika Audit, s.r.o.". In the opinion of the auditor, the financial statements give a true and fair view of the financial position of Raiffeisenbank a.s. as of 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

4) The Supervisory Board examined the annual financial statements and the Report on Related Parties for the year 2018, including the proposed distribution of earnings, accepted the results of the audit of the financial statements for 2018, and recommended that the General Meeting approve them without comments.

Executive and Supervisory Bodies

Board of Directors

Chairman of the Board of Directors

Igor Vida

Born: 1 April 1967
Residing at: Gorazdova 1, 811 04 Bratislava, Slovakia

Member of the Board of Directors of Raiffeisenbank a.s. since 1 April 2015, and from 7 April 2015, elected Chairman of the Board of Directors. From 2002, Igor Vida worked at the Slovak Tatra banka, a.s., initially as the Head of the Foreign Exchange and Money Market Department, later as Head of the Treasury and Investment Banking Division. In 2007, he became a member of the Board of Directors of Tatra banka, a.s., then Vice-Chairman of the Board of Directors. Starting in 2007, he was the Chairman of the Board of Directors and CEO of Tatra banka, a.s. Igor Vida resigned from the position of Chairman of the Board of Directors of Tatra banka, a.s. on 31 March 2015. On 16 April 2015, he became the Vice-Chairman of the Supervisory Board of Tatra banka, a.s.

Member of the Assets and Liabilities Committee
Member of the Credit Committee
Member of the Problem Loan Committee
Chairman of the Projects Committee
Member of the Price and Interest Committee
Member of the Asset Management Investment Committee
Member of the Committee on Operational Risk and Control
Member of the IT Change Control Committee
Member of the Investment Products Committee
Member of the Marketing Committee

Members of the Board of Directors

František Ježek

Born: 5 April 1972
Residing at: Česká 1135/5, 158 00 Prague 5 - Košíře

Member of the Board of Directors responsible for Risk Management since 1 October 2012. Prior to joining Raiffeisenbank, he worked at the Vienna headquarters of Raiffeisen Bank International AG as the head of retail risk for all of the 15 markets in Central and Eastern Europe. Prior to working at RBI, he worked at Multiservis and in the GE Money group. From April 15, 2018, he is a Member of the Board of Directors responsible for Corporate Banking.

Member of the Assets and Liabilities Committee
Member of the Credit Committee
Member of the Project Committee
Vice-Chairman of the Commission for Real Estate Investment
Member of the IT Change Control Committee
Chairman of the Corporate Products Committee
Member of the Committee on Operational Risk and Control

Milan Hain

Born: 27 November 1962
Residing at: Suchá 10, Bratislava, Slovakia

Member of the Board of Directors responsible for IT since 1 January 2013. Prior to joining Raiffeisenbank, he held various IT management positions at Slovak telecommunications companies, such as Slovak Telecom. Prior to this, he worked in various management positions at Všeobecná úverová banka.

Note: Mr. Milan Hain resigned as a Member of the Board of Directors as of June 30, 2018.

Member of the Projects Committee
Chairman of the IT Change Control Committee

Jan Pudil

Born: 20 December 1969
Residing at: Lucemburská 1599/27, Žižkov, 130 00 Prague 3

Executive Director for Markets and Investment Banking since October 2010. Since 1 October 2013, member of the Board of Directors responsible for Markets and Investment Banking. Prior to joining Raiffeisenbank, he worked eight years in London at BNP Paribas S.A., the last four years of which he was in the position of Head of EMEA, FX and Linear Rates Trading.

Member of the Assets and Liabilities Committee
Member of the Projects Committee
Member of the IT Change Control Committee
Member of the Investment Products Committee
Member of the Operational Risk and Control Management Commitee
Member of Interest Committee

Vladimír Kreidl

Born: 23 April 1974
Residing at: U Starého židovského hřbitova 17, 150 00 Prague 5

Member of the Board of Directors responsible for Retail Banking since 1 October 2013. Prior to joining Raiffeisenbank, he worked at McKinsey&Company starting in 2001, and since 2008 as a partner. From 1995 to 2000, he worked at Patria Finance, a.s., eventually as a partner.

Member of the Assets and Liabilities Committee
Chairman of the Pricing and Interest Committee
Vice-Chairman of the Retail Risk Management Committee
Member of the Projects Committee
Member of the IT Change Control Committee
Member of the Investment Products Committee
Chairman of the Marketing Committee
Member of the Operational Risk and Control Management Commitee

Miloš Matula

Born: 1 October 1976
Residing at: Samoty 18, Líšeň, 628 00 Brno

Member of the Board of Directors responsible for Operations since 1 April 2014. Prior to joining Raiffeisenbank a.s., he worked from 2009 as a member of the Board of Directors of ZUNO BANK AG. From 2007 to 2009, he worked at the parent company Raiffeisen Bank International AG in the position of Head of Service Excellence.

Member of the Operational Risk and Control Management Commitee
Vice-Chairman of the Projects Committee
Member of the IT Change Control Committee
Member of the Corporate Products Committee

Martin Stotter

Born: 7 April 1976
Residence: 9754 Steinfeld, Blumenweg 8, Republic of Austria

Head of the Board of Directors responsible for Risk management since 15 April, 2018. Prior to joining Raiffeisenbank a.s. since March 2016, he has worked in the sister Raiffeisen Bank a.d. (Serbia) as a member of the Board of Directors responsible for Risk management. In 2014-2016 he was a member of the Board of Directors responsible for Risk management at Raiffeisen Bank d.d. (Slovenia). In 2012-2014, he worked at Raiffeisen Landesbank Steiermark AG, Graz as Deputy Chief Risk Officer (COO) and Chief Operating.

Member of the Assets and Liabilities Committee
Chairman of the Credit Committee
Chairman of the Operational Risk and Control Management Commitee
Chairman of the Problem Loans Committee
Chairman of the Retail Risk Management Committee
Member of the Project Committee
Member of the Commission for Real Estate Investment
Member of the IT Change Control Committee
Member of the Investment Products Committee
Vice Chairman of the Corporate Products Committee

Vladimir Matouš

Born: 25 April 1961
Residence: Semická 2026/14, Modřany, 143 00 Prague 4

Member of the Board of Directors responsible for Information Technology since 1 July, 2018. Prior to joining Raiffeisenbank a.s. has been operating in Tatra Bank since 2010, a.s. (Slovakia) as a Member of the board of Directors responsible for IT. In 2008-2010, he worked for T-Systems Czech Republic as Senior Vice President of ICT Operations. From 2004 to 2008 he worked for T-Mobile Czech Republic as Vice President of Technology Operations.

Member of the Project Committee
Chairman of the IT Change Control Committee

Supervisory Board

Chairman of the Supervisory Board

Mag. Lukasz Janusz Januszewski

Born: 1 October 1978
Residence: 05-520 Konstancin Jeziorna, Vincent van Gogha 5, Republic of Poland

Member of the Supervisory Board of Raiffeisenbank a.s. from 24 April 2018. On 8 May 2018 he was elected Chairman of the Supervisory Board of Raiffeisenbank a.s. From March 2018, he is a member of the Board of Directors of Raiffeisen Bank International AG responsible for Markets & Investment Banking. Since 1998 he has worked in Raiffeisen Bank Polska in various positions connected with Treasury, Capital Markets and Investment Banking. In 2007-2018 he was a Member of the Board of Directors responsible for Markets & Investment Banking.

Vice-Chairman of the Supervisory Board

Peter Lennkh

Born: 10 June 1963
Residing at: Pierronngasse 5, 1140 Vienna, Austria

Member of the Supervisory Board since October 2013. From December 2013, he was elected Vice-Chairman of the Supervisory Board. Prior to this, he was a member of the Supervisory Board of Raiffeisenbank a.s. from 2005 to 2007. In 1988, he joined Raiffeisen Zentralbank AG, and since that time, he has worked in various positions in the group. Since 2004, he is a member of the Board of Directors of Raiffeisen Bank International AG, now responsible for Corporate Banking.

Members of the Supervisory Board

Reinhard Schwendtbauer

Born: 11 September 1972
Residing at: Lukasweg 23, 4060 Leonding, Austria

Member of the Supervisory Board since April 2013. From 1997, he worked at Raiffeisenlandesbank Oberösterreich AG as the Head of the Secretariat of the Board of Directors. From 1999 to 2000, he worked at the Federal Ministry of Agriculture and Forestry. From 2001 to 2012, he was managing partner and shareholder in Finadvice Österreich, Linz. Since April 2012, he is a member of the Board of Directors of Raiffeisenlandesbank Oberösterreich AG, Linz.

Johann Strobl

Born: 18 September 1959
Residing at: Walbersdorf, Hauptstrasse 37, Austria

Member of the Supervisory Board since April 2014. From 1989, Johann worked at Bank Austria Creditanstalt, and from 2004, in the position of member of the Board of the Directors responsible for risk management and finance. In 2007, he became a member of the Board of Directors of Raiffeisen Zentralbank AG responsible for risk management. Starting in 2010, he is a member of the Board of Directors of Raiffeisen Bank International AG responsible for risk management, and from June 2013, also the deputy CEO. In March 2017 he became Chairman of the Board of Directors and CEO of Raiffeisen Bank International AG.

Martin Grüll

Born: 25 October 1959
Residing at: Mödling, Dr. Hanns Schürff Gasse 21, 2340, Austria

Member of the Supervisory Board since July 2014. From 1982 to 1998, he worked at Raiffeisen Zentralbank, ultimately in the position of Head of International Corporate Banking (Senior Vice President). From 1998 to 2004, he worked at Bank Austria Creditanstalt, in the end, as Group Executive Manager – Central and Eastern Europe. Since 2005, he has been a member of the Board of Directors and CFO at Raiffeisen Bank International AG.

Note: Mr Martin Grüll resigned as a member of the Supervisory Board on 24 April 2018.

Andreas Gschwenter

Born: 16 January 1969
Residing at: Wolkersbergenstrasse 14, 1130 Vienna, Austria

Member of the Supervisory Board of Raiffeisenbank a.s. since19 August 2015. From 2010, he was a member of the Board of Directors of the Ukrainian Raiffeisen Bank Aval responsible for IT and Operations. In July 2015, he became a member of the Board of Directors of Raiffeisen Bank International AG responsible for IT and Operations.

Dr. Hannes Mösenbacher

Born: March 11, 1972
Residing: Wisentgasse 39, 3400 Klosterneuburg, Austria

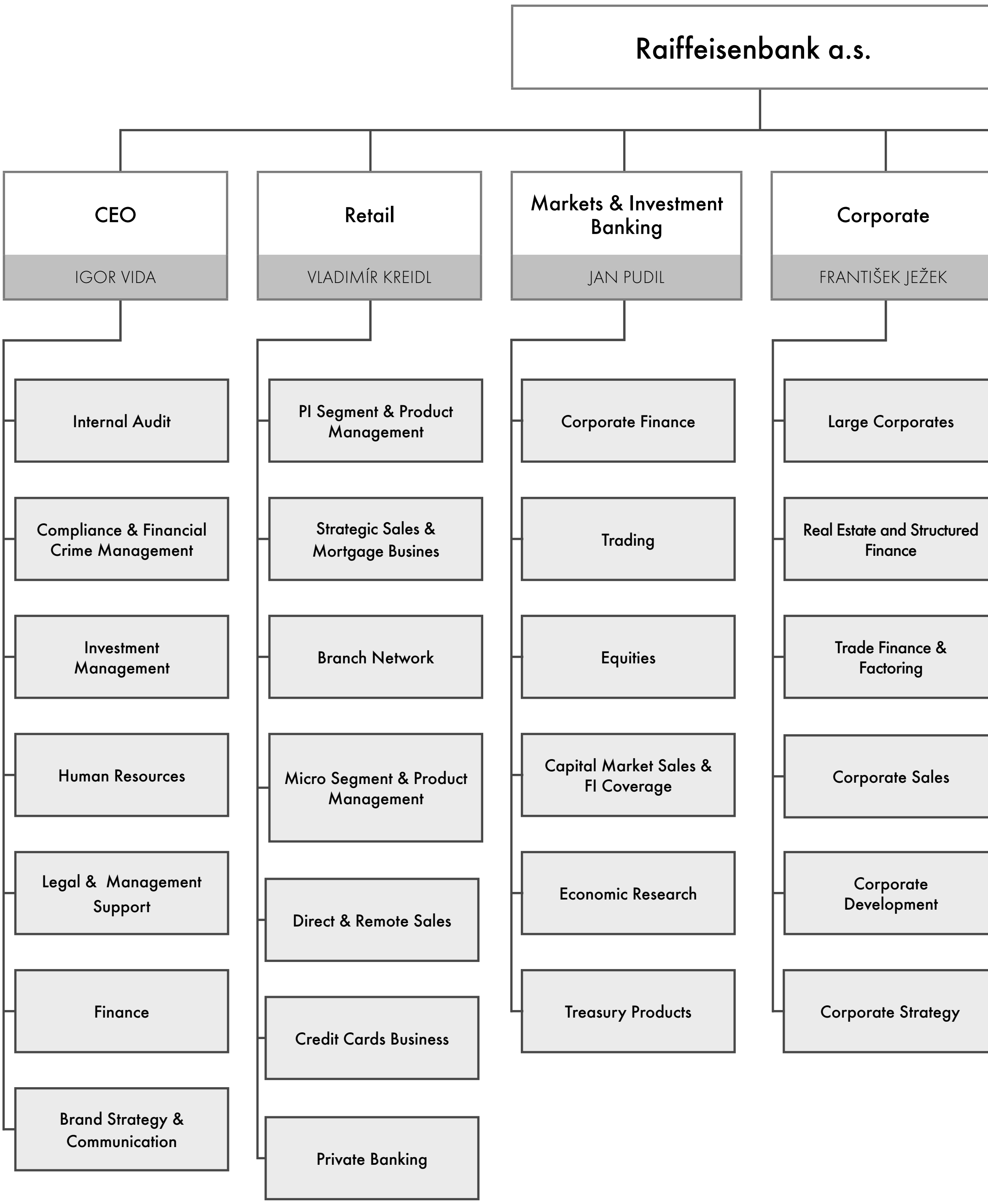
Member of the Supervisory Board of Raiffeisenbank a.s. since April 27 2017. Since March 2017, he has been a member of the Board of Directors of Raiffeisen Bank International AG, responsible for the area of risk management (CRO). Prior to 2009 he worked for Raiffeisen Bank International AG (Raiffeisen Zentralbank Österreich AG) as Head of Risk Controlling. From 2000 to 2008, he was employed at Bank Austria Creditanstalt, Vienna in various positions associated with risk management.

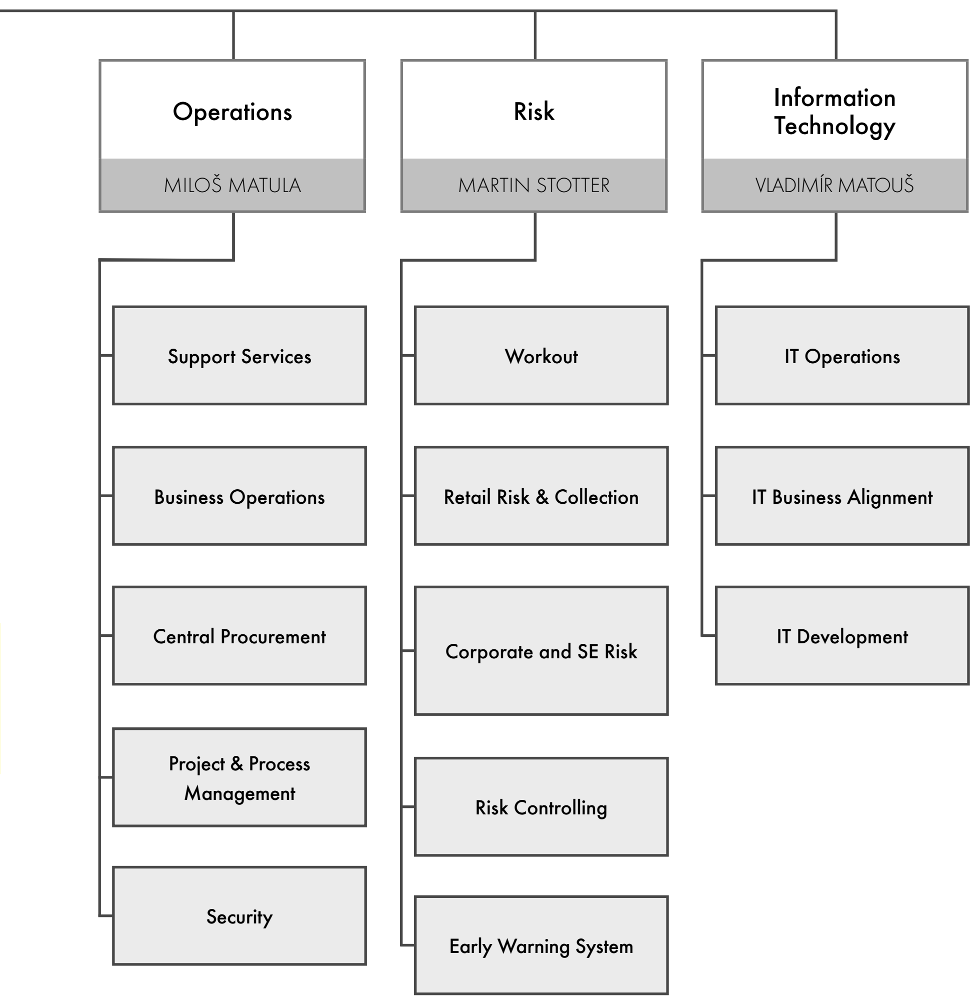
Andrii Stepanenko

Born: 28 April 1972
Residence: 1010 Vienna, Vorlaufstrasse 3/503, Republic of Austria

Member of the Raiffeisenbank from 24 April 2018. At the same time he became a Member of the Board of Directors of Raiffeisen Bank International AG responsible for Retail Banking. Under the Raiffeisen brand he has been working since 1998, first at AKB Raiffeisenbank Ukraine, subsequently in Raiffeisen Zentralbank AG. From 2003 to 2007 he worked at ZAO Raiffeisenbank Austria, where he was responsible for Risk management. Since 2012 he has been in various positions in the Russian AO Raiffeisenbank, most recently as Vice-Chairman of the Board of Directors responsible for Retail Banking and SME.

Organisational Chart





Valid from 31. 12. 2018

Economic Development

Favourable external environment

The year 2018 was a turning point in the development of the world economy. The external environment of the Czech economy continued to be favourable, but prospects for continued growth had begun to gradually deteriorate. The advanced economies of the world had reached their peak with respect to their rate of growth, and the leading indicators were headed in a downward direction at the end of the year. Certain geopolitical risks had subsided, for example, developments in Turkey or the eminent risk of trade wars between the USA and China. Others, such as the uncertainty of Brexit, the growing indebtedness of developing economies, or concerns about the excessively rapid cool down of the Chinese economy had endured. Favourable economic development allowed the American Federal Reserve Bank to continue increasing its base rate, and on the contrary, slowly reduce the voluminous balance. On the other hand, the European Central Bank (ECB) had left the deposit rate in negative values and the refinancing rate at zero due to volatile and unbalanced growth in the Eurozone economies. Not until the end of year, did it terminate the purchase of assets and decide to continue with reinvesting the principal from maturing securities. Developments on the world's foreign exchange markets were somewhat calmer in 2018 than in the previous year, though even this time double-digit declines in currencies were not an exception according to data from Bloomberg (the Argentinian peso or the Turkish lira). The US dollar strengthened against the euro during the year by almost 5% on average.

The Czech economy in very good condition, though a slowdown on the horizon

The Czech economy was in very good condition in 2018. Although the rate of economic growth slowed according to data from the Czech Statistical Office, it remained above long-term sustainable growth, i.e. its potential, according to Raiffeisenbank's estimates. The use of production capacity stayed at high values, and on the local labour market, the gap continued to widen between the number of open (vacant) positions and the number of unemployed. The lack of employees, which prevented more than one third of firms from expanding production last year according to a Czech Statistical Office investigation, supported the above-average high growth of wages in the economy – in the case of real wages, this was the second highest growth measured in recent history, i.e. since 2001. The employment rate exceeded the historical maximum, and the Czech Republic could continue to boast the lowest unemployment rate in the EU according to Eurostat. Last year's growth of domestic wage costs was one of the fastest in Europe. However, economic productivity lagged behind wage growth, which reduced the profitability of firms as a result. Even so, the profitability of Czech firms remained above the average in the EU according to Eurostat.

During the course of the year, the performance of the economy's individual sectors also changed. While growth of added value for industry and services gradually slowed, construction, on the contrary, increased its tempo due to unsatisfied demand for housing and the favourable climate. Restricted domestic capacity and slowly declining demand abroad led to a slowdown in export growth

Inflation at the CNB's target and normalisation of rates

Despite rising wage pressures, consumer price inflation in the Czech Republic was slowly reduced in the second half of the year to the two-percent inflation target of the Czech National Bank (CNB). A decline in food prices contributed most to the slowdown and later also lower oil prices on global markets. The central bank continued to normalise interest rates, raising its base interest rate five times by 0.25 of a percentage point during the year. As part of the macro-prudential policy, the CNB adopted new measures relating to the rules for new mortgage lending (DSTI and DTI) and resorted to an additional increase in the countercyclical capital buffer.

The exchange rate of the Czech crown suffered a slight loss of almost 1% vis-à-vis the euro last year according to data from Bloomberg. On the other hand, its regional competitors experienced a larger loss in a range of several per cent. The growing aversion towards risk, geopolitical risks, and the gradually worsening external environment overshadowed the favourable domestic factors – a sharp rise in interest rates, a unique phenomenon in the entire region.

An increase in key interest rates from 0.5% to 1.75% led to a rise in rates on the money and bond market, but this was not uniform. A slowdown in inflation, the subsequent decline in inflation expectations, the continued strong surplus of crown liquidity, and during the last months of the year, the effect of the resolution fund led to a decline in yields with longer maturities during the second half of the year. The yield curve pictured in the chart of yield levels according to maturity flattened out significantly. The financial market stopped believing in additional interest rate growth in the Czech Republic at the end of the year.

Author: Helena Horská, Chief Economist, Raiffeisenbank a.s.
Data as at 30 January 2019.

Source: Czech Statistical Office, Czech National Bank, Bloomberg, Raiffeisenbank Economic Research

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Comments on the IFRS consolidated financial results

The Raiffeisenbank Group recorded a consolidated attributable net profit to the parent company's shareholders of CZK 3.815 billion under International Financial Reporting Standards (IFRS). This represents 23.7% increase compared to 2017.

Consolidated Statement of Comprehensive Income

Net income and revenues

Total operating income of the Group increased by 4.7% to CZK 11.87 billion.

Net interest income of the Group increased by 16.8 % to CZK 7.67 billion. Net income from fees and commissions decreased by 1.2% to CZK 1.98 billion. Other income, which comprises mainly net profit on financial operations, decreased by 38.0% to CZK 1.52 billion. The main reason for this decline is the fact that last year´s revenues were positively influenced by a one-off gain from the sale of government bonds and by revenues related to the termination of the Czech National Bank's foreign exchange interventions.

Expenses

One of the priorities of the Group is a strict adherence to cost discipline. Operating expenses decreased by 2.4% to CZK 6.32 billion despite a higher mandatory contribution to Resolution Fund. This is a clear sign of the good cost discipline of the Group.

Risk management

Impairment of loans increased by 120.6% to CZK 880 million. The Group keeps a very good quality of client´s credit portfolio. The proportion of loans and advances with default decreased year-on-year from 2.6% to 1.9% of the total loan portfolio.

Consolidated Statement of Financial Position

Assets

Total Group assets reached CZK 366.16 billion and had grown by 6.8% year-on-year.

Cash and current balances with central banks increased to CZK 12.1 billion which represents an increase by 16.8% mainly affected by increase in on-demand interbank deposits.

Securities held for trading (in 2017: Securities at fair value through profit or loss) increased by 71.3% to CZK 268 million. Government bonds represent the largest increase.

Financial assets measured at FVOCI (in 2017: Securities available for sale) increased by 4.2% to CZK 629 million.

Loans and advances to financial institutions decreased by 3.9% to CZK 99.53 billion. Loans and advances to customers rose by 8.0% year-on-year to CZK 236.60 billion. Main increase is attributable both to household financing (mortgages and consumer loans) and corporate financing.

Other assets increased by 13.2% to CZK 1.66 billion.

Equity investments in associates increased by 20.7% to CZK 46 million.

Intangible fixed assets increased by 14.9% to 2.73 billion and property and equipment rose by 8.7% to CZK almost 2.07 billion.

Liabilities

Total Group liabilities reached CZK 336.25 billion which represents an increase of 6.8%.

Amounts owed to financial institutions showed an increase by 9.7% to CZK 34.40 billion of which the highest increase was represented by term deposits.

Amounts owed to customers increased by 7.6% year-one-year to CZK 270.92 billion. Main increase is attributable to term deposits.

Issued debt securities increased by 0.6% to CZK 19.60 billion.

Other liabilities decreased by 1.3% to CZK 930 million.

Equity

Capital adequacy of the Group reached in 2018 16.09% against 16.77% last year. In April 2018 the General Meeting of the Bank agreed on 2017 profit distribution of CZK 2.82 billion as follows: CZK 1.52 billion was used for payment of dividends to shareholders and CZK 1.30 billion was transferred to retained earnings.

During 2018, Group paid out from retained earnings a coupon in the amount of CZK 178.68 million to the holders of AT1 capital investment certificates which are part of Group equity in the amount of CZK 2.62 billion.

Increase of retained earnings had a positive effect on Group's capital adequacy.

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This document is an English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

Independent Auditor's Report to the Shareholders of Raiffeisenbank a.s.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Raiffeisenbank a.s. and its subsidiaries (together referred as "the Group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Group is set out in Note 3 to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and of the Council, and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs) as amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Loss allowances for loans and advances to customers

Key audit matter	How the audit matter was addressed
We focused on this matter because of the highly subjective and complex judgements made by the Group's management in determining the necessity for, and then estimating the size of, loss allowances for loans and advances to customers (further only as "loans"). Loss allowances for loans and advances to customers at CZK 4,451 million as at 31 December 2018 represented by an estimate of the expected credit losses for loans at the reporting date. The loans are segmented into commercial and retail portfolios and within them further by type of product. In order to calculate loss allowances, the individual loans are allocated to one of three stages and Purchased or Originated Credit-Impaired ("POCI") category in line with IFRS 9 Financial instruments. Stage 1 and Stage 2 loans are performing loans. Stage 2 loans are loans where a significant increase in credit risk since origination has been observed. Stage 3 loans are non-performing, i.e. credit-impaired loans. The calculation of loss allowances for Stage 1 and Stage 2 loans is based on statistical models, which estimate inputs into the calculation primarily from Group's historical data. Loss allowances for retail and commercial Stage 3 loans are calculated differently for individually	We performed, among others, the procedures outlined below to address this key audit matter: Applying our knowledge, experience and market standards in the industry, we critically assessed and challenged the Group's credit and accounting policies and evaluated the processes related to calculation of expected credit losses by involving the our credit risk specialists. We tested the design, implementation and operating effectiveness of system-based and manual controls over identification of significant increase in credit risk. The tested controls comprise tests over calculation of days past due of loans, calculating relative increase of life-time PD since origination and appropriate allocation of loans to stages. We tested these controls by inquiry in combination with the observation, inspection and review of underlying documentation, and selected recalculations. In collaboration with credit risk specialists we re-performed, recalculated and critically assessed the construction of cumulative PD curves including forward-looking information for mortgage portfolio used in the statistical models. We also critically evaluated the methodology of construction of cumulative LGD curves as well as EAD. Furthermore, we recalculated ECL on the complete portfolio of the retail mortgage loans using data analytics approach that was based on averaged inputs generated by the Group's statistical models and compared our results with balances

Key audit matter	How the audit matter was addressed
and portfolio managed exposures. Loss allowances for Stage 3 portfolio managed exposures are determined based on the statistical models using primarily Group's historical data. Loss allowances for stage 3 commercial individually managed loans are determined by estimating the probability-weighted discounted future cash flows for each exposure. The key judgements and assumptions is estimating future cash repayment scenarios and assigning probabilities to these scenarios taking into account the estimated value and timing of cash flows including estimating the recoverable value of underlying collateral. Key inputs, assumptions and judgments relevant for the calculation of loss allowances based on statistical models comprise: - definition of default, definition of significant increase in credit risk (SICR) and estimation of probability of default (PD), - estimation of loss given default (LGD), - estimation of exposure at default (EAD) including prepayments and utilizations at default, - forward-looking information (FLI) based on three scenarios of expected development of selected macroeconomic indicators. **Refer to further information in the note 5f (Summary of significant accounting policies), 25 (Financial assets at amortized cost) and 47 (Financial instruments - credit risk) to the consolidated financial statements.**	recognized in the accounting books. On a sample of retail loans, we also recalculated ECL and compared the results with the calculation performed by the IT system. For a sample of commercial individually managed loans, we evaluated a stage of examined loans. For credit-impaired loans we examined the estimated cash flow scenarios as prepared by the credit risk department of the Group. In particular, we challenged the key assumptions in relation to both the amount and timing of estimated cash flows. During our assessment we considered also the latest developments in relation to the borrower. Finally, we re-calculated specific allowances calculated by the workout department of the Group in order to check the accuracy of data captured in the accounting records. Using data analytics tools, we also performed data quality check on consistency of staging across the borrower's exposures. We evaluated results of back-testing of statistical models carried out by the Group as at year end. We assessed the adequacy of the Groups' disclosures on the loss allowances and credit risk management in the notes to the consolidated financial statements.

IT systems and controls over financial reporting

Key audit matter	How the audit matter was addressed
We identified IT systems and controls over financial reporting as an area of focus as the Group's financial accounting and reporting systems are dependent on complex systems and there is a risk that automated accounting procedures and related IT dependent manual controls are not designed or operating effectively.	We assessed and tested the design, implementation and operating effectiveness of the controls over the information systems that are critical to financial reporting by involving our IT specialists. We, among others, tested the controls over the access to programs and data and change management procedures including compensating controls where required by inquiry in combination with observation and inspection of internal policies. We also assessed certain aspects of the security of the IT systems including access management and segregation of duties.

Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the consolidated annual report other than the separate and consolidated financial statements and our auditor's report. The statutory body is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- the other information describing matters that are also presented in the separate and consolidated financial statements is, in all material respects, consistent with the separate and consolidated financial statements; and
- the other information has been prepared in accordance with applicable laws and regulations.

In addition, our responsibility is to report, based on the knowledge and understanding of the Group obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Statutory Body, Supervisory Board and Audit Committee for the Consolidated Financial Statements

The statutory body of Raiffeisenbank a.s. is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the statutory body determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the statutory body is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board and Audit Committee are responsible for the oversight of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on

the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council, we provide the following information in our independent auditor´s report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of Raiffeisenbank a.s. by the General Meeting of Shareholders on 2 October 2017 and our uninterrupted engagement has lasted for 1 year.

Consistency with Additional Report to Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed herein is consistent with the Additional report to the Audit Committee of Raiffeisenbank a.s., which we issued on 24 April 2019 in accordance with Article 11 of Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Provision of Non-audit Services

We declare that no prohibited services referred to in Article 5 of Regulation (EU) No. 537/2014 of the European Parliament of the Council were provided.

Except for the statutory audit we did not provide Raiffeisenbank a.s. and its controlled undertakings with any other services that have not been disclosed in notes to the consolidated financial statements or consolidated annual report.

Statutory Auditor Responsible for the Engagement

Jindřich Vašina is the statutory auditor responsible for the audit of the consolidated financial statements of Raiffeisenbank a.s. as at 31 December 2018, based on which this independent auditor's report has been prepared.

Prague
26 April 2019

KPMG Česká republika Audit

KPMG Česká republika Audit, s.r.o.
Registration number 71

Jindřich Vašina
Partner
Registration number 2059

Raiffeisenbank a.s.

Consolidated Financial Statements Prepared in Accordance with International Financial Reporting Standards as Adopted by the European Union for the Year Ended 31 December 2018

Components of the Consolidated Financial Statements:

- Consolidated Statement of Comprehensive Income
- Consolidated Statement of Financial Position
- Consolidated Statement of Changes in Equity
- Consolidated Cash Flow Statement
- Notes to the Consolidated Financial Statements

These consolidated financial statements were prepared and approved by the Board of Directors of the Bank on 3 April 2019.

Chief Financial Officer of the Reporting Entity

Tomáš Jelínek
Chief Financial Officer

Statutory Body of the Reporting Entity

Igor Vida
Chairman of the Board of Directors

Jan Pudil
Member of the Board of Directors

Consolidated Statement of Comprehensive Income For the Year Ended 31 December 2018

CZK thousand	Note	2018	2017 (restated)
Interest income and similar income calculated using the effective interest rate method	7	10,627,317	8,649,636
Other interest income	7	1,493,741	767,797
Interest expense and similar expense	7	(4,455,562)	(2,853,151)
Net interest income		**7,665,496**	**6,564,282**
Fee and commission income	8	2,870,669	2,897,954
Fee and commission expense	8	(890,603)	(894,134)
Net fee and commission income		**1,980,066**	**2,003,820**
Net gain on financial operations	9	1,415,693	2,419,402
Net gain from hedge accounting	10	72,759	n/a
Dividend income	11	30,812	31,116
Impairment losses on financial instruments	12	(880,372)	(399,054)
Gain/(loss) from derecognition of financial assets measured at amortised cost	13	41,156	n/a
Personnel expenses	14	(3,252,073)	(3,298,827)
General operating expenses	15	(2,226,995)	(2,418,425)
Depreciation/amortisation of property and equipment and intangible assets	16	(841,794)	(760,334)
Other operating income	17	887,892	717,102
Other operating expenses	18	(222,275)	(397,753)
Operating profit		**4,670,365**	**4,461,329**
Share in income of joint ventures	31	13,589	7,560
Profit before tax		**4,683,954**	**4,468,889**
Income tax	19	(868,936)	(1,210,938)
Net profit for the year attributable to:		**3,815,018**	**3,257,951**
– shareholders of the parent company		3,815,018	3,083,570
– non-controlling interests		–	174,381
Other comprehensive income			
Items that will not be reclassified to profit or loss in future:			
Gains/(losses) from remeasurement of equity securities at FVOCI	40	25,226	n/a
Deferred tax relating to items that will not be reclassified to profit or loss in following periods	40	(5,059)	n/a
Items that will be reclassified to profit or loss in future:			
Gains/(losses) from remeasurement of available-for-sale securities	40	n/a	9,352
Remeasurement of securities available for sale transferred to profit or loss	40	n/a	35,548
Cash flow hedge	40	177,406	192,184
Deferred tax relating to items that will be reclassified to profit or loss in following periods	40	(40,129)	(34,587)
Total other comprehensive income attributable to:		**157,444**	**202,497**
– shareholders of the parent company		157,444	202,497
– non-controlling interests		–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,972,462**	**3,460,448**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position
As at 31 December 2018

CZK thousand	Note	31/12/2018	31/12/2017 (restated)
ASSETS			
Cash in hand, balances with central banks and other demand deposits	20	12,105,947	10,363,327
Financial assets held for trading	21	1,955,465	1,566,987
Derivatives held for trading	21	1,687,444	1,566,987
Securities held for trading	21	268,021	n/a
Securities at fair value through profit or loss	22	n/a	156,446
Financial assets measured at FVOCI	23	628,880	n/a
Available-for-sale securities	24	n/a	603,654
Financial assets at amortised cost	25	342,997,467	n/a
Loans and advances to banks	25	99,528,498	n/a
Loans and advances to customers	25	236,604,410	n/a
of which: change in fair value of hedged items		*(1,245)*	*n/a*
Debt securities	25	6,864,559	n/a
Loans and advances to banks	26	n/a	103,587,997
Loss allowances to loans and advances to banks	26	n/a	(4,903)
Loans and advances to customers	27	n/a	224,038,925
of which: change in fair value of hedged items		*n/a*	*(1,470)*
Loss allowances to loans and advances to customers	27	n/a	(5,051,577)
Change in fair value of portfolio-remeasured items (loans and advances to customers and debt securities)	43	(1,144,945)	(1,259,634)
Hedging derivatives with positive fair value	28	2,481,030	2,292,429
Tax receivables	19	28,649	7,886
Deferred tax asset	29	9,300	10,075
Other assets	30	1,661,271	1,468,095
Equity investments in joint ventures	31	45,997	38,108
Intangible assets	32	2,722,610	2,369,212
Property and equipment	33	2,067,421	1,901,114
Investment property	34	599,307	610,827
TOTAL ASSETS		**366,158,399**	**342,698,968**

CZK thousand	Note	31/12/2018	31/12/2017 (restated)
LIABILITIES AND EQUITY			
Financial liabilities held for trading	35	1,675,219	1,653,426
Derivatives held for trading	35	1,675,219	1,653,426
Financial liabilities at amortised cost	36	330,670,003	309,552,941
Deposits from banks	36	34,401,546	31,372,154
Deposits from customers	36	270,920,560	251,731,818
of which: change in fair value of hedged items	36	*89,896*	*129,500*
Debt securities issued	36	19,599,578	19,473,226
of which: change in fair value of hedged items	36	*28,307*	*52,993*
Subordinated liabilities and bonds	36	2,577,259	2,712,697
Other financial liabilities	36	3,171,060	4,263,046
Fair value remeasurement of portfolio-remeasured items (deposits from customers)	43	(1,757,940)	(1,848,943)
Hedging derivatives with negative fair value	37	3,204,463	2,971,340
Provisions	38	1,357,077	1,093,396
Current tax liability	19	49,014	328,796
Deferred tax liability	29	131,128	101,118
Other liabilities	39	929,519	941,864
TOTAL LIABILITIES		**336,258,483**	**314,793,938**
EQUITY			
Attributable to shareholders of the Group		29,899,916	27,905,030
Share capital	40	11,060,800	11,060,800
Reserve fund		693,918	693,918
Fair value reserve	40	263,240	105,796
Retained earnings		11,451,586	10,345,592
Other equity instruments	40	2,615,354	2,615,354
Profit for the year		3,815,018	3,083,570
TOTAL EQUITY		**29,899,916**	**27,905,030**
TOTAL LIABILITIES AND EQUITY		**366,158,399**	**342,698,968**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity For the Year Ended 31 December 2018

	Equity attributable to shareholders of the Group							
CZK thousand	**Share capital**	**Reserve fund**	**Fair value reserve**	**Retained earnings**	**Other equity instruments**	**Profit for the year**	**Non-controlling interests**	**Total equity**
At 1 January 2017	**11,060,800**	**693,918**	**(96,701)**	**9,283,904**	**1,934,450**	**2,794,412**	**744,368**	**26,415,151**
Capital increase	–	–	–	–	680,904	–	–	**680,904**
Dividends	–	–	–	–	–	(1,412,058)	(26,500)	**(1,438,558)**
Payment of coupon on other equity instruments	–	–	–	(147,451)	–	–	–	**(147,451)**
Net allocation to reserve funds	–	–	–	–	–	–	–	**–**
Allocation to retained earnings	–	–	–	1,382,354	–	(1,382,354)	–	**–**
Non-controlling interests in entities excluded from the consolidated group	–	–	–	–	–	–	–	**–**
Purchase of the remaining interest in a subsidiary	–	–	–	(1,065,464)	–	–	–	**(1,065,464)**
Reversal of non-controlling-interests arising from the purchase of the remaining interest in a subsidiary	–	–	–	892,249	–	–	(892,249)	**–**
Net profit for the year	–	–	–	–	–	3,083,570	174,381	**3,257,951**
Other comprehensive income, net	–	–	202,497	–	–	–	–	**202,497**
Total comprehensive income for the year	**–**	**–**	**202,497**	**–**	**–**	**3,083,570**	**174,381**	**3,460,448**
At 31 December 2017	**11,060,800**	**693,918**	**105,796**	**10,345,592**	**2,615,354**	**3,083,570**	**–**	**27,905,030**
Impact of transition to IFRS 9	–	–	–	(274,148)	–	–	–	**(274,148)**
At 1 January 2018	**11,060,800**	**693,918**	**105,796**	**10,071,444**	**2,615,354**	**3,083,570**	**–**	**27,630,882**
Capital increase	–	–	–	–	–	–	–	**–**
Dividends	–	–	–	–	–	(1,519,232)	–	**(1,519,232)**
Payment of coupon on other equity instruments	–	–	–	(178,675)	–	–	–	**(178,675)**
Net allocation to reserve funds	–	–	–	–	–	–	–	**–**
Allocation to retained earnings	–	–	–	1,564,338	–	(1,564,338)	–	**–**
Purchase of the remaining interest in a subsidiary	–	–	–	(370)	–	–	–	**(370)**
Sale of a joint venture	–	–	–	(5,141)	–	–	–	**(5,141)**
Changes in the consolidated group	–	–	–	(10)	–	–	–	**(10)**
Net profit for the year	–	–	–	–	–	3,815,018	–	**3,815,018**
Other comprehensive income, net	–	–	157,444	–	–	–	–	**157,444**
Total comprehensive income for the year	**–**	**–**	**157,444**	**–**	**–**	**3,815,018**	**–**	**3,972,462**
At 31 December 2018	**11,060,800**	**693,918**	**263,240**	**11,451,586**	**2,615,354**	**3,815,018**	**–**	**29,899,916**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement For the Year Ended 31 December 2018

CZK thousand	2018	2017
Profit before tax	**4,683,954**	**4,468,889**
Adjustments for non-cash transactions		
Creation of loss allowances and provisions for credit risks	880,372	399,054
Depreciation/amortisation of property and equipment and intangible assets	841,794	760,334
Loss on the impairment of tangible and intangible assets	336	1,079
Creation of other provisions	(83,255)	14,762
Change in fair value of derivatives	123,263	1,925,773
Unrealised losses/(gains) on remeasurement of securities	2,244	1,393
Loss/(gain) on the sale of property and equipment and intangible assets	2,126	(538)
Gain on the sale of subsidiaries and joint ventures	(12,770)	(62,578)
Change in the remeasurement of hedged items upon fair value hedge	(88,201)	(1,043,816)
Share in profit from joint ventures	(13,589)	(7,560)
Remeasurement of foreign currency positions	920,511	(4,657,648)
Other non-monetary changes	48,955	1,105,519
Operating profit before changes in operating assets and liabilities	***7,305,740***	***2,904,663***
Operating cash flow		
(Increase)/decrease in operating assets		
Mandatory minimum provisions with CNB	3,151,068	(1,258,291)
Loans and advances to banks	4,088,969	(100,066,312)
Loans and advances to customers	(19,486,203)	(6,798,257)
Debt securities at amortised cost	(4,766,359)	n/a
Securities held for trading	(110,687)	n/a
Securities at fair value through profit or loss and securities available for sale	n/a	573,155
Other assets	(193,177)	42,471
Increase/(decrease) in operating liabilities		
Deposits from banks	3,029,392	(1,634,384)
Deposits from customers	17,582,082	26,447,006
Other financial liabilities	(1,091,986)	801,453
Other liabilities	(12,346)	223,002
Net operating cash flow before tax	**9,496,493**	**(78,765,494)**
Income tax paid	(1,142,983)	(1,050,638)
Net operating cash flow	***8,353,510***	***(79,816,133)***
Cash flows from investing activities		
Sale/(acquisition) of equity investments	19,469	(1,054,724)
Acquisition of property and equipment and intangible assets	(1,629,777)	(1,209,332)
Proceeds from sale of non-current assets	4,809	2,992
Net decrease in securities held to maturity	n/a	2,491,448
Dividends received	30,812	31,116
Net cash flow from investing activity	***(1,574,687)***	***261,500***

CZK thousand	2018	2017
Cash flows from financing activities		
Dividends paid and paid coupons on other equity instruments	(1,697,907)	(1,559,509)
Dividends paid to minority shareholders	–	(26,500)
Increase in other equity instruments	–	680,904
Debt securities issued	–	(4,623,095)
Repayment of subordinated debt	(2,554,000)	–
Drawing of subordinated debt	2,572,500	–
Repayment of subordinated bonds	(125,000)	–
Net cash flow from financing activities	***(1,804,407)***	***(5,528,200)***
Net (decrease)/increase in cash and cash equivalents	**4,974,416**	**(85,082,833)**
Cash and cash equivalents at the beginning of the year (note 41)	5,397,165	90,627,371
Foreign exchange gains/losses on cash and cash equivalents at the beginning of the year	(80,729)	(147,373)
Cash and cash equivalents at the end of the year (note 41)	**10,290,852**	**5,397,165**

Interest received	11,833,384	9,036,595
Interest paid	(4,513,096)	(2,726,089)

The accompanying notes are an integral part of these consolidated financial statements.

Reconciliation of liabilities arising from funding, including changes arising from cash flows and non-cash changes

		Cash flows		Non-cash changes		
	At 1 January 2018	Inflow	Outflow	Remeasurement of foreign currency positions	Other non-monetary changes	At 31 December 2018
Debt securities issued	19,473,226	–	–	126,352	–	19,599,578
Subordinated debt	2,586,645	2,572,500	(2,554,000)	–	(27,886)	2,577,259
Subordinated bonds	126,052	–	(125,000)	(1,052)	–	–

		Cash flows		Non-cash changes		
	At 1 January 2017	Inflow	Outflow	Remeasurement of foreign currency positions	Other non-monetary changes	At 31 December 2017
Debt securities issued	24,722,224	–	(4,623,095)	(625,903)	–	19,473,226
Subordinated debt	2,737,981	–	–	–	(151,336)	2,586,645
Subordinated bonds	126,001	–	–	51	–	126,052

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1. PARENT COMPANY INFORMATION

Raiffeisenbank a.s. ("*the Bank*"), with its registered office at Hvězdova 1716/2b, Praha 4, post code 140 78, identification number 49240901, was founded as a joint stock company in the Czech Republic. The Bank was recorded in the Commercial Register maintained by the Municipal Court in Prague on 25 June 1993, Section B, File 2051.

The Bank together with its subsidiaries and joint ventures disclosed in Note 3 form the Raiffeisenbank a. s. Financial Group (henceforth the "*Group*"). The parent company of the Group is the Bank.

Principal activities of the Bank according to the banking licence granted by the Czech National Bank (CNB):

- acceptance of deposits from the public;
- provision of loans;
- investing in securities on its own account;
- finance leases - at present, the Bank does not carry out this activity directly;
- payments and clearing;
- issuance and maintenance of payment facilities;
- provision of guarantees;
- opening of letters of credit;
- direct debit services;
- provision of investment services;
  - principal investment services under Section 4 (2) (a), (b), (c), (d), (e), (g), and (h) of Act No. 256/2004 Coll., as amended;
  - additional investment services under Section 4 (3) (a) – (f) of Act No. 256/2004 Coll., as amended;
- issuance of mortgage bonds;
- financial brokerage;
- depositary activities;
- foreign exchange services (foreign currency purchases);
- provision of banking information;
- proprietary or client-oriented trading with foreign currency assets;
- rental of safe-deposit boxes;
- activities directly relating to the activities listed in the banking licence; and
- mediation of supplementary pension schemes.

In addition to the licence to pursue bank operations, the Bank:

- was granted a securities broker licence; and
- has been listed by the Ministry of Finance of the Czech Republic as a limited insurance provider.

During the year ended 31 December 2018, the performance or provision of the Bank's activities and services were not restricted or suspended by the Czech National Bank.

2. SHAREHOLDERS OF THE PARENT COMPANY

The shareholders of the Bank as at 31 December 2018 and 2017:

	Voting power in %	
Name, address	**2018**	**2017**
Raiffeisen CEE Region Holding GmbH		
Am Stadtpark 9, Vienna, Austria	75%	75%
RB Prag Beteiligungs GmbH,		
Europaplatz 1a, 4020 Linz, Austria	–	25%
RLB OÖ Sektorholding GmbH, Europaplatz 1a, 4020 Linz, Austria	25%	–

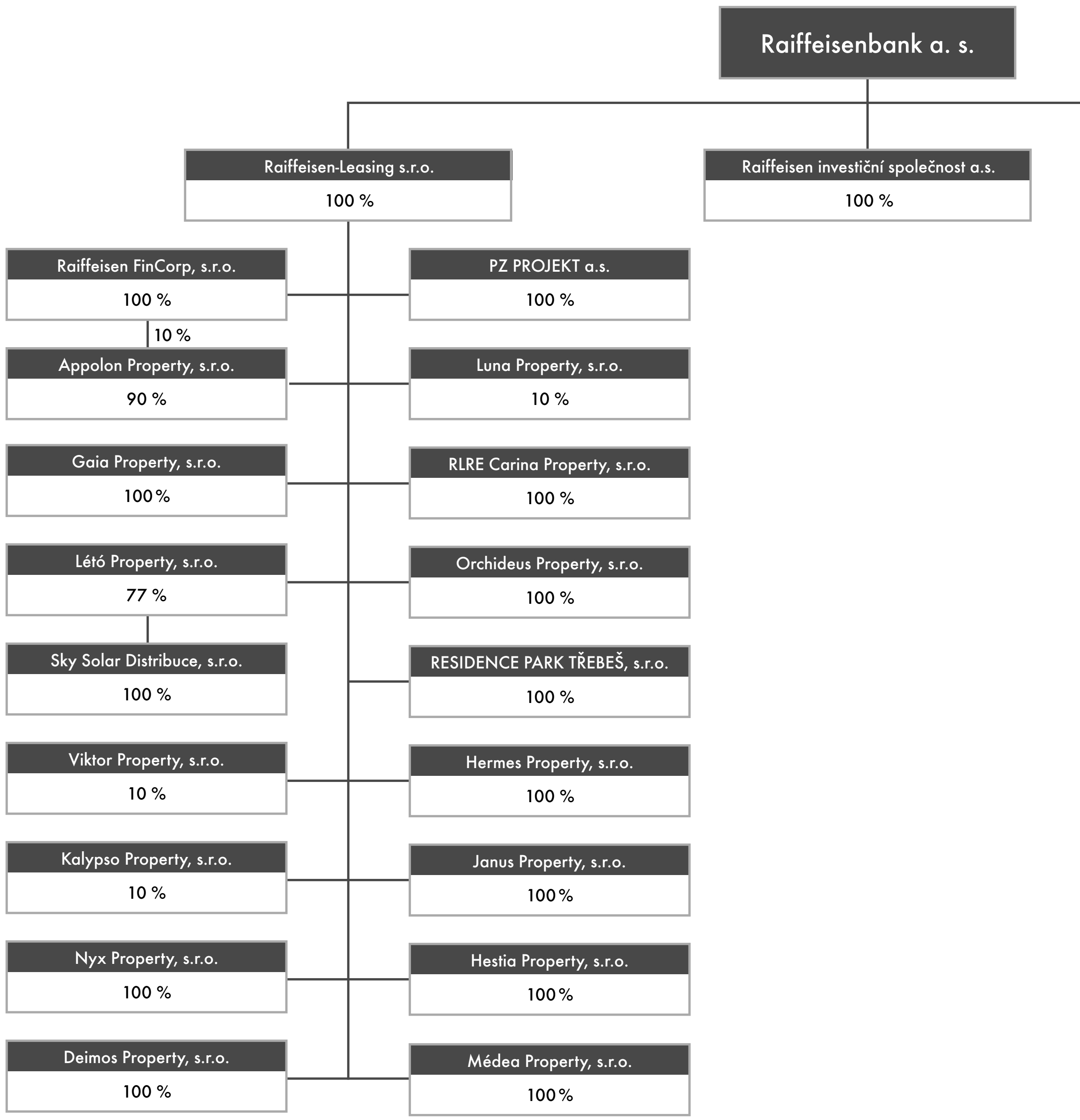
The equity interests of the shareholders equal their share in the voting powers. All shareholders have a special relation to the Bank in terms of Section 19 of Act No. 21/1992 Coll., as amended.

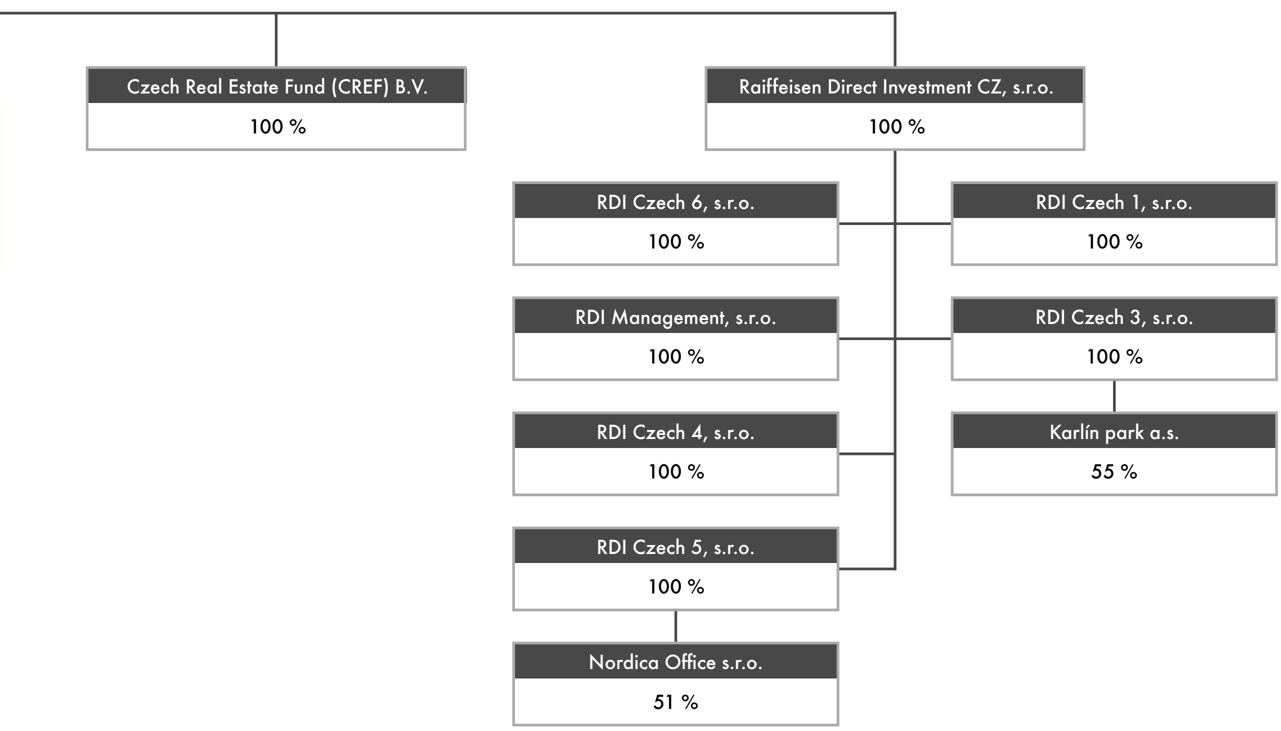
For information on the share capital of the parent company refer to Note 40.

The ultimate parent company of the Bank is Raiffeisen Bank International AG, Austria.

3. DEFINITION OF THE CONSOLIDATED GROUP

(a) Group Chart as of 31 December 2018





The percentage stated in respect of individual entities in the chart shows the stake in the share capital of the particular entity.

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(b) Group Companies Included in Consolidation

Group companies included in consolidation as at 31 December 2018 are as follows:

Company	The Bank's effective holding in %, in 2018	Indirect holding through	Consolidation method in 2018	Registered office
Raiffeisen investiční společnost a.s.	100%	–	Full method	Prague
Raiffeisen Direct Investments CZ s.r.o.	100%	–	Full method	Prague
Raiffeisen - Leasing, s.r.o.	100%	–	Full method	Prague
Raiffeisen FinCorp, s.r.o.	100%	Raiffeisen – Leasing, s.r.o.	Full method	Prague
Appolon Property, s.r.o.	100%	Raiffeisen – Leasing, s.r.o.	Full method	Prague
PZ PROJEKT a.s.	100%	Raiffeisen – Leasing, s.r.o.	Full method	Prague
Luna Property, s.r.o.	100%	Raiffeisen – Leasing, s.r.o.	Full method	Prague
Gaia Property, s.r.o.	100%	Raiffeisen – Leasing, s.r.o.	Full method	Prague
RLRE Carina Property, s.r.o.	100%	Raiffeisen – Leasing, s.r.o.	Full method	Prague
Orchideus Property, s. r. o.	100%	Raiffeisen – Leasing, s.r.o.	Full method	Prague
Viktor Property, s.r.o.	100%	Raiffeisen – Leasing, s.r.o.	Full method	Prague
Hestia Property, s.r.o.	100%	Raiffeisen – Leasing, s.r.o.	Full method	Prague
Czech Real Estate Fund (CREF) B.V.	100%	–	Full method	Amsterdam
RDI Management s.r.o.	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Prague
RDI Czech 1 s.r.o.	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Prague
RDI Czech 3 s.r.o.	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Prague
RDI Czech 4 s.r.o.	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Prague
RDI Czech 5 s.r.o.	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Prague
RDI Czech 6 s.r.o.	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Prague
Nordica Office, s.r.o.	50%	Raiffeisen Direct Investments CZ s.r.o.	Equity method	Prague
Karlín park a.s.	50%	Raiffeisen Direct Investments CZ s.r.o.	Equity method	Prague

Group companies included in consolidation as at 31 December 2017 are as follows:

Company	The Bank's effective holding in %, in 2017	Indirect holding through	Consolidation method in 2017	Registered office
Raiffeisen investiční společnost a.s.	100%	–	Full method	Prague
Raiffeisen Direct Investments CZ s.r.o.	100%	–	Full method	Prague
Raiffeisen - Leasing, s.r.o.	100%	–	Full method	Prague
Raiffeisen FinCorp, s.r.o.	100%	Raiffeisen – Leasing, s.r.o.	Full method	Prague
Appolon Property, s.r.o.	100%	Raiffeisen – Leasing, s.r.o.	Full method	Prague
PZ PROJEKT a.s.	100%	Raiffeisen – Leasing, s.r.o.	Full method	Prague
Luna Property, s.r.o.	100%	Raiffeisen – Leasing, s.r.o.	Full method	Prague
Gaia Property, s.r.o.	100%	Raiffeisen – Leasing, s.r.o.	Full method	Prague
RLRE Carina Property, s.r.o.	100%	Raiffeisen – Leasing, s.r.o.	Full method	Prague
Orchideus Property, s. r. o.	100%	Raiffeisen – Leasing, s.r.o.	Full method	Prague
Viktor Property, s.r.o.	100%	Raiffeisen – Leasing, s.r.o.	Full method	Prague
Czech Real Estate Fund (CREF) B.V.	100%	–	Full method	Amsterdam
RDI Management s.r.o.	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Prague
RDI Czech 1 s.r.o.	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Prague
RDI Czech 3 s.r.o.	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Prague
RDI Czech 4 s.r.o.	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Prague
RDI Czech 5 s.r.o.	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Prague
RDI Czech 6 s.r.o.	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Prague
Flex-space Plzeň I, s.r.o.	50%	Czech Real Estate Fund (CREF) B.V.	Equity method	Prague
Nordica Office, s.r.o.	50%	Raiffeisen Direct Investments CZ s.r.o.	Equity method	Prague
Karlín park a.s.	50%	Raiffeisen Direct Investments CZ s.r.o.	Equity method	Prague

(c) Inclusion of Czech Real Estate Fund B.V. in Consolidation

Czech Real Estate Fund (CREF) B.V. was consolidated in 2017 using the full method even though the Group held 20% of the voting rights and had no representative in the Board of Directors. However, the Group received a major part of the profits arising from the investments made by Czech Real Estate Fund (CREF) B.V. and there was also an option for investments not yet held by the Group should the remaining shareholders decide to dispose of their investment in the company.

The other shareholder having a share in the equity and voting powers in Czech Real Estate Fund B.V. was NOTIC Finance B.V.

On 22 August 2018, the Group purchased an 80% ownership interest in Czech Real Estate Fund (CREF) B.V. from NOTIC Finance B.V. The acquisition totalled CZK 370 thousand.

(d) Full Consolidation of Raiffeisen – Leasing, s.r.o. including its Subsidiaries and Jointly Controlled Entities

On 3 October 2017, the Bank purchased a 50% equity investments in Raiffeisen–Leasing, s.r.o. from Raiffeisen-Leasing International GmbH. The acquisition totalled CZK 1,065,464 thousand. The transaction represents a transaction under joint control. No intangible asset originated in relation to the transaction.

(e) Companies Newly Included in Consolidation in 2018

In 2018, the Group included Hestia Property, s.r.o. in consolidation using the full method.

(f) Companies Excluded from Consolidation in 2018

In 2018, the Group sold the joint venture company Flex-space Plzeň I, s.r.o.

(g) Unconsolidated Entities

In the years ended 31 December 2018 and 2017, all subsidiaries and jointly controlled entities and associates were included in the consolidated group.

Raiffeisen – Leasing, s.r.o. legally owns ALT POHLEDY, s.r.o., Apaté Property, s.r.o., Astra Property, s.r.o., Ate Property, s.r.o., Boreas Property, s.r.o., Credibilis a.s., CRISTAL PALACE Property, s.r.o., Dafné Property, s.r.o., Dike Property, s.r.o, Don Giovanni Properties, s.r.o., Eos Property, s.r.o., Erato Property, s.r.o., Eunomia Property, s.r.o., Euros Property, s.r.o., Exit 90 SPV s.r.o., Fobos Property, s.r.o., FORZA SOLE s.r.o., FVE Cihelna s.r.o., Gherkin, s.r.o., Grainulos, s.r.o., GRENA REAL s.r.o., GS55 Sazovice s.r.o., Harmonia Property, s.r.o., Hébé Property, s.r.o, Hemera Property, s.r.o., Holečkova Property, s.r.o., Hyperion Property, s.r.o., Hypnos Property, s.r.o., Chronos Property, s.r.o., Inó Property, s.r.o., Iris Property, s.r.o, JFD Real, s.r.o., Kaliopé Property, s.r.o., KAPMC s.r.o., Kappa Estates, s.r.o, Kleió Property, s.r.o., Landia - Jordánská, s.r.o., Logistický areál Hostivař, s.r.o., Maloja investment SICAV a.s., Melete Property, s.r.o., Melpomene Property, s.r.o., Morfeus Property, s.r.o., Na Stárce, s.r.o., NATUM Alfa, s.r.o., Neptun Property, s.r.o. Nereus Property, s.r.o., Niobé Property, s.r.o., Ofion Property, s.r.o., Onyx Energy projekt II. s.r.o., Onyx Energy s.r.o., Palace Holding s.r.o., Peito Property, s.r.o., Photon Energie s.r.o, Photon SPV 10 s.r.o., Photon SPV 11 s.r.o., Photon SPV 3 s.r.o., Photon SPV 4 s.r.o., Photon SPV 6 s.r.o., Photon SPV 8 s.r.o., PILSENINVEST SICAV, a.s. , Polyxo Property, s.r.o., Pontos Property, s.r.o., Rheia Property, s.r.o., RLRE Beta Property, , RLRE Eta Property, s.r.o., RLRE Jota Property, s.r.o., RLRE Ypsilon Propert, s.r.o., SeEnergy PT, s.r.o., Selene Property, s.r.o., SIGMA PLAZA s.r.o, Sirius Property, s.r.o., Steffany´s Court, s.r.o. , Strašnická realitní a.s., Terasa LAVANDE s.r.o., Theia Property, s.r.o., UPC Real, s.r.o., Zátiší Rokytka, s.r.o., and Zefyros Property, s.r.o.

Although these entities are legally owned by Raiffeisen – Leasing, s.r.o., they do not meet the criteria of International Financial Reporting Standards for being included in the consolidated group since, based on concluded contracts, Raiffeisen – Leasing, s.r.o. does not have the power to control and manage relevant activities of these entities, and Raiffeisen – Leasing, s.r.o. is not exposed to risks relating to the entities; consequently, these entities are not the controlled entities, jointly controlled entities, or associates.

In addition, the following entities were not consolidated in 2018 due to their immateriality:
Janus Property, s.r.o., Kalypso Property, s.r.o., Hermes Property, s.r.o., Létó Property, s.r.o., RESIDENCE PARK TŘEBEŠ, s.r.o., Sky Solar Distribuce s.r.o., Médea Property, s.r.o., Nyx Property, s.r.o., Deimos Property, s.r.o.

4. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

(a) Accounting Policies

These statutory consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) and interpretations approved by the International Accounting Standards Board (IASB) as adopted by the European Union.

The consolidated financial statements include a consolidated statement of financial position, a consolidated statement of comprehensive income, a consolidated statement of changes in shareholders' equity, a consolidated cash flow statement and notes to the consolidated financial statements containing accounting policies and explanatory notes.

The consolidated financial statements were prepared on the accruals basis of accounting whereby the effects of transactions and other events are recognised when they occur and reported in the consolidated financial statements for the periods to which they relate in terms of substance and time, and further on the going concern basis.

These consolidated financial statements have been prepared under the historical cost convention (including any impairment), except for financial assets and financial liabilities measured at fair value through profit or loss (FVTPL) (including all non-hedging derivatives and hedging derivatives in a fair value hedge), financial assets measured at fair value through other comprehensive income (FVOCI), and hedging derivatives upon a cash flow hedge remeasured at fair value through other comprehensive income.

Some companies within the Group maintain the books and prepare the financial statements under Czech Accounting Standards or accounting standards applicable in other countries in which the Group operates; the Group performs reclassifications and adjustments of figures to ensure compliance with IFRS.

Unless otherwise indicated, all amounts are shown in thousands of Czech crowns (CZK thousand). Numbers in brackets represent negative amounts.

Use of Estimates

The presentation of consolidated financial statements in compliance with IFRS requires the Group's management to make estimates and assumptions that affect the amounts of assets and liabilities reported as at the reporting date, disclosure of contingent assets and liabilities and the amounts of revenues and expenses for the accounting period. These estimates, which primarily relate to the determination of fair values of financial instruments (where no active market exists), measurement of intangible assets, impairment of assets and provisions, are based on the information available at the balance sheet date. The actual future results may differ from these estimates.

As disclosed in note 47, in calculating the expected credit losses the Group uses estimates concerning the financial condition of the borrowers and their ability to repay the credit, the value and recoverability of the security, and future macroeconomic information.

The value of recognised provisions is based on the management's judgment and represents the best estimate of expenses required to settle liabilitie of uncertain timing or amount. For additional information on provisions refer to note 38.

(b) Principles of Consolidation

Subsidiaries (that is, entities in the which the Bank holds, directly or indirectly, more than 50 percent of voting rights or in which the Bank otherwise exercises control over their activities) were consolidated using the full consolidation method. Subsidiaries are included in the consolidation from the date as at which the control over the companies is transferred to the Bank until the date when the Bank ceases to exercise this control. All significant inter-company transactions are eliminated on consolidation. All significant mutual receivables, payables, expenses and revenues, including profit, within the Group were excluded from consolidation. If the Group does not wholly own the subsidiary, it reports a non-controlling interest.

Associated companies and jointly controlled entities are included in consolidation using the equity method. An associated company is an entity in which the Group holds 20 percent to 50 percent of the voting rights and over which the Group exercises significant influence but which it does not control; in respect of the jointly controlled entities, it exercises a joint control. A jointly controlled entity is an entity in which two or more participants share control of economic activities of the relevant entity. The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. The recognised investment is regularly tested for impairment. If impairment is identified, the Group recognises an impairment loss on equity investments in associates.

Starting from the date when a jointly controlled entity becomes an associate of an investor, the Group presents its equity investment in line with IAS 28. When the Group loses the joint control, it measures the investment retained in the previously jointly controlled entity at fair value. In the income statement, the Group presents the difference between:

a) the fair value of the retained investment and proceeds from the disposal of a part of the equity investment in the jointly controlled entity; and
b) carrying value of the investment as at the date on which the joint control is lost.

Starting from the date when an associate becomes a subsidiary, it recognises its equity investment in line with IFRS 3 and IFRS 10. When the Group obtains control over the subsidiary, it measures the investment that it holds in the former associate/jointly controlled entity at fair value. It recognises the difference between the cost of an additional investment, the fair value of the investment prior to obtaining control, the value of non-controlling interests and the fair value of net identifiable assets as goodwill/negative goodwill.

Equity investments where the Bank holds a share in share capital lower than 20 percent are presented as "*Financial assets measured at FVOCI*" (see note 23).

Business combinations among entities or businesses under joint control are business combinations in which all combining entities or businesses are ultimately controlled by the same party or parties as prior to the business combination and subsequent to the business combination, with the control not being temporary. Business combinations under joint control are reported through the carrying amounts of the acquired business. The Group reports these transactions prospectively, ie without restating comparative periods.

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5. SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

(a) Interest income and expense

Interest income and expense are recognised in the consolidated statement of comprehensive income lines *"Interest income and similar income calculated using the effective interest rate method"*, *"Other interest income"*, and *"Interest expense and similar expense"* on an accruals basis. The Group accounts for the accruals of interest using the effective interest rate method. The effective interest rate method is an approach to calculate the amortised cost of a financial asset or financial liability using the effective interest rate. The effective interest rate is used to discount the nominal value of future cash flows to the present value at the maturity date. Interest income (expense) also includes interest expense (income) arising from negative interest rates carried by the relevant assets (liabilities) of the Group.

(b) Fees and commissions

Fees and commissions that are deemed to be an integral part of the effective interest rate are included into calculation of the effective interest rate. The effective interest rate includes fees directly relating to the provision of loans such as the fee for the provision of loans, loan application processing, paid commissions, etc. The fees for services provided over a certain period are accrued over this period. They include among others the fees for guarantees and letters of credit, premiums to purchased portfolios and fees for transactions with securities. Income from fees and commissions for concluding a transaction for a third party or from a share in this conclusion is recognised at the moment of completing the transaction to which it relates.

(c) Dividends

Income from dividends on securities and equity investments is recorded as declared and included as a receivable in the consolidated statement of financial position line "*Other assets*" and in "*Dividend income*" in the consolidated statement of comprehensive income. Upon receipt of the dividend, the receivable is offset against the collected cash.

Dividends paid reduce retained earnings in the period in which their payment is approved by the annual general meeting.

(d) Other income and expenses reported in the consolidated statement of comprehensive income

Other income and expenses presented in the consolidated statement of comprehensive income are recognised using the accrual basis of accounting, i.e. in the period to which they relate in terms of substance and time irrespective of the moment of their payment or receipt.

Other operating income and expenses that do not directly relate to banking activities are reported in "*Other operating income*" or "*Other operating expenses*".

(e) Taxation

The final amount of tax presented in the consolidated statement of comprehensive income comprises the current tax for the accounting period adjusted for changes in prior years' tax liabilities, if any, and deferred tax. Current tax for the year is calculated based on the taxable income, using the tax rate enacted and the tax legislation in force as at the reporting date.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The principal temporary differences arise from certain non-tax deductible provisions and loss allowances, differences between depreciation/amortisation of property and equipment and intangible assets for accounting and tax purposes, and remeasurement of financial assets at FVOCI.

Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profit will be available to allow the asset to be utilised.

Deferred tax is calculated using the tax rate expected to apply in the period in which the tax asset is utilised or the tax liability is settled. The effect of changes in tax rates on deferred tax is recognised directly in the statement of comprehensive income except where such changes relate to items charged directly to equity.

(f) Financial assets and liabilities

Date of recognition and derecognition of financial instruments in/from the Group's consolidated statement of financial position

Financial assets with regular delivery terms, except for financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, are recognised using settlement date accounting.
The settlement (collection) date is the day on which the financial instrument is delivered (on which cash is paid). When settlement date accounting is applied, the financial asset is recognised on the day of receipt of a financial instrument (remittance of cash) and derecognised on the day of its provision (collection of cash).

All loans and receivables are recognised when funds are provided to customers. Loans and receivables are derecognised when repaid by the borrower. Assigned receivables are derecognised when payment is collected from the assignee, and receivables which the Group decided to write off are derecognised as at the write-off date.

For financial assets and liabilities at fair value through profit or loss, the Group uses the trade date accounting where the trade date is the date when the entity undertakes to buy or sell the financial asset.

The substance of trade date accounting is as follows:

- recognition of an asset that the entity shall receive as at the trade date; and
- derecognition of a sold asset and recognition of the gain or loss upon disposal and recognition of a receivable from the buyer as at the trade date.

The interest on the asset and the relating liability is accumulated from the settlement date when the ownership rights are transferred. The premium/discount is amortised from the purchase settlement date to the sale settlement date.

The Group remeasures derivative instruments at fair value from the trade date to the settlement date, that is, delivery of the last related cash flow.

The Group settles and derecognises financial liabilities as at the date on which all related risks and costs attributable to the specific liability are transferred.

Day 1 gain/loss

In the event that the transaction price differs from the fair value of a financial asset or financial liability measured at fair value, the difference between these values (gain or loss) is reported in the consolidated statement of comprehensive income. The Group typically does not conduct this type of transaction.

Fair value measurement principles

The fair value of financial assets and financial liabilities is based on their listed market price as at the date of preparation of the consolidated financial statements without any deduction for transaction costs. If a listed market price is not available, the fair value of the instrument is determined using the appropriate measurement models or discounted cash flow method.

Where the discounted cash flow method is used, estimated future cash flows are based on the management's best estimates and the discount rate is derived from the market rate as at the reporting date for instruments with similar terms and conditions. Where measurement models are used, inputs are based on market values as at the reporting date.

The fair value of derivatives that are not exchange-traded is determined as the amount that the Group would receive or pay to terminate the contract as at the reporting date, taking into account current market conditions and the current creditworthiness of the counterparties.

The remeasurement of debt securities in the Group's portfolio is carried out on a daily basis, using available market rates listed by the market participants by means of Bloomberg services. A group of contributors who provide reliable and regular debt security measurement is selected for each debt security. The credit spread of the debt security is calculated from individual contributions and discount curves.

If there are sufficient current market contributions available in respect of a given debt security, the remeasurement is calculated as their average value. To prevent possible errors of particular contributions, a comparison of daily changes is made at the same time.

If there is no market price available as a source of remeasurement or the number of actual contributions is not sufficient, the Group will carry out the remeasurement based on a risk-free interest rate swap rate, to which the last verified credit spread is applied. The Group continues to apply this method until:
- market quotations are again available;
- the credit spread of a particular debt security is adjusted based on a comparison of credit spreads of similar debt securities;
- the Group obtains another signal to change the credit spread applied;
- the issuer's credit rating changes (change in internal and/or external rating, signals from the market that creditworthiness is worsening); and
- the liquidity of the specific security has deteriorated significantly.

Subsequently, the Group will carry out the remeasurement comprising new aspects of the market price, including an assessment of possible impairment losses.

The Group's management believes that the fair value of the assets and liabilities presented in these consolidated statements can be measured reliably.

Classification and measurement of financial assets and liabilities – methods effective from 1 January 2018

IFRS 9 contains a new classification approach for financial assets that reflects the cash flow characteristics (*"SPPI test"*) and business model in which assets are managed. Based on these criteria, the Group classifies financial instruments into the following categories:
- financial assets measured at amortised cost (*"AC"*);
- financial assets measured at fair value through other comprehensive income (*"FVOCI"*);
- financial assets measured at fair value through profit or loss (*"FVTPL"*);

Financial assets measured at amortised cost (AC)

A financial asset is measured at amortised cost if it is held in a business model whose objective is to hold financial assets to collect contractual cash flows and the cash flows are solely payments of principal and interest (SPPI) on the principal amount outstanding.

In the consolidated statement of financial position, financial assets at amortised cost are recognised in *"Financial assets at amortised cost"* and include loans and advances to banks and customers and debt securities not held for trading.

The amortised cost is the cost minus repayments of principal, plus accrued interest, increased or decreased by amortisation of discount or premium, if any, and decreased by expected credit losses using a loss allowance. The amortised cost is calculated using the effective interest rate method. An integral part of the effective interest rate are fees and related transaction costs. All loans and advances are recognised when funds are provided to customers (or banks). Interest income from financial assets at amortised cost is reported in the consolidated statement of comprehensive income in "Interest income and similar income calculated using the effective interest rate method". Impairment losses are reported in the consolidated statement of comprehensive income in "Impairment losses on financial instruments".

Financial assets measured at fair value through other comprehensive income (*"FVOCI"*)

Debt instruments can be measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and at the same time the cash flows are solely payments of principal and interest (SPPI) on the principal amount outstanding. Unrealised gains and losses on debt securities are recognised directly in other comprehensive income. Upon sale, cumulated gains and losses are reclassified from other comprehensive income to profit or loss. Currently, the Group does not measure any debt instrument at fair value through other comprehensive income.

On initial recognition of an equity security not held for trading, the Group can elect to present subsequent changes in fair value in equity. This classification is irrevocable. The Group uses this option in respect of equity investments not exceeding 20%. In the consolidated statement of financial position, these equity securities are recognised in „"Financial assets measured at FVOCI". Gains or losses from a change in their fair value are reported in the consolidated statement of comprehensive income in „"Gains/(losses) from remeasurement of equity securities at FVOCI". Gain or loss accumulated in equity cannot be reclassified to profit or loss when the security is sold. Dividends received from these equity instruments are reported in the consolidated statement of comprehensive income in "Dividend income".

Financial assets measured at fair value through profit or loss (*"FVTPL"*)

Financial assets can be measured at fair value through profit or loss if the cash flows do not meet the conditions of the contractual cash flow characteristics test or present a part of the business model whose objective is to hold financial assets to realise their value through sale.

In addition, the Group may, on initial recognition, irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The Group currently does not use this option.

Debt financial instruments measured at fair value through profit or loss are reported in the consolidated statement of financial position in "Securities held for trading" which is a part of "Financial assets held for trading".

Equity instruments which are classified by the Group as held for trading or for which it does not apply the option to recognise fair value movements in other comprehensive income are measured at fair value through profit or loss.
Changes in net fair value of financial assets at FVTPL are reported in the consolidated statement of comprehensive income in "Net gain on financial operations" and the interest income and interest expense are reported in the consolidated statement of comprehensive income in "Other interest income" and "*Interest expense and similar expense*", respectively.

Analysis of contractual cash flow characteristics

As part of the analysis of contractual cash flow characteristics, the Group assesses whether the contractual cash flows from loans and debt securities represent solely payments of principal and interest (SPPI) on the principal amount outstanding. Principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic and lending risks and costs, as well as a profit margin.
In assessing whether the contractual cash flows are solely payments of principal and interest, the Group will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group will consider:
- contingent events that would change the amount and timing of contractual cash flows;
- leverage features;
- prepayment and extension terms;
- -terms that limit the entity's claim to cash flows from specified assets; and
- features that modify consideration for the time value of money.

Business model

The definition of the Group's business models reflects how groups of financial assets are managed together to achieve a particular business objective. In assessing the objective of a business model, the Group primarily considers the following information:
- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, the Group considers whether the management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the business model is evaluated and reported to the Group's key management personnel;
- the risks that affect the performance of the business model and financial assets held within this business model, and how those risks are managed;
- how managers of the entity are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the entity's stated objective for managing the financial assets is achieved and how cash flows are realised.

The Group classifies financial assets into the following business model categories:
(i) "*Held for trading*",
(ii) "*Hold, collect contractual cash flows and sell*";
(iii) "*Hold and collect contractual cash flows*";
(iv) "*Held for strategic reasons*"; or
(v) "*Derivatives held for risk management purposes*"

(i) Business model "*Held for trading*"
Debt securities and loans classified by the Group as "*held for trading*" are held to generate cash flows through their sale. The Group makes decisions based on the assets' fair values and manages their trading based on revenues from the realisation of these fair values. The "*held for trading*" business model category includes all debt securities and loans that are not included in the "*hold and collect contractual cash flows*" and "*hold, collect contractual cash flows and sell*" categories. The Group classifies as "*held for trading*" all derivative transactions that do not fall into the "*derivatives held for risk management purposes*" category.

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(ii) Business model "*Hold, collect contractual cash flows and sell*"
Loans and debt securities in the "*hold, collect contractual cash flows and sell*" category are held for the purpose of acquiring contractual cash flows and selling financial assets. Acquiring contractual cash flows and selling financial assets form an essential part of the model's business objective, which is to manage the Group's liquidity needs. The Group expects that, upon the structural deficit of assets and liabilities, it will sell these loans and securities to cover the deficit of liquid assets.

Within the "*hold, collect contractual cash flows and sell*" business model the Group categorises:
- all denominated government bonds that are part of a liquidity provision and
- potentially, all other debt securities that are held and could be sold before their maturity if market conditions are favourable.

(iii) Business model "*Hold and collect contractual cash flows*"
Loans and debt securities in the "*hold and collect contractual cash flows*" category are held for the purpose of collecting contractual cash flows over the entire useful life of the instrument. The Group expects and has intention and ability to hold these loans and debt securities to maturity. When determining whether cash flows will be generated by collecting financial assets' contractual cash flows, the Group assesses the frequency, value and timeline of sales in previous periods as well as reasons why these sales were carried out and expectations regarding the future selling activities within the given portfolio.
The Group considers the following sales to be consistent with the "*hold and collect contractual cash flows*" business model:
- a sale as a result of an increase in the credit risk associated with a financial instrument, irrespective of the frequency and value;
- a sale carried out to manage credit risk concentration if this sale is unique (even if material in terms of its value) or immaterial in terms of value but frequent;

(iv) *Business model* "Held for strategic reasons"
Equity securities falling into the "*held for strategic reasons*" category are held to acquire cash flows – dividends on a long-term basis. The Group classifies its equity investments in non-consolidated companies as "*held for strategic reasons*".

(v) Business model "*Derivatives held for risk management purposes*"
Derivative transactions categorised as falling in the "*derivatives held for risk management purposes*" represent hedging derivatives intended to manage the Group's interest rate and currency risks. Hedging derivatives are used according to the type of hedging relationship, i.e. fair value hedges or cash flow hedges.

Impairment of financial assets

IFRS 9 has introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses ("*ECL*") relating to an increase in the borrower's credit risk.

The Group determines impairment of financial assets using the ECL model in respect of the following financial assets:
- Financial assets at amortised cost;
- Debt financial instruments measured at FVOCI;
- Financial guarantees and loan commitments

For the purpose of calculating loss allowances, IFRS 9 requires using a new three-stage model that evaluates changes in portfolio quality since initial recognition as at the reporting date.

Stage 1 includes financial assets the credit risk of which has not increased significantly since initial recognition and assets with low credit risk as at the reporting date. The 12-month expected credit losses are recognised for all assets in this category. Interest income is calculated on the basis of the gross carrying amount of financial assets.

Stage 2 includes financial assets the credit risk of which has increased significantly since initial recognition but for which there is no objective evidence of impairment. Expected credit losses are recognised for these assets over their lifetime. Interest income is calculated on the basis of the gross carrying amount of financial assets.

According to the Group's methodology, credit risk significantly increases if one or more of the quantitative or qualitative criteria defined by the Group are met. The quantitative criteria are based on changes in the values of the probability of default. The qualitative criteria for assessing changes in the credit risk in respect of exposures to financial institutions, public sector institutions, corporate clients and project funding include changes in external market indicators, changes in contractual terms, and changes in expert assessments. In respect of the retail portfolio, the qualitative criteria include forbearance and expert assessment.

Stage 3 includes financial assets for which there is objective evidence of impairment. Expected credit losses are recognised for these assets over their entire lifetime. Interest income is calculated on the basis of the net carrying amount of the assets. Since 1 January 2018, the category has included receivables with default.

Purchased or originated credit-impaired financial assets ("*POCI*")
These assets include expected cash flows used in calculating the effective interest rate upon the initial recognition of the expected credit loss over the entire lifetime of the asset. Changes in expected credit losses are recognised as loss allowances along with the related gain or loss through the Group's profit or loss.

According to the Group's methodology, receivables are impaired if they meet one or more of the following criteria:
The borrower has been in default for over 90 days, the borrower has died, the borrower has become insolvent, the active market for the financial asset has disappeared due to financial difficulties, the borrower has been granted relief in relation to its financial difficulties, or the borrower is likely to go bankrupt. In calculating the present value of expected credit losses, the Group refers to the values of the probability of default ("*PD*"), loss given default ("*LGD*"), exposure at default ("*EAD*"), and the discount factor ("*D*").

In assessing the significant increase in credit risk and calculating expected credit losses, the Group takes into account relevant information including their future development. Based on an analysis, the Group has identified the key economic indicators affecting the credit risk and the expected credit loss for individual portfolios. In respect of corporate clients, the indicators include the gross domestic product, the unemployment rate, the long-term interest rate of government bonds, and the inflation rate. In respect of the retail portfolio, these include the gross domestic product, the unemployment rate, and real estate prices.

Loans and receivables – methods effective until 31 December 2017

Loans originated by the Group in the form of directly advancing funding to the client are considered provided loans and are stated at amortised cost. The portfolio of loans and receivables also includes debt securities measured at amortised cost and fulfilling the criteria of IAS 39 for being included in the "*Loans and receivables*" portfolio. The amortised cost is the cost minus principal repayments, plus accrued interest, plus or minus amortisation, if any, of discount or premium. The amortised cost is calculated using the effective interest rate method. An integral part of the effective interest rate are fees and related transaction costs. All loans and advances are recognised when funds are provided to customers (or banks).

Loss allowances to loans and receivables are recognised when there are reasonable doubts over the recoverability of the receivables. Loss allowances to loans and receivables represent the management's assessment of potential losses in relation to the Group's on and off balance sheet activities.

Loss allowances are established individually for specific receivables where a borrowers' default was identified or on a portfolio basis for not yet identified losses which may be present based on portfolio (similar individually unimpaired loans) performance with similar characteristics in terms of credit risk. The level of individual loss allowances is established by comparing the carrying amount of the loan and the present value of future expected recoverable amounts. The level of portfolio provisions is determined on the basis of the anticipated recovery rates of the portfolio as at the date of preparation of the consolidated financial statements. The anticipated cash flows from individual portfolios of similar loans are estimated on the basis of previous experience. If the Group does not report multiple similar loans, the portfolio approach is not applied. Portfolio provisions are recognised for the loans and receivables of all market segments.

The change in provisions and loss allowances, after write-offs, is charged to the consolidated statement of comprehensive income line "*Impairment losses on financial instruments*". Additional details can be found in Note 47 (f).

Loans and advances when it can be reasonably anticipated that clients will be unable to fulfil their obligations to the Group in respect of these loans are transferred to an external entity or individually written off with the concurrent use of a recorded loss allowance. These write-offs are included in "*Impairment losses on financial assets*" in the consolidated statement of comprehensive income. Subsequent recoveries are also included in this line.

Restructuring of loans and advances to customers

Restructuring of loans and advances means providing the customer with a relief because the Group concluded that it would likely incur a loss if it did not do so. For economic or legal reasons associated with the borrower's financial position the Group therefore provided the borrower with a relief which would not have been available otherwise. For example, the relief may include rescheduling repayments, reducing the interest rate or waiving default interest. A restructured loan or advance (receivable) is not a loan or advance which originated as a result of the renewal of a short-term loan for current assets if the borrower fulfilled all of his payment and non-payment obligations arising from the loan agreement.

Furthermore, restructuring is not a change in the repayment schedule or in the form of the loan if these changes have been made for commercial reasons or on the grounds of changed financial needs of the borrower, and the anticipated development in the borrower's financial and economic situation does not give rise to doubt as to the full repayment of the receivable even without the change.

Securities – methods effective until 31 December 2017

Securities held by the Group are categorised into portfolios in accordance with the Group's intent on the acquisition of the securities and pursuant to the Group's security investment strategy. In accordance with its intent, the Group allocates securities into several portfolios - the portfolio of "*Securities at fair value through profit or loss*", the portfolio of "*Securities available for sale*", the portfolio of "*Securities held to maturity*", and the portfolio of "*Loans and advances*". The principal difference between the portfolios relates to the approach to measurement and presentation in the consolidated financial statements.

Securities at Fair Value through Profit or Loss

This portfolio includes both debt and equity securities held for trading, that is, securities held by the Group with the intention of reselling them, thereby generating profits on price fluctuations in the short-term, and debt and equity securities that were designated, upon initial recognition, as at fair value through profit or loss. Securities at fair value through profit or loss are recognised at fair value (cost) at the acquisition date.

Changes in the fair values of securities held for trading as well as securities measured at fair value through profit or loss are recognised in the consolidated statement of comprehensive income as "*Net gain on financial operations*". Interest income from bonds held for trading and securities at fair value through profit or loss is reported in the consolidated statement of comprehensive income in "*Net gain from financial operations*".

For debt and equity securities traded on a public market, fair values are derived from listed prices.

Transaction costs of at-fair-value-through-profit-or-loss securities are not added to the cost but are recognised through expenses and presented in the consolidated statement of comprehensive income line "*Fee and commission expense*".

Securities Available for Sale

Securities available for sale are securities held by the Group for an indefinite period of time that are available for sale as liquidity requirements arise or market conditions change. In accordance with the investment strategy, the Group did not include securities in this portfolio in the past period. The Group does not intend to change the strategy for inclusion of securities in this portfolio in the coming years.

Securities available for sale are carried at fair value (cost) upon acquisition. Securities for which the fair value cannot be reliably determined are stated at cost in accordance with IAS 39 and the Group annually assesses whether the value is not impaired. Changes in the fair values of available for sale securities are recognised in other comprehensive income as "*Gains/(losses) from remeasurement of securities available for sale*", with the exception of their impairment and interest income and foreign exchange differences on debt securities.

When realised, the relevant revaluation gains or losses are taken to the consolidated statement of comprehensive income as "*Net gain on financial operations*". Interest income and impairment (if any) is included in the consolidated statement of comprehensive income line "*Net gain on financial operations*". Foreign exchange rate gains or losses from debt securities are included in "*Net gain on financial operations*". Dividend income from securities included in this portfolio is included in "*Dividend income*".

Securities Held to Maturity

Securities held to maturity are financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intent and ability to hold to maturity. In accordance with the Group's strategy, only the securities issued by the Czech Republic are included in this portfolio. The Group does not anticipate changing this intent in the future.

Securities held to maturity are initially measured at cost and subsequently reported at amortised cost using the effective interest rate less impairment, if any. The amortisation of premiums and discounts and interest income from coupon debt securities held to maturity are included in "*Interest income and similar income*".

The fair value of this portfolio is disclosed in Note 46 (c) "*Market Risk - Fair Values of Financial Assets and Liabilities*".

Financial liabilities

The Group classifies financial liabilities into two categories:
- financial liabilities at amortised cost;
- financial liabilities held for trading.

The Group derecognises a financial liability where related contractual obligations are fulfilled or cancelled or they cease to exist.

Repo transactions

Where debt or equity securities are sold under a concurrent commitment to repurchase them at a predetermined price, they remain at fair value or amortised cost within the relevant portfolio in the consolidated statement of financial position and the consideration received is recorded in *"Financial liabilities at amortised cost"* - *"Deposits from banks"* or *"Financial liabilities at amortised cost"* - *"Deposits from customers"*. Conversely, debt or equity securities purchased under a concurrent commitment to resell are recorded off balance sheet where they are remeasured at fair value. The corresponding receivable from the provided loan is recognised in *"Financial assets at amortised cost"* - *"Loans and advances to banks"* or in *"Financial assets at amortised cost"* - *"Loans and advances to customers"* in the statement of financial position.

Securities borrowed are not reported in the consolidated financial statements unless they are assigned to third parties, in which case ("short sales") the sale is recognised as a liability with the gain or loss included in *"Net gain on financial operations"*.

The obligation to return them is recorded at fair value as a trading liability and presented in the consolidated statement of financial position line *"Other liabilities"*.

Interest on debt securities transferred under repo transactions (repurchase transactions) is accrued while interest on debt securities received under reverse repurchase transactions is not accrued. Income or expenses arising from repo transactions or reverse repo transactions (reverse repurchase transactions) as the difference between the selling and purchase price are accrued over the term of the transaction and presented in the consolidated statement of comprehensive income as "*Interest income and similar income calculated using the effective interest rate method*" or "*Interest expense and similar expense*".

Issued bonds

Debt securities issued by the Group are stated at amortised cost using the effective interest rate method. Interest expense arising on the issue of the Group's own debt securities is reported in the consolidated statement of comprehensive income line *"Interest expense and similar expense"*.

Own debt securities repurchased by the Group are presented as a reduction of liabilities arising from securities issued. Upon initial recognition, the Group's own debt securities are stated at fair value. The difference between the cost of repurchased own debt securities and the amortised cost of issued securities is included in the consolidated statement of comprehensive income line *"Net gain on financial operations"* in the period of acquisition. Interest expense on issued debt securities are reduced to reflect the gradual increase in the value of the Group's own debt securities.

Subordinated loan

A subordinated loan is a loan where it has been contractually agreed that, in the event of liquidation, bankruptcy, forced settlement or settlement with the borrower, the loan will be repaid only after the full satisfaction of all other liabilities to the other creditors, the only exception being liabilities that carry the same or similar subordination condition.

The principal of the subordinated loan and relevant interest are recognised from the draw-down date to the maturity date of the subordinated loan. The subordinated loan including the accrued and not yet paid portion of the interest is reported in *"Financial liabilities at amortised cost - Subordinated liabilities and bonds"* in the consolidated statement of financial position. Interest expense on subordinated loan is reported in the consolidated statement of comprehensive income in *"Interest expense and similar expense"*.

Subordinated debt securities issued

Subordinated debt securities issued are debt securities where it has been agreed that they will be settled only after the settlement of all other liabilities if the issuer is placed into liquidation or a resolution on the bankruptcy of the issuer is passed, except for liabilities that carry the same or similar subordination condition.

Subordinated debt securities issued are reported by the Group at amortised cost using the effective interest rate and are included in *"Financial liabilities at amortised cost - Subordinated liabilities and bonds"* in the consolidated statement of financial position. Interest expense arising on the issue of the Group's own debt securities is reported in the consolidated statement of comprehensive income line *"Interest expense and similar expense"*.

Financial derivatives

In the ordinary course of business, the Group realises transactions in financial derivatives. Financial derivatives comprise currency swaps, interest rate swaps, cross currency swaps, currency forwards, forward rate agreements, foreign exchange options, interest rate options, commodity options (both purchased and sold), and other derivatives of financial instruments. The Group concludes various types of financial derivatives both for trading purposes and for the purpose of hedging foreign exchange and interest rate positions. It internally classifies all types of derivatives into the banking or trading portfolios. The banking portfolio additionally includes financial derivatives used as hedging instruments in fair value and cash flow hedging.

All financial derivatives are initially recognised at fair value in the consolidated statement of financial position and are subsequently remeasured and stated at fair value. Fair values of financial derivatives held for trading are reported in "*Financial assets held for trading – derivatives held for trading*" and "*Financial liabilities held for trading – derivatives held for trading*" in the consolidated statement of financial position. Fair values of financial derivatives for hedging are reported in the consolidated statement of financial position in *"Hedging derivatives with positive fair value"* and in *"Hedging derivatives with negative fair value"*. Interest income and expense associated with financial derivatives used as hedging instruments when hedging fair values or cash flows are reported in the consolidated statement of comprehensive income in *"Interest income and similar income calculated using the effective interest rate method" "* or *"Interest expense and similar expense"*. In respect of financial derivatives in the trading portfolio, the relating interest income and interest expense are reported in *"Other interest income"*, or if appropriate in *"Interest expense and similar expense"*.

Realised and unrealised gains and losses are reported in the consolidated statement of comprehensive income in *"Net gain on financial operations"*. Fair values of financial derivatives are based on listed market prices or measurement models which take into account the market and contractual values of the underlying instruments, as well as the time value and yield curve or volatility factors relating to the relevant positions. The fair value of financial derivatives also includes credit and debit adjustments resulting from a derivative transaction counterparty's credit risk.

Embedded derivatives

In some instances, a derivative may be part of a compound financial instrument, which includes both the host instrument and the derivative (embedded derivative) that influences the cash flows or otherwise modifies the characteristics of the host instrument.

Embedded derivatives – methods effective since 1 January 2018

Derivatives embedded in other financial instruments are treated as separate derivatives when:
- the host instrument is not an asset in compliance with IFRS 9;
- a separate host instrument is not remeasured at fair value through profit or loss (FVTPL);
- the terms of the embedded derivative would meet the definition of a derivative if these were part of a separate contract;
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host instrument.

Separate embedded derivatives are stated at fair value and changes in fair values are recognised in profit or loss if they are not part of hedging relationships within cash flow hedging or hedging of a net investment in a foreign operation.

Embedded derivatives – methods effective until 31 December 2017

An embedded derivative is separated from the host instrument and accounted for separately, provided all of the following criteria are met:
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- the host contract is not measured at fair value and changes in the fair value are not recognised in the statement of comprehensive income;
- the embedded instrument meets the general terms of a derivative.

Hedge accounting

The Group has decided to continue applying hedge accounting in accordance with the requirements under IAS 39 since 1 January 2018 and not under the current requirements stipulated in IFRS 9. Hedging derivatives are derivatives that the Group can use to hedge against its interest rate and currency risks. A hedging relationship qualifies for hedge accounting if, and only if, all of the following conditions are met:

a) at the inception of the hedge, there is a formal designation and documentation of the hedging relationship and the entity's risk management objectives and strategy for undertaking the hedge;
b) the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship;
c) for cash flow hedges, a forecast transaction that is the subject to the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss;
d) the effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured; and
e) the hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

Hedging financial derivatives are accounted for according to the type of the hedging relationships which are as follows:

a) Fair value hedge: a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss;
   i. Cash flow hedge: a hedge of the exposure to variability in cash flows that:
   ii. Is attributable to a particular risk associated with a recognised asset or liability (such as future interest payments on variable rate debt) or a highly probable forecast transaction; and
b) Could affect profit or loss.
c) Hedge of a net investment in a foreign entity.

The Group applies fair value hedging to manage its market risks. Changes in the fair value of hedging derivatives classified as a fair value hedge are reported in the consolidated statement of comprehensive income in *"Net gain from hedge accounting"*, and interest income and expense on these derivatives (i.e. both realised and accrued) are reported in the consolidated statement of comprehensive income in *" Interest income and similar income calculated using the effective interest rate method"* or *"Interest expense and similar expense"*. A change in the fair value of the hedged item in relation to the fair value hedge of individual hedged items is recognised as part of the carrying amount of the hedged item in the consolidated statement of financial position and in line *"Net gain from hedge accounting"* in the consolidated statement of comprehensive income. In respect of the fair value hedge of the hedged items portfolio, the change in the fair value of hedged items is reported in the consolidated statement of financial position in *"Fair value remeasurement of portfolio-remeasured items"* and in *"Net gain from hedge accounting"* in the consolidated statement of comprehensive income.

The cash flow hedging is aimed at eliminating the uncertainty regarding future cash flows and at stabilising the net interest income. The effective part of the change in the fair value of hedging derivatives classified as cash flow hedges is reported in *"Cash flow hedge"* in the consolidated statement of comprehensive income and cumulatively in *"Fair value reserve"* in the consolidated statement of financial position. The ineffective part of the change in the fair value of hedging derivatives classified as cash flow hedges is immediately presented in *"Net gain from hedge accounting"* in the consolidated statement of comprehensive income. The values that were reported in other comprehensive income are transferred to profit or loss in the period in which the hedged item affects gains or losses, specifically to *"Net gain from hedge accounting"* in the consolidated statement of comprehensive income.

The effectiveness of the hedge is regularly tested on a monthly basis, prospectively and retrospectively. Where the hedge ceases to meet the criteria for hedge accounting, the maturity of the hedging instrument expires, the hedging instrument is sold, terminated or exercised, the Group discontinues the hedging relationship and writes off the adjustments of the carrying amount of the hedged interest-bearing financial instruments through the consolidated statement of comprehensive income over the period to the maturity of the hedged item in respect of the fair value hedge, or the accumulated gain or loss from the hedging instrument, originally presented in other comprehensive income, remain in the consolidated statement of financial position in *"Fair value reserve"* until the transaction is realised in respect of cash flow hedges.

(g) Offsetting

Financial assets and liabilities may be offset and the net amount is reported in the consolidated statement of financial position when the Group has a legally enforceable right to set off the recognised amounts and the transactions are intended to be reported in the consolidated statement of financial position on a net basis. The Group does not offset any financial assets and financial liabilities.

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(h) Other equity instruments

Other equity instruments principally include AT1 capital investment certificates that combine the elements of equity and debt securities and meet the criteria for inclusion in the Group's auxiliary Tier 1 capital. These instruments are reported at their nominal value in the consolidated statement of financial position line *"Other equity instruments"*. The payment of interest income attributable to the certificate holders is governed by the relevant terms and conditions set out in the prospectus for the certificates and is made from the Bank's retained earnings following the approval of the profit distribution by the Bank's General meeting of shareholders.

(i) Property and Equipment and Intangible Fixed Assets

Property and equipment comprise assets with a physical substance and with an estimated useful life exceeding one year and acquisition cost of more than CZK 40,000.

Intangible assets include assets without physical substance with an estimated useful life exceeding one year and acquisition cost of more than CZK 60,000.

Property and equipment and intangible assets are stated at acquisition cost less accumulated depreciation, amortisation and loss allowances and are depreciated or amortised when ready for use through the consolidated statement of comprehensive income line *"Depreciation/amortisation of property and equipment and intangible assets"* on a straight line basis over their estimated useful lives.

Depreciation periods and depreciation rates for individual categories of property and equipment and intangible assets are as follows:

	Depreciation period	Depreciation rate
Software (except for core banking systems)	4 years	25%
Buildings	30 years	3.33 %
Other (cars, furniture and fixtures, office equipment and computers)	4 – 10 years	10 – 25%

Leasehold improvements are depreciated on a straight-line basis over the lease term, or if appropriate the depreciation period is extended by the term arising from an option arrangement where the Group believes that the option be used. Leasehold improvements under lease arrangements with no fixed expiry date are depreciated over 15 years.

Land and works of art (irrespective of their cost) and assets under construction are not depreciated.

The cost of internally generated intangible assets comprise all costs that can be allocated directly or by reference to a reasonable and consistent basis for generating and preparing an asset for its intended use.

The Group periodically reviews the utilisation of its assets and adjusts the policy on their depreciation/amortisation as and when needed. A change in the depreciation period is not considered a change in accounting policies but a change in accounting estimates.

The Group's assets are regularly tested for impairment. Impairment of assets, if any, is reported in the consolidated statement of comprehensive income in *"General operating expenses"*. The Group regularly reviews the anticipated future benefit from intangible assets; if no benefit can be expected, the relevant intangible assets are derecognised from the statement on financial position. The loss resulting from the derecognition is included in the consolidated statement of comprehensive income line *"Other operating expenses"*.

Repairs and maintenance are charged directly to the consolidated statement of comprehensive income line *"General operating expenses"* in the year in which the expenses were incurred.

(j) Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of the Group's share of the net assets (equity) of the consolidated company at the date of acquisition. Goodwill is reported in the consolidated statement of financial position as a component of "*Intangible assets*". Goodwill is not amortised and is tested for impairment at least on an annual basis.

Goodwill is impaired if its carrying amount is greater than its estimated recoverable amount. The recoverable amount is defined as the estimated future economic benefits arising from the acquisition of an equity investment. When impairment of goodwill is identified, the Group recognises the impairment through the consolidated statement of comprehensive income line "*General operating expenses*".

Negative goodwill represents the difference between the cost and fair value of the Group's interest in net assets of the acquiree at the acquisition date. Negative goodwill exceeding reliably measurable future losses and costs of the acquiree (which are not reflected in its identifiable assets and liabilities) and the fair value of their non-monetary assets is immediately released to income.

(k) Leases

Operating leases

The Group as lessor
The Group presents assets that are the subject of an operating lease in the appropriate lines of the statement of financial position according to the nature of those assets and uses for them accounting policies applied to the relevant asset class. Lease payments received from operating leases are recognised as the Group's income on a straight-line basis over the term of the relevant lease and presented in "*Other operating income*".

The Group as lessee
Lease payments under an operating lease are recognised on a straight-line basis over the lease term and presented in "*General operating expenses*". If the operating lease is terminated before the end of the lease term, all payments that are to be made to the lessor in the form of fines, are recognised in expenses in the period in which the lease was terminated.

Finance lease

The Group as lessor
In respect of assets leased under finance leases, the present value of lease payments is recognised as a receivable in "*Loans and advances to customers*". The difference between the gross value of a receivable and its present value is reported as accrued interest income. The financial income from the lease is recognised in "*Interest income and similar income calculated using the effective interest rate method*" over the lease term in order to produce a constant interest rate.

The Group as lessee
Assets held under a finance lease agreement, when substantially all risks and rewards incidental to ownership are transferred, are capitalised in amounts equal to the fair value at the inception of the lease or the present value of minimum lease payments, if lower. These assets are depreciated over their useful lives or lease agreement period (if shorter). Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term in order to produce a constant interest rate.

(l) Investment Property

Investment property, that is, property held to earn rentals or for capital appreciation, is stated at cost and subsequently depreciated based on the determined useful life or agreed lease term to the expenses of the Group. Deprecation is presented in "*Depreciation/amortisation of property and equipment and intangible assets*".

The Group's investment property is regularly tested for impairment. When impairment of investment property is identified, the Group recognises the impairment through "*General operating expenses*".

(m) Assets and disposal groups held for sale

Assets held for sale and assets that are part of a disposal group held for sale are reported in the consolidated statement of financial position line "*Assets held for sale*". If the disposal group held for sale also includes liabilities, they are reported in the consolidated statement of financial position line "*Liabilities attributable to assets held for sale*". Non-current assets and disposal groups classified as held for sale are measured at the lower of the carrying amount and fair value less the sale-related costs.

(n) Provisions

A provision represents a probable cash outflow of uncertain timing or amount. The Group recognises a provision when, and only when:
– it has a present obligation (legal or constructive) as a result of a past event;
– it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
– the amount of the obligation can be estimated reliably.

Provisions for Guarantees and Other Off balance Sheet Items

The Group recognises potential commitments arising from issued guarantees, irrevocable credit commitments (undrawn portion), confirmed open letters of credit, etc. as part of off-balance sheet assets. Provisions for estimated losses on these commitments are made under the same principles as the loss allowances to financial assets. Changes in these provisions are recognised in "*Impairment losses on financial instruments*".

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Provision for Payroll Bonuses
The Group accounts for provisions for long-term payroll bonuses (quarterly and annual bonuses). The recognition, use and release of the provision for payroll bonuses is reported in the consolidated statement of comprehensive income as "*Personnel expenses*".

Other provisions
Creation, utilisation and release of the other provisions relating to banking activities (for untaken holidays, legal disputes, etc.) are reported in "*General operating expenses*". If a provision does not relate to banking activities, the creation, utilisation and release of the other provisions are reported in "*Other operating income*"/"*Other operating expenses*". Other provisions also include the provision for fines and penalties.

(o) Current Tax Liability

Current tax liability represents the tax liabilities for the current period less current income tax prepayments, adjusted for changes in prior year's tax liability, if any. Tax liabilities are stated at the amount that is expected to be paid to the tax authority. In calculating the tax liabilities for the current period, the tax rates and tax legislation in force as at the reporting date will apply.

(p) Non-Controlling Interests

Non-controlling interests include the share in profits and losses and net assets that are not attributable to the owners of the parent company. These interests are reported in the consolidated statement of comprehensive income and in "*Equity*" in the consolidated statement of financial position separately from the equity attributable to the owners of the Bank. Non-controlling interests are reported using the method of a proportionate interest in net identifiable assets of an acquired entity not attributable to the owners of the parent company and are adjusted by the share in profits and losses of the acquired entity and share in dividends paid from the acquired entity not attributable to the owners of the parent company.

(q) Transactions with Securities Undertaken on behalf of Customers

Securities taken by the Group into custody, administration or to be managed are kept off balance sheet at their market or nominal values if the market value is not available. "*Other liabilities*" in the consolidated statement of financial position comprise deposits from customers arising from cash received to purchase securities or advance payments to be refunded to customers.

(r) Contingent assets, contingent liabilities and off-balance sheet items

A contingent asset/liability is a potential asset/liability that arises from past events and whose existence will be only confirmed by the occurrence or non-occurrence of one or more uncertain future events not fully under the entity's control. Contingent assets/liabilities are recorded off balance sheet, with the Group regularly reviewing their development to specify whether an inflow/outflow of resources embodying economic benefits has become probable. Where the likelihood of an outflow of economic benefits is higher than 50%, the Group will recognise a provision. Where the likelihood of an inflow of economic benefits is virtually certain, the Group will recognise an asset and income.

Contingent liabilities also include existing liabilities if their settlement is unlikely to require an outflow of resources embodying economic benefits or if the amount of the liability cannot be reliably quantified. Contingent liabilities include for example: irrevocable credit commitments and commitments arising from bank guarantees and letters of credit.

Besides contingent assets and contingent liabilities, assets arising from activities consisting in management, administration and custody of valuables and securities are also recorded off balance sheet, including the related liabilities to return the relevant assets to customers.

Off-balance sheet items also include the nominal values of interest rate and foreign currency instruments, including forwards, swaps and options.

(s) Segment reporting

The Group reports information about segments in accordance with IFRS 8 Operating Segments. IFRS 8 requires that operating segments be identified based on internal reports regularly reviewed by the Group's chief operating decision maker. Pursuant to these internal reports including the overview of the performance of the particular operating segment, it is possible to assess the performance of the segment, or if appropriate decide on the strategic development of the operating segment.

The basis for determining reportable segments is a report that the Group prepares for the Board of Directors which is considered to be the 'chief operating decision maker', i.e. a person/group of persons that allocates resources and assesses the performance of individual operating segments of the Group.

Information on reportable operating segments of the Group is disclosed in note 45.

(t) Foreign currency translation

Transactions denominated in foreign currencies are initially measured at the official exchange rate announced by CNB on the transaction date. Assets and liabilities denominated in foreign currencies are translated into the local currency at CNB's exchange rate prevailing as at the date of preparation of the consolidated statement of financial position. Realised and unrealised gains and losses on foreign currency translation are recognised in the consolidated statement of comprehensive income in "*Net gain on financial operations*", with the exception of foreign exchange rate differences on equity investments denominated in foreign currencies which are reported at the historical exchange rate, foreign exchange rate differences on equity securities included in the portfolio of financial assets at FVOCI which are reported as a component of a change in the fair value and foreign exchange rate differences on derivatives entered into to hedge the currency risk associated with assets or liabilities whose foreign exchange rate differences are a part of the change in the fair value.

(u) Cash and cash equivalents

The Group considers cash on hand, deposits with central banks and deposits with other banks with a contractual maturity of one day or less to be cash equivalents. For the purpose of determining the balance of cash and cash equivalents, the minimum reserve deposit with CNB is not included as a cash equivalent due to restrictions on its utilisation.

(v) Employee benefits

Every employee of the Group has access to a 'benefit purse' in which they obtain an annual one-off contribution depending on the number of years worked and their position. In drawing it, the employees have several options to choose from, including leisure, supplementary pension insurance and life assurance contributions, and meal contributions. The costs incurred in connection with the benefit purse contributions are reported on an accruals basis in "*Personnel expenses*" in the consolidated statement of comprehensive income. Employees receive bonuses on significant personal and work anniversaries. The costs incurred in connection with these benefits are reported in "*Personnel expenses*" in the consolidated statement of comprehensive income.

The amount of the bonuses depends on the fulfilment of the performance criteria. The bankers from the branch network receive monthly bonuses with a month delay. Branch managers receive quarterly bonuses with a month delay. The other employees receive annual bonuses. Bonuses are reported on an accruals basis. At year-end, the liability is reported in "*Provisions for payroll bonuses*". The recognition, use and release of the provision for payroll bonuses is reported in the consolidated statement of comprehensive income as "*Personnel expenses*".

Members of the board of directors receive bonuses tied to their performance, depending on the fulfilment of financial and non-financial criteria approved by the supervisory board. A substantial portion of the bonus of at least 40% is spread over 3 years. A portion of the floating bonus of 50% is paid in the form of a non-monetary instrument, which is the Group's virtual stock plan. The plan is based on the RBCZ Adjusted Book Value indicator. The basis for determining the Adjusted Book Value is the net book value of the Group's share capital less the values held by minority shareholders (if any) as at the date on which the bonus is awarded. The value is subsequently used to determine the value of a single virtual share by dividing the value of the capital by the number of shares without minority owners. Following the conclusion of the financial year for which the variable bonus is awarded, the Adjusted Book Value is calculated based on the financial results approved by the Bank's supervisory board and general meeting. Deferred bonuses paid in cash, i.e. bonuses paid to members of the board of directors more than 12 months subsequent to the end of the reporting period during which they provided services to the Group, are considered to be long-term employee benefits reported in "*Provision for payroll bonuses*" in the consolidated statement of financial position. The recognition, use and release of the provisions for payroll costs is reported in the consolidated statement of comprehensive income as "*Personnel expenses*".

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6. CHANGES IN ACCOUNTING POLICIES IN 2018

(a) Newly applied standards and interpretations the application of which had a significant impact on the consolidated financial statements

IFRS 9 Financial Instruments is effective for annual periods beginning on or after 1 January 2018 and replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes requirements on recognition, measurement, impairment and derecognition of financial assets and liabilities and hedge accounting.

IFRS 9 has introduced a new approach to the classification of financial assets and calculation of credit losses.

For the purpose of classification under IFRS 9, the Group newly assesses the individual financial assets based on the:
- business model for managing the financial assets;
- and the characteristics of contractual cash flows following from the financial assets.

In determining the credit losses (i.e. loss allowances), the Group divided the financial assets in three stages based both on quantitative and qualitative criteria:
- performing receivables (stage 1);
- receivables where the credit risk has increased significantly since initial recognition (stage 2);
- non-performing receivables (stage 3).

Due to the delayed application of a part of IFRS 9 for macro hedge accounting, it is possible to apply hedge accounting according to IAS 39 until the effective date of the amendments to IFRS 9 relating to this area. The Group has decided to continue applying hedge accounting in accordance with the requirements under IAS 39 since 1 January 2018 and not under the current requirements stipulated in IFRS 9.

The new accounting policies for financial instruments are described in note 5.

The impact of this change on the Group's equity as at 1 January 2018 is stated below.

Reconciliation of financial assets and liabilities

CZK thousand Financial assets	Measurement model under IAS 39	IAS 39 31/12/2017	Reclassification	Remeasurement – impairment losses	Measurement model under IFRS 9	IFRS 9 1/1/2018
Financial assets at amortised cost						
Loans and advances to banks		103,583,094	–	–		**103,583,094**
Loans and advances to customers						
Transfer: To: Debt securities			(2,060,223)			
Total		218,987,348	(2,060,223)	(224,014)		**216,703,111**
Debt securities						
Transfer: From: Loans and advances to customers			2,060,223			
Total			2,060,223	1,227		**2,061,450**
Total	**L&R**	**322,570,443**	**–**	**(222,787)**	**AC**	**322,347,656**
Available-for-sale securities						
Transfer: To: Financial assets at FVOCI			(603,654)			
Total	**AFS**	**603,654**	**(603,654)**	**–**	**n/a**	**–**
Financial assets at FVOCI						
Transfer: From: Available-for-sale securities			603,654			
Total	**n/a**	**n/a**	**603,654**	**–**	**FVOCI**	**603,654**
Securities at fair value through profit or loss						
Transfer: To: Financial assets held for trading			(156,446)			
Total	**FVTPL**	**156,446**	**(156,446)**	**–**	**FVTPL**	**–**
Financial assets held for trading						
Transfer: From: Securities at FVTPL			156,446			
Transfer: From: Positive fair values of financial derivatives			1,566,987			
Total	**FVTPL**	**–**	**1,723,433**	**–**	**FVTPL**	**1,723,433**
Hedging derivatives with positive fair value						
Transfer: From: Positive fair values of financial derivatives			2,292,429			
Total	**FVTPL**	**–**	**2,292,429**	**–**	**FVTPL**	**2,292,429**
Positive fair values of financial derivatives						
Transfer: To: Financial assets held for trading			(1,566,987)			
Transfer: Hedging derivatives with positive fair value			(2,292,429)			
Total	**FVTPL**	**3,859,416**	**(3,859,416)**	**–**	**FVTPL**	**–**

CZK thousand Financial liabilities	Measurement model under IAS 39	IAS 39 31/12/2017	Reclassification	Remeasurement – impairment losses	Measurement model under IFRS 9	IFRS 9 1/1/2018
Financial liabilities held for trading						
Transfer: From: Negative fair values of financial derivatives			1,653,426			
Total	**FVTPL**	**–**	**1,653,426**	**–**	**FVTPL**	**1,653,426**
Hedging derivatives with negative fair value						
Transfer: From: Negative fair values of financial derivatives			2,971,340			
Total	**FVTPL**	**–**	**2,971,340**	**–**	**FVTPL**	**2,971,340**
Negative fair values of financial derivatives						
Transfer: To: Financial liabilities held for trading			(1,653,426)			
Transfer: To: Hedging derivatives with negative fair value			(2,971,340)			
Total	**FVTPL**	**4,624,766**	**(4,624,766)**	**–**	**FVTPL**	**–**
Provisions						
Total	**AC**	**1,093,396**	**–**	**28,414**	**AC**	**1,121,810**

Reconciliation of impairment losses on financial instruments

CZK thousand	IAS 39 31/12/2017	Reclassification	Remeasurement – impairment losses	IFRS 9 1/1/2018
Financial assets at amortised cost				
Loans and advances to banks	103,587,997	–	–	**103,587,997**
Loans and advances to customers	224,038,925	(2,065,228)	(308,496)	**221,665,201**
Debt securities		2,065,228	–	**2,065,228**
Financial assets at amortised cost – gross	**327,626,923**	**–**	**(308,496)**	**327,318,427**
Loss allowances				
Loans and advances to banks	(4,903)	–	–	**(4,903)**
Loans and advances to customers	(5,051,577)	5,005	84,482	**(4,962,090)**
Debt securities		(5,005)	1,227	**(3,778)**
Total loss allowances	**(5,056,480)**	**–**	**85,709**	**(4,970,771)**
Financial assets at amortised cost – net	**322,570,443**	**–**	**(222,787)**	**322,347,656**
Provisions for commitments and financial guarantees provided	**197,836**	**–**	**28,414**	**226,250**

Reconciliation of retained earnings

CZK thousand	
Opening balance under IAS 39 as at 31/12/2017	**27,905,030**
Impairment losses	(251,201)
Deferred tax	(22,947)
Closing balance under IFRS 9 as at 1/1/2018	**27,630,882**

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(b) Newly applied standards and interpretations the application of which had no significant impact on the consolidated financial statements

During the year ended 31 December 2018, the following amended standards issued by IASB and adopted by the EU were effective:

- **Amendments to IFRS 2 – Share-based payment** – Classification and evaluation of transactions with settlements bounded to shares (Effective for annual periods beginning on or after 1 January 2018).

- **Amendments to IFRS 4 – Insurance Contracts** – Application of IFRS 9 Financial instruments together with IFRS 4 Insurance Contracts – as adopted by the EU on 3 November 2017 (Effective for annual periods beginning on 1 January 2018 or upon the initial application of IFRS 9).

- **IFRS 15 "*Revenue from Contracts with Customers*"** issued by the IASB on 28 May 2014 (on 11 September 2015 the IASB deferred the effective date of IFRS 15 to 1 January 2018 and on 12 April 2016 the IASB issued clarifications to this standard). IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 "*Revenue", IAS 11 "Construction Contracts*" and a number of revenue-related interpretations. IFRS 15 applies to nearly all contracts with customers (the main exceptions are leases, financial instruments and insurance contracts). The core principle of the new standard is for companies to recognise revenue depicting the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The contracts that were subject to the Group's assessment in respect of the impacts of IFRS 15 predominantly involve those resulting in reporting revenue arising from fees and commissions. The Group has identified the following types of contractual relations, the recognition of which will be subject to new IFRS 15 requirements:
  1. Contracts for supplies of financial services combined with supplies of goods;
  2. Contracts the conclusion of which is supported by paying internal or external commissions; and
  3. Contracts supported by the loyalty programme.

  The total expected impact on the Group's profit or loss before tax as of 31 December 2018 amounts to approximately CZK (6,400) thousand.

- **Amendments to various standards "*Improvements to IFRSs (cycle 2014 – 2016)*"** – adopted by the EU on 7 February 2018. The amendments are resulting from the project of annual improvements to IFRS (IFRS 1 and IAS 28), which are to remove discrepancies between the individual standards and clarify their purpose (effective for annual periods beginning on or after 1 January 2018).

- **Amendments to IAS 40 Investment Property** – Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018).

- **IFRIC 22 Foreign Currency Transactions and Advance Consideration** (effective for annual periods beginning on or after 1 January 2018).

The adoption of these amendments resulted in no changes in the Group's accounting policies.

(c) Standards and interpretations not yet effective

As at the date of approval of these consolidated financial statements, the following standards and amendments to existing standards adopted by the EU were issued but not yet effective:

- **IFRS 16 Leases** (Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if the entity also applies IFRS 15.)
  IFRS 16 Leases issued by IASB on 13 January 2016. Under IFRS 16 a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. As with IFRS 16's predecessor, IAS 17, lessors classify leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease. The anticipated impact of IFRS 16 on the Group's statement of financial position due to the recognition of new right-of-use assets and lease liabilities is approximately CZK 2,000,000 thousand.

- **IFRIC 23 Uncertainty over Income Tax Treatments** (effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted.)

- **Amendments to IFRS 9 – Prepayment Features with Negative Compensation** (effective for annual periods beginning on or after 1 January 2019).

The Group decided not to apply these standards and amendments adopted by the EU but not yet effective before their effective dates. The Group anticipates that the application of these standards and amendments in the period of their first-time adoption will have no significant impact on the Group's consolidated financial statements.

(d) Standards and interpretations issued by IASB but not yet adopted by the European Union

At present, the version of standards adopted by the European Union does not significantly differ from the standards approved by IASB. The exception are the following standards, amendments and interpretations that were not adopted for use in the EU as at the date of approval of the consolidated financial statements (the effective dates listed below apply to the IFRS standards issued by the IASB).

- **Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** (the European Commission has decided to postpone the approval indefinitely);

- **IFRS 17 Insurance Contracts** (effective for annual periods beginning on or after 1 January 2021; to be applied prospectively. Earlier application is permitted.)

- **Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures** (effective for annual periods beginning on or after 1 January 2019);

- **Annual Improvements to IFRS 2015-2017 Cycle** (effective for annual periods beginning on or after 1 January 2019);

- **Amendments to IAS 19 Employee Benefits** (effective for annual periods beginning on or after 1 January 2019);

- **Amendments to IFRS 3 Business Combinations** (effective for annual periods beginning on or after 1 January 2020);

- **Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors** (effective for annual periods beginning on or after 1 January 2020).

The Group anticipates that the adoption of the above stated standards, amendments to existing standards and interpretations in the period of their first-time adoption will have no significant impact on the Group's consolidated financial statements.

7. NET INTEREST INCOME

CZK thousand	2018	2017
Interest income and similar income calculated using the effective interest rate method		
Financial assets measured at amortised cost	**8,626,871**	**7,323,188**
from debt securities	114,910	4,147
from loans and advances to banks	1,182,150	227,003
from loans and advances to customers	7,329,811	7,092,038
Negative interest on financial liabilities at amortised cost	**14,538**	**15,936**
Hedging interest rate derivatives	**1,985,908**	**1,310,512**
Interest income and similar income calculated using the effective interest rate method	**10,627,317**	**8,649,636**
Other interest income		
Financial assets held for trading	**1,493,741**	**767,797**
Derivatives held for trading	1,490,529	758,152
of which derivatives in the bank's portfolio	*67,592*	*267,632*
Debt securities	3,212	9,645
Other interest income	**1,493,741**	**767,797**
Interest expense		
Financial liabilities held for trading	**(1,059,864)**	**(553,000)**
Derivatives held for trading	(1,059,849)	(553,000)
of which derivatives in the bank's portfolio	*(13,305)*	*(48,622)*
Short sales	(15)	–
Financial liabilities at amortised cost	**(1,043,510)**	**(960,757)**
from deposits from banks	(328,797)	(191,093)
from deposits from customers	(493,240)	(392,303)
from securities issued	(138,973)	(293,367)
from subordinated liabilities	(82,500)	(83,994)
Securitisation	**(256,016)**	**(259,650)**
Hedging interest rate derivatives	**(2,092,108)**	**(1,075,420)**
Negative interest on financial assets at amortised cost	**(4,064)**	**(4,324)**
Total interest expense and similar expense	**(4,455,562)**	**(2,853,151)**
Net interest income	**7,665,496**	**6,564,282**

The items "*Interest income and similar income calculated using the effective interest rate method*" - "*Hedging interest rate derivatives*" and "*Interest expense* " - "*Hedging interest rate derivatives*" comprise net interest expense on hedging financial derivatives upon a cash flow hedge of CZK (101,935) thousand (2017: CZK (28,621) thousand), net interest income from hedging financial derivatives upon a fair value hedge of mortgage loans of CZK 100,212 thousand (2017: CZK (223,128) thousand), net interest expense on hedging financial derivatives upon a fair value hedge of term deposits and the portfolio of current and savings accounts of CZK (142,115) thousand (2017: CZK 446,769 thousand), and net interest income from hedging financial derivatives upon a fair value hedge of securities issued of CZK 37,638 thousand (2017: CZK 40,071 thousand).

Interest income additionally includes interest on impaired assets (primarily loans and advances to customers) of CZK 18,448 thousand (2017: CZK 143,204 thousand).

8. NET FEE AND COMMISSION INCOME

CZK thousand	2018	2017
Fee and commission income arising from		
Securities transactions	118,299	124,093
Clearing and settlement	2,058,749	2,079,646
Asset management	32,283	48,574
Administration, custody and safekeeping of values	40,885	37,430
Product distribution for customers	132,753	178,870
Provided guarantees	148,032	143,672
Fund management and distribution of units	222,812	181,853
Other	116,856	103,816
Total fee and commission income	**2,870,669**	**2,897,954**
Fee and commission expense arising from		
Clearing and settlement	(791,056)	(786,034)
Administration, custody and safekeeping of values	(2,515)	(6,914)
Received guarantees	(8,947)	(9,139)
Other	(88,085)	(92,047)
Total fee and commission expense	**(890,603)**	**(894,134)**
Net fee and commission income	**1,980,066**	**2,003,820**

9. NET GAIN ON FINANCIAL OPERATIONS

CZK thousand	2018	2017
Interest rate derivatives	**231,957**	**139,646**
Gain/loss from foreign currency transactions	**1,174,725**	**1,988,634**
of which: Customer foreign currency result	*1,105,006*	*1,370,147*
FX proprietary P/L	*69,719*	*618,487*
Gain/(loss) from transactions with securities	**(3,261)**	**39,701**
of which: Portfolio of securities available for sale	*n/a*	*0*
Portfolio of securities held for trading	*(3,261)*	*39,677*
Portfolio of securities at FVTPL	*n/a*	*–*
Own issue	*–*	*24*
Liabilities from short sales transactions	**3,746**	**–**
Equity instruments held for trading	**8,526**	**–**
Profit/(loss) from hedge accounting upon a cash flow hedge – ineffective part	**n/a**	**–**
Gains/(losses) from the sale of securities held to maturity	**n/a**	**175,385**
Profit/(loss) from the sale of equity investments (see Note 48 c)	**–**	**62,578**
Change in the fair value of the hedged items in fair value hedging	**n/a**	**1,042,345**
Change in the fair value of the hedging derivatives in fair value hedging	**n/a**	**(1,028,887)**
Total	**1,415,693**	**2,419,402**

"Customer foreign currency result" comprises the margins from foreign currency transactions with customers.

"FX proprietary P/L" comprises the impact of proprietary trading and the impact of remeasurement of foreign currency positions using the Czech National Bank's exchange rate, including the result of the remeasurement of currency derivatives.

In 2017, the Group recognised the gain from the sale of the portfolio of securities held to maturity of CZK 175,385 thousand in *"Gains/losses from the sale of securities held to maturity"*.

10. NET PROFIT FROM HEDGE ACCOUNTING

CZK thousand	2018	2017
Change in the fair value of hedging derivatives upon fair value hedging	(6,263)	n/a
Change in the fair value of hedged items upon fair value hedging	80,020	n/a
Gains/ (losses) from cash flow hedges – ineffective part	(998)	n/a
Total	**72,759**	**n/a**

11. DIVIDEND INCOME

In 2018, income from other shares and equity investments amounted to CZK 30,812 thousand (2017: CZK 31,116 thousand). The amount includes a dividend from Raiffeisen stavební spořitelna a.s. of CZK 30,000 thousand (2017: CZK 30,000 thousand), and a dividend from Visa Inc. of CZK 812 thousand (2017: CZK 1,116 thousand).

12. IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

CZK thousand	2018	2017
Changes in loss allowances		
Additions to loss allowances	(2,395,346)	(2,719,336)
Release of loss allowances	1,759,042	2,052,140
Use of loss allowances	1,072,629	1,833,111
Nominal value of assigned and written-off receivables	(1,072,629)	(1,871,605)
of which: direct write-offs of receivables	*(3,785)*	*(48,600)*
Income from written-off/sold receivables	80,273	265,326
Total changes in loss allowances	**(556,031)**	**(440,364)**
Provisions for off-balance sheet credit risks		
Establishment of provisions	(410,497)	(198,105)
Release of provisions	86,156	239,415
Total changes in provisions for off-balance sheet credit risks	**(324,341)**	**41,310**
Total impairment losses on financial instruments	**(880,372)**	**(399,054)**

13. GAIN OR LOSS (–) ARISING FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

CZK thousand	2018
Gain from sales of financial assets measured at amortised cost	41,156
Total	**41,156**

14. PERSONNEL EXPENSES

CZK thousand	2018	2017
Wages and salaries	(2,364,574)	(2,413,070)
Social and health insurance	(753,293)	(765,773)
Other personnel expenses	(134,206)	(119,984)
Total	**(3,252,073)**	**(3,298,827)**
Of which wages, salaries and remuneration paid to:		
Members of the board of directors	(85,047)	(88,843)
Members of the supervisory board	(4,030)	(4,170)
Total	**(89,077)**	**(93,013)**

As at 31 December 2018 and 2017, the recalculated average number of the Group's employees was as follows:

	2018	2017
Employees	3,114	3,094
Members of the board of directors	7	7
Members of the supervisory board	7	6

The members of the board of directors and supervisory board in the above table represent the members of the Bank's board of directors and supervisory board.

The financial arrangements between the Group and members of the board of directors and supervisory board are disclosed in Note 49.

15. GENERAL OPERATING EXPENSES

CZK thousand	2018	2017
Rent, repairs and other office management services	(516,526)	(557,718)
Marketing expenses	(380,437)	(423,801)
Costs of legal and advisory services	(357,322)	(280,948)
of which: statutory audit of financial statements	*(5,725)*	*(6,824)*
other assurance services provided by the auditor	*(3,058)*	*(2,221)*
IT support costs	(386,671)	(379,292)
Deposit and transaction insurance	(46,771)	(44,429)
Telecommunication, postal and other services	(82,193)	(128,239)
Security costs	(51,619)	(56,615)
Training costs	(31,022)	(32,653)
Office equipment	(20,706)	(24,069)
Travel costs	(23,469)	(22,191)
Fuel	(17,221)	(17,388)
Contribution to the crisis resolution fund	(257,825)	(220,783)
Other administrative expenses	(54,877)	(229,220)
Impairment loss on investment property (note 34)	–	(1,079)
Impairment loss on tangible assets (note 33)	(336)	–
Total	**(2,226,955)**	**(2,418,425)**

"Deposit and transaction insurance" includes the costs of the payment to the Deposit Insurance Fund (henceforth the *"FPV"*).

Except for the statutory audit, the auditor provided the Group with the following service:
- Limited assurance procedures on preparation of the Raiffeisenbank a.s.'s Financial information Reporting as at 1 January 2018 in connection with the implementation of IFRS 9 prepared in conformity with the instruction issued by group management of Raiffeisen Bank International;
- Review of the interim Financial Information of Raiffeisenbank a.s., reporting package, prepared for consolidation purposes for the period from 1 January 2018 to 30 June 2018 in conformity with the instructions issued by management of Raiffeisen Bank International;
- Review of the Financial Information Reporting of Raiffeisenbank a.s., to Czech National Bank.

16. DEPRECIATION/AMORTISATION OF PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

CZK thousand	2018	2017
Depreciation of intangible assets	(496,505)	(404,380)
Amortisation of property and equipment	(327,857)	(338,754)
Depreciation of investment property	(17,432)	(17,200)
Total	**(841,794)**	**(760,334)**

17. OTHER OPERATING INCOME

CZK thousand	2018	2017
Change in operating provisions	72,201	–
Gain on sale of property and equipment and intangible assets	–	538
Income from reinvoicing	29,082	16,813
Contribution for marketing support of products	24,039	11,832
Income from operating leases	389,042	459,431
Gain from disposal of a joint venture	12,770	–
Other	360,758	228,488
Total	**887,892**	**717,102**

18. OTHER OPERATING EXPENSES

CZK thousand	2018	2017
Change in operating provisions	–	(39,625)
Change in loss allowances to operating receivables	(16,230)	(3,139)
Loss on sale of property and equipment and intangible assets	(2,126)	–
Expenses on operating leases	(173,322)	(243,615)
Other	(30,597)	(111,374)
Total	**(222,275)**	**(397,753)**

19. INCOME TAX

(a) Income tax expense

CZK thousand	2018	2017
Current income tax	(881,158)	(855,280)
Adjustment to the tax payable/(additionally assessed tax) relating to the previous year	(26,923)	(22,387)
Release of previous year provision	24,742	–
Provision for additional income tax	–	(258,207)
(Expense)/income in respect of deferred tax	14,403	(75,064)
Total income tax	**(868,936)**	**(1,210,938)**

The tax balance differs from the theoretical tax balance that would have been determined had the basic tax rate been used as follows:

CZK thousand	2018	2017
Profit before tax (general tax base)	**4,683,954**	**4,468,889**
Total profit before tax	**4,683,954**	**4,468,889**
Tax calculated at the tax rate for the general tax base – 19% (2017: 19%)	**(889,951)**	**(849,089)**
Non-taxable income (tax effect)	336,173	606,684
Non-tax deductible expenses (tax effect)	(315,831)	(698,307)
Tax allowances and tax relief	2,854	10,368
Tax liability for the year	**(866,755)**	**(930,344)**
Tax overpayment/(underpayment) from previous years, use of tax relief and credits, including adjustment to the tax payable for previous years	(26,923)	(22,387)
Release of previous year provision	24,742	–
Provision for additional income tax	–	(258,207)
Total income tax	**(868,936)**	**(1,210,938)**
Effective tax rate	**18.55%**	**27.10%**

(b) Income tax liability/receivable

CZK thousand	2018	2017
Tax liability for the year	**(866,755)**	**(855,280)**
Deferred tax	(14,403)	75,064
Provision for additional income tax	(258,207)	(258,207)
Advances for income tax	1,113,299	709,627
Tax incidence of IFRS 9	(22,947)	–
Total income tax (liability)/receivable	**(49,014)**	**(328,796)**

tis. Kč	2018	2017
Income tax receivable reported in Statement of Financial Position	28,649	7,886
Income tax liability reported in Statement of Financial Position	(49,014)	(328,796)
Total income tax (provision)/receivable	**(20,365)**	**(320,910)**

Tax incidence of IFRS 9 of CZK (22,947) thousand is presented in the consolidated statement of changes in equity in "*Impact of transition to IFRS 9*" which amounts to CZK (274,148) thousand.

For additional details on the deferred tax, refer to note 29.

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20. CASH IN HAND, BALANCES WITH CENTRAL BANKS AND OTHER DEMAND DEPOSITS

CZK thousand	2018	2017
Cash in hand and other cash equivalents	3 389 118	3,299,886
Balances with central banks (including one-day deposits)	3,897,632	355,254
Mandatory minimum provisions with the Czech National Bank (CNB)	1,815,095	4,966,162
Other demand deposits	3,004,102	1,742,025
Total	**12,105,947**	**10,363,327**

Mandatory minimum provisions include deposits, the amount of which is determined based on the regulation declared by the Czech National Bank and the drawing of which is limited. The Group may draw an amount from mandatory minimum provisions which exceeds the actual average amount of the mandatory minimum provisions for the particular period calculated according to the Czech National Bank's regulation.

For information on cash in hand and other readily-available funds reported in the consolidated statement of cash flows, refer to note 41.

21. FINANCIAL ASSETS HELD FOR TRADING

CZK thousand	2018	2017
Derivatives	**1,687,444**	**1,566,987**
Interest rate derivatives	1,242,664	1,035,154
Currency derivatives	444,780	531,833
Debt securities	**268,021**	**n/a**
Government institutions	268,021	n/a
Total	**1,955,465**	**1,566,987**

Securities pledged as collateral

As at 31 December 2018 and 2017, the Group provided no pledge of securities as collateral as part of repurchase and similar transactions with other banks and customers.

22. SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

CZK thousand	2018	2017
Securities at fair value through profit or loss	**n/a**	**156,446**
of which: Securities held for trading	**n/a**	**156,446**
– debt securities	n/a	156,446
Total	**n/a**	**156,446**

"Securities at FVTPL" includes government bonds and state treasury bills of CZK 70,549 thousand which may be used for refinancing with the Czech National Bank.

23. FINANCIAL ASSETS MEASURED AT FVOCI

CZK thousand	2018	2017
Equity instruments	**628,880**	**n/a**
Shares	628,880	n/a
Total	**628,880**	**n/a**

"Financial assets measured at FVOCI" includes the Group's equity investment in Raiffeisen stavební spořitelna a.s. of CZK 463,300 thousand and its membership in Visa Inc. association of CZK 164,731 thousand.

24. AVAILABLE-FOR-SALE SECURITIES

CZK thousand	2018	2017
Available-for-sale securities	**n/a**	**603,654**
Shares	n/a	603 654
Total	**n/a**	**603,654**

In 2017, *"Available-for-sale securities"* included the Group's equity investment in Raiffeisen stavební spořitelna a.s. of CZK 464,701 thousand and its membership in Visa Inc. association of CZK 138,111 thousand.

25. FINANCIAL ASSETS AT AMORTISED COST

(a) Financial assets at amortised cost by segment

	2018		
CZK thousand	**Gross carrying amount**	**Loss allowances**	**Net carrying amount**
Debt securities	**6,867,590**	**(3,031)**	**6,864,559**
Government institutions	4,669,569	(109)	**4,669,460**
Non-financial entities	2,198,021	(2,922)	**2,195,099**
Loans and advances to banks	**99,528,776**	**(278)**	**99,528,498**
Central banks	98,237,392	–	**98,237,392**
Credit institutions	1,291,384	(278)	**1,291,106**
Loans and advances to customers	**241,055,734**	**(4,451,324)**	**236,604,410**
Government institutions	1,400,963	(258)	**1,400,705**
Other financial institutions	8,814,073	(18,659)	**8,795,414**
Non-financial entities	115,846,977	(1,848,718)	**113,998,259**
Households	114,993,721	(2,583,689)	**112,410,032**
Total	**347,452,100**	**(4,454,633)**	**342,997,467**

(b) Financial assets at amortised cost by category

CZK thousand	**2018**
Debt securities	
Debt securities	6,867,590
Debt securities, gross	**6,867,590**
Loss allowances	(3,031)
Debt securities, net	**6,864,559**
Loans and advances to banks	
Term deposits	1,291,384
Reverse repo transactions with Czech National Bank	98,237,392
Loans and advances to banks – gross	**99,528,776**
Loss allowances	(278)
Loans and advances to banks – net	**99,528,498**
Loans and advances to customers	
Loans and advances from current accounts	4,496,013
Term loans	127,810,064
Mortgage loans	93,528,230
Finance lease	8,118,921
Reverse repo transactions	265,182
Credit card receivables	4,032,129
Other	2,805,195
Loans and advances to customers – gross	**241,055,734**
Loss allowances	(4,451,324)
Loans and advances to customers – net	**236,604,410**
Total financial assets at amortised cost	**342,997,467**

The Group has applied hedge accounting upon the fair value hedge of the portfolio of receivables from mortgage loans. The remeasurement of the hedged items amounted to CZK (1,144,945) thousand and CZK (1,259,634) thousand as at 31 December 2018 and 2017, respectively.

(c) Reverse repo transactions

The Group advanced loans to customers in the aggregate amount of CZK 265,182 thousand (2017: CZK 46,771 thousand) under reverse repo transactions. Reverse repo transactions are collateralised by securities at the fair value of CZK 365,114 thousand (2017: CZK 62,186 thousand).

(d) Securitisation

ROOF RBCZ 2015

Since December 2015, the Group has carried out a synthetic securitisation of the corporate banking loans and guarantees portfolio. The total nominal value of the transaction is EUR 1 billion. The selected portfolio was divided into three tranches by the credit risk exposure attributable to individual tranches. The junior (the first loss piece) tranche amounts to 1.4% of the nominal value. The credit risk relating to the mezzanine tranche has been transferred to external institutional investors. For the purposes of this transaction, a special-purpose vehicle ROOF RBCZ 2015 S.à r.l. with its registered office in Luxembourg was established, which issued debt securities relating to the credit risk of the mezzanine tranche. These debt securities were sold to external institutional investors and at the same time, ROOF RBCZ 2015 S.à r.l. provided a portfolio guarantee to the Group as collateral for the credit risk arising from the mezzanine tranche of CZK 1,985,060 thousand which was effective till 30 December 2018 (2017: CZK 1,966,580 thousand). The guarantee was secured by the assets of ROOF RBCZ 2015 S.à r.l., which comprised cash received by the entity through the sale of the debt securities issued. The maturity of the transaction was in April 2024; in the following three years, the Group may have replaced settled credit exposures with new ones in its securitised portfolio under the predefined criteria. The arrangement resulted in the Group transferring some but not substantially the risks and rewards related to the portfolio, while retaining control over the portfolio. Consequently, the securitised portfolio continued to be recognised by the Group in its assets. The Group accounted for the transaction with ROOF RBCZ 2015 S.à r.l. as a guarantee received. The costs of the guarantee received is of an interest nature and recognised in *"Interest expense and similar expense"*, see note 7.

The Group has no equity investment in the newly-established entity and exercises no control or significant influence over it under IFRS. ROOF RBCZ 2015 S.à r.l. may only perform specific limited-scope activities relevant to the transaction, which were defined in detail at the inception of the transaction, and the Group is unable to influence the activities. For these reasons, the Group does not consider the entity to be its subsidiary or associated company. With the exception of the received guarantee referred to above and the charge paid by the Group for this guarantee, the Group reports no assets, liabilities or other balances in respect of ROOF RBCZ 2015 S.à r.l. that would result in any risks for the Group in relation to this entity.

The Group ended the securitisation prematurely as at 31 December 2018.

(e) Syndicated loans

Pursuant to concluded syndicated loan agreements, the Group acted as the arranger of syndicated loans in the original amount of aggregate credit limits of CZK 6,434,757 thousand as at 31 December 2018 (2017: CZK 7,195,683 thousand), of which the proportion of the Group amounted to CZK 2,568,653 thousand (2017: CZK 3,041,367 thousand) and the proportion of other syndicate members amounted to CZK 3,866,104 thousand (2017: CZK 4,154,316 thousand).

As at 31 December 2018, the aggregate amount of outstanding receivables under the syndicated loan facilities was CZK 3,820,402 thousand (2017: CZK 5,330,717 thousand), of which the proportion of the Group was CZK 1,438,778 thousand (2017: CZK 2,127,675 thousand) and the proportion of other syndicate members was CZK 2,381,624 thousand (2017: CZK 3,203,042 thousand).

The risks and interest arising from these syndicated loans are shared by all participating syndicate members in proportion to their aggregate exposure.

(f) Purchase of the client portfolio of the Czech branch of ZUNO BANK AG

In June 2017, the Group took over the client portfolio of the Czech branch of ZUNO BANK AG. In relation to the takeover of the portfolio, primarily of customer loans and deposits, the Group's loans and advances to customers increased by CZK 636,029 thousand. No intangible asset originated in relation to the transaction.

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(g) Receivables from finance leases

Time structure of receivables from finance leases is as follows:

CZK thousand	2018	2017
Gross investments in finance leases	**8,651,033**	**7,622,437**
– up to 3 months	616,106	599,583
– 3 months to 1 year	1,983,649	1,639,139
– 1 year to 5 years	5,667,597	5,010,632
– more than 5 years	383,681	373,083
Unrealised financial income	**(532,112)**	**(549,711)**
– up to 3 months	(61,822)	(59,833)
– 3 months to 1 year	(156,351)	(151,362)
– 1 year to 5 years	(292,491)	(316,783)
– more than 5 years	(21,448)	(21,733)
Net investments in finance leases – brutto	**8,118,921**	**7,072,726**
Loss allowances	(140,187)	(55,788)
Net investments in finance leases – netto	**7,978,734**	**7,016,938**

The assets that the Group leases under finance lease have the following structure:

CZK thousand	2018	2017
Lease of motor vehicles	5,760,486	4,425,133
Lease of real estate	173,417	238,281
Lease of equipment	2,185,018	2,409,312
Total	**8,118,921**	**7,072,726**

26. LOANS AND ADVANCES TO BANKS

CZK thousand	2017
Reverse repo transactions with Czech National Bank	103,011,111
Other	576,886
Gross carrying amount	**103,587,997**
Loss allowances	(4,903)
Net carrying amount	**103,583,094**

27. LOANS AND ADVANCES TO CUSTOMERS

(a) Loans and advances to customers by category

CZK thousand	2017
Current account overdrafts	2,478,996
Term loans	118,468,232
Mortgage loans	86,788,967
Finance lease	7,072,726
Debt securities	2,065,229
Reverse repo transactions	46,771
Credit card receivables	4,422,944
Other	2,695,061
Gross carrying amount	**224,038,925**
Loss allowances	(5,051,577)
Net carrying amount	**218,987,348**

(b) Loans provided to customers and debt securities by segment

CZK thousand	2017
Debt securities	**2,065,229**
Government institutions	–
Non-financial entities	2,065,229
Loans and advances to customers	**221,973,696**
Government institutions	1,813,322
Other financial institutions	4,325,388
Non-financial entities	108,193,736
Households	107,641,250
Gross carrying amount	**224,038,925**
Loss allowances	(5,051,577)
Net carrying amount	**218,987,348**

28. HEDGING DERIVATIVES WITH POSITIVE FAIR VALUE

CZK thousand	2018	2017
Fair value hedge derivatives	35,907	236,704
Interest rate derivatives	35,907	236,704
Cash flow hedge derivatives	**11,729**	**11,343**
Interest rate derivatives	11,729	11,343
Portfolio hedge derivatives	**2,433,394**	**2,044,382**
Cash flow hedge	177,172	13,140
Fair value hedge	2,256,222	2,031,242
Total	**2,481,030**	**2,292,429**

29. DEFERRED TAX ASSET/LIABILITY

Deferred tax is calculated on all temporary differences under the liability method using the basic income tax rate of 19% (the tax rate for 2018).

Deferred tax asset comprises the following items:

	Balance at 1 January 2018	Movement for the year – (expense)/ income	Movement for the year against equity	Balance at 31/12/2018		
CZK thousand	Net deferred tax asset/ (liability)			Deferred tax liability	Deferred tax asset	Net deferred tax asset/ (liability)
Loss allowances to loans	20,603	(20,603)	–	–	–	**–**
Outstanding security and health insurance and bonuses	89,121	7,185	–	–	96,306	**96,306**
Other provisions	62,384	54,441	–	–	116,825	**116,825**
Outstanding vacation days	4,726	(650)	–	–	4,076	**4,076**
Fair value reserve – cash flow hedge	31,164	–	(39,988)	(8,824)	–	**(8,824)**
Differences between accounting and tax carrying amounts of property and equipment and intangible assets	(188,971)	(19,105)	–	(208,076)	–	**(208,076)**
Movement in fair value reserve in equity from remeasurement of financial assets at FVOCI	(6,218)	–	(5,059)	(11,277)	–	**(11,277)**
Modification in lease reporting from CAS to IFRS	(66,442)	(42,187)	–	(108,629)	–	**(108,629)**
Loss allowances to loans	(35,323)	35,323	–	–	–	**–**
Fair value reserve – cash flow hedge	(2,087)	–	(141)	(2,229)	–	**(2,229)**
Deferred tax asset/ (liability)	**(91,043)**	**14,403**	**(45,188)**	**(339,035)**	**217,207**	**(121,828)**

CZK thousand	Balance at 1/1/2017 Net deferred tax asset/ (liability)	Movement for the year – (expense)/ income	Movement for the year against equity	Balance at 31/12/2017 Deferred tax liability	Deferred tax asset	Net deferred tax asset/ (liability)
Loss allowances to loans	83,599	(62,996)	–	–	20,603	**20,603**
Outstanding security and health insurance and bonuses	66,874	22,247	–	–	89,121	**89,121**
Other provisions	86,538	(24,154)	–	–	62,384	**62,384**
Outstanding vacation days	5,122	(396)	–	–	4,726	**4,726**
Fair value reserve – cash flow hedge	59,170	–	(28,006)	–	31,164	**31,164**
Differences between accounting and tax carrying amounts of property and equipment and intangible assets	(175,480)	(13,491)	–	(188,971)	–	**(188,971)**
Movement in fair value reserve in equity from remeasurement of financial assets at FVOCI	(1,724)	–	(4,494)	(6,218)	–	**(6,218)**
Modification in lease reporting from CAS to IFRS	(76,938)	10,496	–	(66,442)	–	**(66,442)**
Loss allowances to loans	(28,553)	(6,770)	–	(35,323)	–	**(35,323)**
Fair value reserve – cash flow hedge	–	–	(2,087)	(2,087)	–	**(2,087)**
Deferred tax asset/ (liability)	**18,608**	**(75,064)**	**(34,587)**	**(299,041)**	**207,998**	**(91,043)**

CZK thousand	2018	2017
Deferred tax asset reported in the balance sheet	9,300	10,075
Deferred tax liability reported in the balance sheet	(131,128)	(101,118)
Net deferred tax asset/(liability)	**(121,828)**	**(91,043)**

30. OTHER ASSETS

CZK thousand	2018	2017
Indirect tax receivables	84,606	11,203
Receivables arising from non-banking activities	213,471	420,421
Accrued expenses and deferred income	302,334	31,112
Receivables from securities trading	88,215	73,932
Settlement of cash transactions with other banks	497,745	386,740
Other	474,900	544,687
Total	**1,661,271**	**1,468,095**

"Other" includes contributions to the share capital of non-consolidated uncontrolled entities of Raiffeisen - Leasing, s.r.o. (see note 3(h)) of CZK 55,657 thousand (2017: CZK 55,727 thousand).

31. EQUITY INVESTMENTS IN JOINT VENTURES

CZK thousand	2018	2017
Opening balance	**38,108**	**30,548**
Additions	–	–
Increase/(decrease) in net assets of joint ventures	13,589	7,560
Disposals	(559)	–
Sale of a joint venture	(5,141)	–
Closing balance	**45,997**	**38,108**

CZK thousand	Country	Assets	Liabilities	Revenues	Profit/ loss	Ownership percentage	Joint ventures *
Nordica Office, s.r.o.	CR	418,574	285,536	50,387	6,362	50.00%	**9,879**
Karlín Park a.s.	CR	93,536	49,433	571,008	100,090	50.00%	**36,118**
At 31 December 2018							**45,997**
Flex-space Plzeň I, s.r.o.	CR	143,464	133,181	16,913	371	50.00%	**5,141**
Nordica Office, s.r.o.	CR	427,881	301,213	52,043	3,764	50.00%	**35,115**
Karlín Park a.s.	CR	444,445	448,742	1,393	(4,626)	50.00%	**(2,148)**
At 31 December 2017							**38,108**

* measured using the equity method of accounting

The amount in "Sale of a joint venture" represents the sale of Flex-space Plzeň I, s.r.o.

Related party transactions of the Group with the above joint ventures are disclosed in note 49.

Nordica Office, s.r.o. – the main activities of the company:
- Real estate activities

Karlín Park, a.s. – the main activities of the company:
- Real estate activities

32. INTANGIBLE ASSETS

CZK thousand	Software	Intangible assets under construction	Total
Cost			
At 1 January 2017	4,899,495	427,012	**5,326,507**
Additions	239,494	342,525	**582,019**
Disposals	(77,755)	–	**(77,755)**
Other changes (transfers)	324,966	(325,721)	**(755)**
At 31 December 2017	**5,386,200**	**443,816**	**5,830,016**
Additions	347,515	502,388	**849,903**
Disposals	(315)	–	**(315)**
Other changes (transfers)	348,004	(348,004)	**–**
At 31 December 2018	**6,081,404**	**598,200**	**6,679,604**
Accumulated amortisation			
At 1 January 2017	(3,133,914)	–	**(3,133,914)**
Additions – annual amortisation charges	(404,380)	–	**(404,380)**
Disposals	77,490	–	**77,490**
At 31 December 2017	**(3,460,804)**	**–**	**(3,460,804)**
Additions – annual amortisation charges	(496,505)	–	**(496,505)**
Disposals	315	–	**315**
At 31 December 2018	**(3,956,994)**	**–**	**(3,956,994)**
Net book value			
At 31 December 2017	**1,925,396**	**443,816**	**2,369,212**
At 31 December 2018	**2,124,410**	**598,200**	**2,722,610**

Additions to software predominantly represent the putting into use of technical improvements on data warehouses and other software used by the Group. Internal costs (primarily personnel expenses and rental costs) which are required to generate these assets are capitalised. In 2018, internal costs of CZK 146,760 thousand (2017: CZK 65,917 thousand) were capitalised.

Other additions to intangible assets under construction include purchases from external entities. In this category, the Group does not report or record additions acquired through business combinations.

"Other changes (transfers)" includes capitalisation of completed investments.

33. PROPERTY AND EQUIPMENT

(a) Movements in property and equipment

CZK thousand	Land, buildings and technical improvements on buildings	Fixtures and fittings	Machinery and equipment	Property and equipment under construction	Total
Cost					
At 1 January 2017	1,620,103	210,787	1,562,039	328,177	**3,721,106**
Additions	49,731	11,235	588,444	38,644	**688,054**
Disposals	(30,847)	(11,696)	(231,816)	(52,204)	**(326,563)**
Other changes (transfers)	9,892	2,736	21,984	(33,857)	**755**
At 31 December 2017	**1,648,879**	**213,062**	**1,940,651**	**280,760**	**4,083,352**
Additions	57,082	5,713	536,627	174,539	**773,961**
Disposals	(14,390)	(8,905)	(576,471)	(42,341)	**(642,107)**
Other changes (transfers)	8,349	2,478	17,258	(28,085)	**–**
At 31 December 2018	**1,699,920**	**212,348**	**1,918,065**	**384,873**	**4,215,206**
Accumulated depreciation					
At 1 January 2017	(905,041)	(162,790)	(822,946)	(96,866)	**(1,987,643)**
Additions	(102,383)	(11,874)	(224,497)	–	**(338,754)**
Disposals	26,339	10,910	106,910	–	**144,159**
At 31 December 2017	**(981,085)**	**(163,754)**	**(940,533)**	**(96,866)**	**(2,182,238)**
Additions	(93,205)	(11,124)	(223,528)	–	**(327,857)**
Disposals	14,062	8,345	340,239	–	**362,646**
At 31 December 2018	**(1,060,228)**	**(166,533)**	**(823,822)**	**(96,866)**	**(2,147,449)**
Loss allowances					
At 1 January 2018	–	–	–	–	**–**
Additions	–	–	(336)	–	**(336)**
At 31 December 2018	**–**	**–**	**(336)**	**–**	**(336)**
Net book value					
At 31 December 2017	**667,794**	**49,308**	**1,000,118**	**183,894**	**1,901,114**
At 31 December 2018	**639,692**	**45,815**	**1,093,907**	**288,007**	**2,067,421**

The figures presented under *"Other changes (transfers)"* represent the reclassification of assets from assets under construction to individual categories and a change in the classification of selected classes of assets.

(b) Property and equipment acquired under finance lease

The Group recorded no property and equipment under finance leases in the years ended 31 December 2018 and 2017.

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34. INVESTMENT PROPERTY

CZK thousand	2018	2017
Cost		
At 1 January	864,158	1,051,212
Additions	5,912	5,177
Disposals	–	(192,231)
Effect from the change in the consolidation scope	–	–
Cost at 31 December	**870,070**	**864,158**
Accumulated depreciation and loss allowances		
At 1 January	(253,331)	(256,415)
Annual depreciation	(17,432)	(17,200)
Disposals	–	21,363
Loss allowance	–	(1,079)
Effect from the change in the consolidation scope	–	–
Accumulated depreciation and loss allowances at 31 December	**(270,763)**	**(253,331)**
Net book value at 31 December	**599,307**	**610,827**

The Group re-evaluated the classification of non-current assets as investment property in Viktor Property, s.r.o. The change was made retrospectively in 2017.

The rental income from investment property as at 31 December 2018 amounts to CZK 67,561 thousand (as at 31 December 2017: CZK 65,337 thousand). Expense related to the rental of the investment property as at 31 December 2018 amounts to CZK 19,540 thousand (as at December 2017: CZK 20,768 thousand).

The fair value of investment property as at 31 December 2018 amounts to CZK 709,716 thousand (as at 31 December 2017: CZK 718,352 thousand). The fair value of investment property is measured based on a valuation by internal valuers who hold a recognised and relevant professional qualification. The fair value is measured based on one the following valuation methods or the combination of the valuation methods: valuation based on the acquisition costs, yield methods and residual value of the land plots. The Group makes the assessment of the fair value of the investment property at least on a yearly basis.

35. FINANCIAL LIABILITIES HELD FOR TRADING

CZK thousand	2018	2017
Derivatives	**1,675,219**	**1,653,426**
Interest rate derivatives	1,159,458	951,427
Currency derivatives	515,761	701,999
Total	**1,675,219**	**1,653,426**

36. FINANCIAL LIABILITIES AT AMORTISED COST

(a) Deposits from banks

CZK thousand	2018	2017
Current accounts/One-day deposits	3,038,529	3,894,563
Term deposits of banks	29,863,239	22,477,341
Repo transactions	1,499,778	5,000,250
Total	**34,401,546**	**31,372,154**

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(b) Deposits from customers

Analysis of deposits from customers by type

CZK thousand	2018	2017
Current accounts/One-day deposits	242,943,647	227,863,222
Term deposits	14,679,983	8,344,512
Deposits with notice	13,207,034	15,394,584
Change in the fair value of hedged items upon fair value hedging	89,896	129,500
Total	**270,920,560**	**251,731,818**

The Group has applied hedge accounting upon the fair value hedge of term deposits.

The Group has applied hedge accounting upon the fair value hedge of the portfolio of current and savings accounts. The remeasurement of the hedged items amounts to CZK (1,757,940) thousand and CZK (1,848,943) thousand as at 31 December 2018 and 2017, respectively.

In relation to the takeover of the client portfolio of the Czech branch of ZUNO BANK AG, in 2017 the deposits from the Group's customers increased by CZK 4,708,219 thousand.

Analysis of deposits from customers by sector

CZK thousand	2018	2017
Government sector	7,110,497	5,352,445
Other financial institutions	9,722,897	9,062,440
Non-financial entities	99,548,525	96,894,567
Households	154,538,641	140,422,365
Total	**270,920,560**	**251,731,818**

Repo transactions

As at 31 December 2018 and 2017, the Group received no loans from customers as part of repo transactions.

(c) Debt securities issued

Analysis of issued debt securities by type

CZK thousand	2018	2017
Mortgage bonds	19,551,265	19,413,463
Change in the fair value of hedged items upon fair value hedging	28,307	52,993
Non-hedged bonds issued	2	3,320
Deposit certificates and depository bills of exchange	20,005	3,450
Total	**19,599,578**	**19,473,226**

Analysis of mortgage bonds

CZK thousand Issue date	Maturity date	ISIN code	Currency	Nominal value		Net carrying amount	
			2018	2017	2018	2017	
5/11/2014	5/11/2019	XS1132335248	EUR	12,579,525	12,513,733	12,605,629	12,528,361
8/3/2017	8/3/2021	XS1574150261	EUR	5,145,000	5,087,737	5,152,028	5,108,659
8/3/2017	8/3/2023	XS1574150857	EUR	514,500	507,843	515,771	511,504
8/3/2017	8/3/2024	XS1574151236	EUR	1,286,250	1,253,171	1,277,837	1,264,939
8/3/2017	8/4/2022	XS1574149842	EUR	–	–	–	–
TOTAL				**19,525,275**	**19,362,484**	**19,551,265**	**19,413,463**

ISIN code	Interest rate
XS1132335248	0.75 %
XS1574150261	0.50 %
XS1574150857	0.88 %
XS1574151236	1.13 %
XS1574149842	0.63 %

In March 2017, the Group placed four mortgage bond issues in the aggregate amount of EUR 1,200,000 thousand, of which EUR 270,000 thousand was sold and the remaining amount was repurchased by the Group. The issues form part of the Group's bond programme with the total amount of EUR 5,000,000 thousand and comply with the conditions for foreign currency transactions with the European Central Bank.

In December 2017, the Group redeemed bonds denominated in CZK in the aggregate amount of CZK 8,000,000 thousand and bonds denominated in EUR in the aggregate amount of EUR 100,000 thousand.

The Group did not issue any new bonds in 2018. The volume of sold and held bonds did not change.

As at 31 December 2018, the Group held issued EUR-denominated mortgage bonds totalling EUR 943,256 thousand (as at 31 December 2017: EUR 943,256 thousand) that can be used as collateral in repurchase transactions in the inter-banking market. In addition, the Bank used EUR-denominated mortgage bonds of EUR 197,744 thousand (as at 31 December 2017: EUR 197,744 thousand) as collateral in repurchase transactions in the inter-banking market.

(d) Subordinated liabilities and bonds

Subordinated loan

CZK thousand	2018	2017
Raiffeisen Bank International AG (parent company)	1,932,944	2,586,645
Raiffeisenlandesbank Oberösterreich AG	644,315	–
Total	**2,577,259**	**2,586,645**

The subordinated loan bears the interest of a 12 months EURIBOR and a margin of 3.7 per cent p.a.

Issue of subordinated bonds

CZK thousand Issue date	Maturity date	ISIN code	Currency	Nominal value 2018	Nominal value 2017	Net carrying amount 2018	Net carrying amount 2017
21/9/2011	21/9/2018	CZ0003702961	CZK	–	125,000	–	126,052
TOTAL				**–**	**125,000**	**–**	**126,052**

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(e) Other financial liabilities

CZK thousand	2018	2017
Liabilities from securities trading	180,490	68,951
Liabilities from non-banking activities	346,665	341,924
Settlement and suspense clearing accounts	2,643,905	3,852,171
Total	**3,171,060**	**4,263,046**

37. HEDGING DERIVATIVES WITH NEGATIVE FAIR VALUE

CZK thousand	2018	2017
Positive fair value of portfolio hedge derivatives	**3,204,463**	**2,971,340**
Cash flow hedge	321,241	457,800
Fair value hedge	2,883,222	2,513,540
Total	**3,204,463**	**2,971,340**

38. PROVISIONS

CZK thousand	2018	2017
Provisions for commitments and financial guarantees provided	**544,773**	**197,836**
Other provisions	**812,304**	**895,560**
Provision for legal disputes	800	83,046
Provision for outstanding vacation days	21,451	24,874
Payroll provisions	506,876	469,059
Provision for restructuring	14,560	16,459
Other	268,617	302,122
Total	**1,357,077**	**1,093,396**

The Group recognises provisions for credit risks arising from off-balance sheet items in respect of irrevocable credit commitments, guarantees and letters of credit provided to customers who are in default of repayment of their principal balances and accrued interest and there is a risk that the Group will not collect the provided amount in the event of the performance under the irrevocable commitments to customers. The movement in provisions for commitments and financial guarantees provided is part of Section 47 *"Financial instruments – credit risk"*.

Overview of other provisions

CZK thousand	Provisions for legal disputes	Provision for outstanding vacation days	Provisions for salary bonuses	Provision for restructuring	Other provisions	Total
1 January 2017	**4,799**	**32,262**	**374,278**	**80,358**	**145,818**	**637,515**
Establishment of provisions	82,040	19,513	642,970	–	200,048	**944,571**
Use of provisions	(1,000)	(26,960)	(374,278)	(31,609)	(29,321)	**(463,168)**
Release of redundant provisions	(3,000)	59	(173,911)	(32,290)	(13,866)	**(223,008)**
Foreign exchange gains/ losses	207	–	–	–	(557)	**(350)**
31 December 2017	**83,046**	**24,874**	**469,059**	**16,459**	**302,122**	**895,560**
Establishment of provisions	–	16,486	655,572	–	15,805	**687,863**
Use of provisions	(52,541)	(18,198)	(469,059)	(1,615)	(24,585)	**(565,998)**
Release of redundant provisions	(30,627)	(1,711)	(148,696)	(284)	(24,809)	**(206,127)**
Foreign exchange gains/ losses	922	–	–	–	84	**1,006**
31 December 2018	**800**	**21,451**	**506,876**	**14,560**	**268,617**	**812,304**

The Group recognises provisions for legal disputes based on an internal expert assessment of the current legal disputes conducted against the Bank. If there is a risk of possible loss in the legal dispute, the internal division issues an instruction for a provision to be recognised. If the legal dispute discontinues or the likelihood of a loss is reduced, the provision is released due to redundancy.

"Other provisions" includes provisions for future potential payments arising from compensation for armed robberies, bonuses for customers, etc. For all types of other provisions, the Group assesses the risk and probability of performance. This item includes the effect of changes in foreign currency rates on provisions denominated in foreign currencies.

Provisions are recognised when it is possible to estimate the amount of future performance. For most types of risk, the Group establishes a provision equal to 100% of the anticipated repayments and payments.

39. OTHER LIABILITIES

CZK thousand	2018	2017
Estimated payables for payroll expenses	243,587	219,966
Accrued expenses and deferred income	72,654	64,204
Estimated payables – uninvoiced receipts for services/goods	474,938	427,871
Other	138,340	229,823
Total	**929,519**	**941,864**

40. EQUITY

(a) Share capital

The Bank's shareholder structure as at 31 December 2018:

Name	Registered office	Number of ordinary shares	Nominal value (CZK thousand)	Ownership percentage* (in %)
Raiffeisen CEE Region Holding GmbH	Austria	829,560	8,295,600	75
RLB OÖ Sektorholding GmbH	Austria	276,520	2,765,200	25
		1,106,080	**11,060,800**	**100**

* Direct investment in the share capital

On 24 April 2018, the Bank's general meeting approved the following allocation of the profit for 2017:

Net profit for 2017	**2,824,658**
Approved allocation:	
Allocation to reserve funds	–
Allocation to retained earnings	1,305,426
Dividends paid to shareholders*	1,519,232
of which: Raiffeisen CEE Region Holding GmbH	*1,139,424*
RB Prag Beteiligungs GmbH	*379,808*

* Dividends were paid out on 3 May 2018 according to the shareholder structure effective as at 31 December 2017.

During 2018, the share capital of the Bank was not increased.

As a result of a merger of RB Prag Beteiligungs GmbH and RLB OÖ Sektorholding GmBH, the shareholder holding 25% of the Bank's issued share capital and voting rights changed on 31 August 2018; RLB OÖ Sektorholding GmbH has become the successor company. Therefore, the Bank's direct shareholder holding 276,520 shares (25%) has changed.
The ultimate parent company of the Bank is Raiffeisen Bank International AG, Austria.

In 2018, the dividend per share amounted to CZK 1,374 (2017: CZK 1,277).

(b) Other equity instruments

Other equity instruments include subordinated unsecured AT1 capital investment certificates issued by the Group that combine the elements of equity and debt securities and meet the criteria for inclusion in the Group's Tier 1 capital. In January 2017, the Group placed another issue of AT1 capital investment certificates of CZK 680,904 thousand. As at 31 December 2018, the issue totalled CZK 2,615,354 thousand (at 31 December 2017: CZK 2,615,354 thousand). The Czech National Bank approved the inclusion of AT1 certificates in the Group's auxiliary Tier 1 capital. In 2018, the Group paid out a coupon of CZK 178,675 thousand (2017: CZK 147,451 thousand) from retained earnings to the holders of these certificates.

(c) Fair value reserve

Arising from cash flow hedges

CZK thousand	2018	2017
Fair value of the effective part of cash flow hedges at 1 January	(119,237)	(311,422)
Deferred tax asset/(liability) arising from fair value reserve at 1 January	29,076	59,170
Total balance at 1 January	**(90,161)**	**(252,252)**
Net gains/(losses) from the change in the fair value of a hedge instrument for the year		
Cross currency swaps	893,937	(671,653)
Interest rate swaps	49,316	10,320
Accumulated net gains/(losses) arising from cash flow hedges		
Cross currency swaps	(765,847)	853,517
Tax effect of cash flow hedges for the year	(40,129)	(30,093)
Fair value of the effective part of cash flow hedges at 31 December	58,168	(119,237)
Deferred tax asset/(liability) arising from fair value reserve at 31 December	(11,052)	29,076
Total balance at 31 December	**47,116**	**(90,161)**

From remeasurement of equity securities at FVOCI

CZK thousand	2018	2017
Fair value reserve from remeasurement of available-for-sale securities at 1 January	n/a	157,275
Fair value reserve from remeasurement of equity securities at FVOCI at 1 January	202,175	n/a
Deferred tax asset/(liability) arising from fair value reserve at 1 January	(6,218)	(1,724)
Total balance at 1 January	**195,957**	**155,551**
Net gain/(loss) from remeasurement of available-for-sale securities	n/a	9,352
Net gain/(loss) from remeasurement of equity securities at FVOCI	25,226	n/a
Accumulated net gains/losses	-	35,548
Tax effect of remeasurement of equity securities at FVOCI for the year	(5,059)	n/a
Tax effect of remeasurement of available-for-sale securities for the year	n/a	(4,494)
Fair value reserve from remeasurement of available-for-sale securities at 31 December	n/a	202,175
Fair value reserve from remeasurement of equity securities at FVOCI at 31 December	227,401	n/a
Deferred tax asset/(liability) arising from fair value reserve at 31 December	(11,277)	(6,218)
Total balance at 31 December	**216,124**	**195,957**

(d) Non-controlling interests

On 3 October 2017, the Bank purchased a 50% equity investments in Raiffeisen – Leasing, s.r.o. from Raiffeisen-Leasing International GmbH. The acquisition totalled CZK 1,065,464 thousand. Non-controlling interests ceased to exist in relation to the transaction.

The tables below contain financial information on non-controlling interests in the Group's subsidiaries as at 3 October 2017. Intragroup transactions are not excluded from the tables below.

2017 CZK thousand	Ownership percentage	Net assets	Net profit/ (loss)	Other comprehensive income	Total comprehensive income
Raiffeisen – Leasing, s.r.o.	50%	908,219	87,276	–	87,276
Other	n/a	(15,970)	87,105	–	87,105
Reversal of non-controlling-interests arising from the purchase of the remaining interest in Raiffeisen – Leasing, s.r.o.		(892,249)	–	–	–
Total		**–**	**174,381**	**–**	**174,381**

Unlike the above stated financial information which presents a non-controlling interest in net assets and net profit/loss, the table below contains aggregate financial information on the subsidiary Raiffeisen-Leasing, s.r.o. as at 31 December 2017.

2017 CZK thousand	Raiffeisen – Leasing, s.r.o.
Operating income	845,216
Net profit/(loss)	298,597
Other comprehensive income	–
Total comprehensive income	**298,597**
Current assets	4,712,468
Non-current assets	11,654,259
Current liabilities	3,731,622
Non-current liabilities	10,703,339
Net assets	**1,931,766**
Net operating cash flow	(2,291,091)
Net cash flow from investing activity	(344,919)
Net cash flow from financing activities	2,728,080
Net (decrease)/increase in cash and cash equivalents	**92,070**
Dividends paid to minority shareholders for the period	(26,500)

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41. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the year as shown in the statement of cash flows are composed of the following asset balances:

CZK thousand	2018	2017
Cash and other cash values, balances with central banks and mandatory minimum provisions (see note 20)	9,101,845	8,621,302
Mandatory minimum provisions (see note 20)	(1,815,095)	(4,966,162)
Other demand deposits (see note 20)	3,004,102	1,742,025
Total cash and cash equivalents	**10,290,852**	**5,397,165**

The Group restated disclosures of foreign exchange gains/losses on cash and cash equivalents at the beginning of the year in the consolidated statement of cash flows.

In 2018, the Group restated the definition of cash equivalents in the consolidated statement of cash flows. The reason for the change was to unify the approach with the parent company. Since 1 January 2018, the Group has included loans and advances to banks repayable on demand in cash equivalents.

42. CONTINGENT LIABILITIES

(a) Legal disputes

The Group conducted a review of legal disputes outstanding against it as at 31 December 2018. Pursuant to the review of individual legal disputes in terms of the risk of potential losses and the probability of payment, the Group recognised a provision (see note 38) for significant litigations in the aggregate amount of CZK 800 thousand in 2018 (2017: CZK 83,046 thousand).

(b) Commitments and guarantees provided and letters of credit issued

CZK thousand	2018	2017
Banks		
Commitments provided (irrevocable)	55,854	54,016
Guarantees provided	75,039	34,591
Letters of credit issued	157,443	304,548
Total	**288,336**	**393,155**
Customers		
Commitments provided (irrevocable)	28,787,191	27,380,700
Provided guarantees	16,304,566	15,342,105
Letters of credit issued	310,789	446,771
Total	**45,402,546**	**43,169,576**
Total	**45,690,882**	**43,562,731**

In addition, the Group provides the customers with revocable credit commitments and guarantee commitments.

(c) Uncommitted credit commitments and guarantee commitments

CZK thousand	2018	2017
Banks	3,806,264	2,326,555
Customers	56,408,258	61,514,353
Total	**60,214,522**	**63,840,908**

43. FINANCIAL DERIVATIVES

(a) Trading derivatives – overview of fair value and nominal value

CZK thousand	Fair value – assets	Fair value – liabilities	Nominal value
At 31 December 2018			
Interest rate			
Interest rate swaps	1,230,088	1,128,344	166,445,673
Interest rate forwards	12,576	31,114	43,500,000
Interest rate options	–	–	5,969
Interest rate	**1,242,664**	**1,159,458**	**209,951,642**
Foreign exchange			
Cross currency swaps	1,431	1,379	508,484
Currency forwards and swaps	376,395	448,492	68,956,738
Currency options	66,954	65,890	10,311,886
Foreign exchange	**444,780**	**515,761**	**79,777,108**
Total	**1,687,444**	**1,675,219**	**289,728,750**

CZK thousand	Fair value – assets	Fair value – liabilities	Nominal value
At 31 December 2017			
Interest rate			
Interest rate swaps	1,025,250	941,725	106,531,542
Interest rate forwards	1,755	1,700	7,500,000
Interest rate options	8,149	8,002	4,378,063
Interest rate	**1,035,154**	**951,427**	**118,409,605**
Foreign Exchange			
Cross currency swaps	658	448	514,115
Currency forwards and swaps	475 123	645,362	62,727,084
Currency options	56,052	56,189	7,898,205
Foreign exchange	**531,833**	**701,999**	**71,139,404**
Total	**1,566,987**	**1,653,426**	**189,549,009**

(b) Trading derivatives – residual maturity of contracted amount (nominal value)

CZK thousand	Up to 1 year	1 to 5 years	Over 5 years	Total
At 31 December 2018				
Interest rate				
Interest rate swaps	38,548,469	109,423,602	18,473,602	**166,445,673**
Interest rate forwards	31,500,000	12,000,000	–	**43,500,000**
Interest rate options	5,969	–	–	**5,969**
Interest rate	**70,054,438**	**121,423,602**	**18,473,602**	**209,951,642**
Foreign exchange				
Cross currency swaps	–	508,484	–	**508,484**
Currency forwards and swaps	65,726,537	3,232,299	–	**68,956,738**
Currency options	8,278,813	2,033,073	–	**10,311,886**
Foreign exchange	**74,005,350**	**5,773,856**	**–**	**79,777,108**
Total financial derivatives	**144,059,788**	**127,197,458**	**18,473,602**	**289,728,750**

CZK thousand	Up to 1 year	1 to 5 years	Over 5 years	Total
At 31 December 2017				
Interest rate				
Interest rate swaps	18,601,613	63,887,714	24,042,215	**106,531,542**
Interest rate forwards	6,000,000	1,500,000	–	**7,500,000**
Interest rate options	–	4,378,063	–	**4,378,063**
Interest rate	**24,601,613**	**69,765,777**	**24,042,215**	**118,409,605**
Foreign exchange				
Cross currency swaps	–	514,115	–	**514,115**
Currency forwards and swaps	58,994,050	3,733,034	–	**62,727,084**
Currency options	6,992,325	905,880	–	**7,898,205**
Foreign exchange	**65,986,375**	**5,153,029**	**–**	**71,139,404**
Total financial derivatives	**90,587,988**	**74,918,806**	**24,042,215**	**189,549,009**

(c) Hedging derivatives – overview of fair and nominal value

During the year ended 31 December 2018, the Group reported the following hedging arrangements that meet the criteria for hedge accounting under IAS 39.

Fair value hedge:
- fair value hedge of the mortgage loan receivable portfolio;
- fair value hedge of the current and savings account portfolio;
- fair value hedge of term deposits; and
- fair value hedge of securities issued.

Interest rate swaps (IRS) are the hedging instruments used in hedge accounting upon a fair value hedge.

Portfolio cash flow hedge:
- cash flow hedge of the portfolio of crown assets and euro liabilities.

Cross currency swaps and interest rate swaps (IRS) are the hedging instruments used in cash flow hedging.

A hedge is regarded as highly effective if both of the following conditions are met:
- at the inception of the hedge and in subsequent periods, the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for with the hedge is designated;
- the tests are performed on a cumulative basis; the hedge is highly effective when the actual results of the hedge are within a range of 80-125%.

Hedge ineffectiveness (less than 5%) is caused by insignificant differences between the maturity of hedging derivatives and the remeasurement of the hedged item. The Group did not identify any other sources of hedge ineffectiveness.

CZK thousand	Fair value – assets	Fair value – liabilities	Nominal value
At 31 December 2018 **Interest rate risk**			
Interest rate swaps to hedge fair value	35,907	–	6,503,601
Fair value hedge derivatives	**35,907**	**–**	**6,503,601**
Interest rate swaps to hedge cash flows	11,729	–	611,311
Cash flow hedge derivatives	**11,729**	**–**	**611,311**
Interest rate swaps to hedge cash flows	177,172	2,489	12,913,950
Cross currency swaps to hedge cash flows	–	318,752	13,119,424
Interest rate swaps to hedge fair value	2,256,222	2,883,222	204,859,482
Portfolio hedge derivatives	**2,433,394**	**3,204,463**	**230,892,856**
Total	**2,481,030**	**3,204,463**	**238,007,768**

CZK thousand	Fair value – assets	Fair value – liabilities	Nominal value
At 31 December 2017 **Interest rate risk**			
Interest rate swaps to hedge fair value	236,704	–	8,428,200
Fair value hedge derivatives	**236,704**	**–**	**8,428,200**
Interest rate swaps to hedge cash flows	11,343	–	906,888
Cash flow hedge derivatives	**11,343**	**–**	**906,888**
Interest rate swaps to hedge cash flows	13,140	17,934	10,599,100
Cross currency swaps to hedge cash flows	–	439,866	14,449,792
Interest rate swaps to hedge fair value	2,031,242	2,513,540	207,281,097
Portfolio hedge derivatives	**2,044,382**	**2,971,340**	**232,329,989**
Total	**2,292,429**	**2,971,340**	**241,665,077**

(d) Hedging derivatives – residual maturity of contractual amount (nominal value)

CZK thousand	Up to 1 year	1 to 5 years	Over 5 years	Total
At 31 December 2018 **Interest rate risk**				
Interest rate swaps to hedge fair value	6,503,601	–	–	**6,503,601**
Average interest rate	0.75%	–	–	**0.75%**
Fair value hedge derivatives	**6,503,601**	**–**	**–**	**6,503,601**
Interest rate swaps to hedge cash flows	199,344	411,967	–	**611,311**
Average interest rate	0,64%	0,64%		**0,64%**
Cash flow hedge derivatives	**199,344**	**411,967**	**–**	**611,311**
Interest rate swaps to hedge cash flows	3,730,125	7,717,500	1,466,325	**12,913,950**
Average interest rate	(0.31)%	0.73%	0.49%	**0.40%**
Cross currency swaps to hedge cash flows	9,445,781	3,673,643	–	**13,119,424**
Average interest rate	(0.31)%	(0.38)%		**(0.33)%**
Interest rate swaps to hedge fair value	34,108,545	126,460,985	44,289,952	**204,859,482**
Average interest rate	0.63%	0.97%	0.96%	**0.91%**
Portfolio hedge derivatives	**47,284,451**	**137,852,128**	**45,756,277**	**230,892,856**
Total financial derivatives	**53,987,396**	**138,264,095**	**45,756,277**	**238,007,768**

CZK thousand	Up to 1 year	1 to 5 years	Over 5 years	Total
At 31 December 2017 **Interest rate risk**				
Interest rate swaps to hedge fair value	–	8,428,200	–	**8,428,200**
Fair value hedge derivatives	**–**	**8,428,200**	**–**	**8,428,200**
Interest rate swaps to hedge cash flows	–	906,888	–	**906,888**
Cash flow hedge derivatives	**–**	**906,888**	**–**	**906,888**
Interest rate swaps to hedge cash flows	–	8,811,300	1,787,800	**10,599,100**
Cross currency swaps to hedge cash flows	1,347,956	13,101,836	–	**14,449,792**
Interest rate swaps to hedge fair value	36,417,020	122,071,030	48,793,047	**207,281,097**
Portfolio hedge derivatives	**37,764,976**	**143,984,166**	**50,580,847**	**232,329,989**
Total financial derivatives	**37,764,976**	**153,319,254**	**50,580,847**	**241,665,077**

(e) Fair value hedge

Hedging instruments

	2018					
	Nominal value	Fair value		Line item in the statement of financial position where the hedging instrument is located	Ineffectiveness reported in the consolidated statement of comprehensive income	Line item in the statement of comprehensive income that includes the hedge ineffectiveness
CZK thousand		Assets	Liabilities			
Interest rate risk						
Fair value hedge derivatives						
Interest rate swaps	6,503,601	35,907	–	Hedging derivatives with positive fair value	(28,881)	Net gain from hedge accounting
Portfolio hedge derivatives						
Interest rate swaps	204,859,482	2,256,222	2,883,222	Hedging derivatives with positive/negative fair value	22,618	Net gain from hedge accounting

Hedged items

	2018					
	Carrying amount		Accumulated amount of remeasurement of the hedged items		Line item in the statement of financial position where the hedged item is located	Ineffectiveness reported in the consolidated statement of comprehensive income
CZK thousand	Assets	Liabilities	Assets	Liabilities		
Interest rate risk						
Debt securities	3,832,171	–	94,375	–	Financial assets at amortised cost	94, 375
Loans and advances to customers	76,842,832	–	(1,239,585)	–	Financial assets at amortised cost	20,364
Deposits from customers	–	77,782,548	–	(1,668,044)	Financial liabilities at amortised cost	(58,666)
Debt securities issued	–	6,456,923	–	28,307	Financial liabilities at amortised cost	23,947

Comparative period under IAS 39

		2017	
CZK thousand	Nominal value	Assets	Liabilities
Interest rate risk			
Fair value hedge derivatives			
Interest rate swaps	8,428,200	236,704	–
Portfolio hedge derivatives			
Interest rate swaps	207,281,097	2,031,242	2,513,540

(f) Cash flow hedge

Hedging instruments

	2018									
CZK thousand	Nominal value	Fair value		Line item in the statement of financial position where the hedging instrument is located	Changes in fair value used for calculating hedge ineffectiveness	Changes in the value of the hedging instrument recognised in OCI	Ineffectiveness recognised in profit or loss	Line item(s) in profit or loss(that include(s) hedge ineffectiveness	Amount reclassified from the hedge reserve to profit or loss	Line item in profit or loss affected by the reclassification
		Assets	Liabilities							
Interest rate risk										
Cash flows derivatives hedge										
Interest rate swaps	611,311	11,729	–	Hedge derivatives with positive/negative fair value	742	742	–	Net income from hedge accounting	–	Net income from hedge accounting
Portfolio derivatives hedge										
Interest rate swaps (IRS)	12,913,950	177,172	2,489	Hedge derivatives with positive/negative fair value	47,575	48,573	(998)	Net income from hedge accounting	(998)	Net income from hedge accounting
Cross currency swaps	13,119,424	–	318,752	Hedge derivatives with positive/negative fair value	128,090	128,090	–	Net income from hedge accounting	–	Net income from hedge accounting

Hedged items

CZK thousand	2018 Line item in the statement of financial position where the hedged item is located	Change in fair value used to calculate the ineffective portion of the hedge
Interest rate risk		
Deposits from customers	Financial liabilities at amortised cost	(717)
Portfolio hedge		
Loans and advances to customers	Financial assets at amortised cost	(125,283)
Deposits from customers	Financial liabilities at amortised cost	(13,455)
Debt securities issued	Financial liabilities at amortised cost	(52,067)

Comparative period under IAS 39

		2017	
CZK thousand	Nominal value	Assets	Liabilities
Interest rate risk			
Cash flows derivatives hedge			
Interest rate swaps	906,888	11,343	–
Portfolio derivatives hedge			
Interest rate swaps	10,599,100	13,140	17,934
Cross currency swaps	14,449,792	–	439,866

44. OTHER OFF-BALANCE SHEET ITEMS

(a) Assets placed under management, into administration and deposit

In the years ended 31 December 2018 and 2017, the Group placed no assets under management, into administration or deposit.

(b) Assets accepted for management, administration and deposit

CZK thousand	2018	2017
Assets accepted for management	23,867,590	24,345,302
Assets accepted for administration	33,949,509	36,841,618
Assets accepted for deposit	808	5,795
Total	**57,817,907**	**61,192,715**

45. SEGMENT ANALYSIS

The base for the segment analysis according to IFRS 8 are internal reports of the Group which are based on management accounts and serve as the principal financial information for decision-making of the Group's management.

Management accounts are maintained on a margin basis. For this reason, the interest income and expense and fee and commission income and expense of individual operating segments are not reported separately, but on a net basis.

Operating segments are represented as follows:
- Corporate banking;
- Retail banking;
- Treasury and ALM;
- Other.

The Corporate banking segment involves transactions with corporate clients, public sector institutions and financial institutions.

The Retail banking segment generally includes all private individuals including VIP clients, individuals - entrepreneurs and the Group's own employees.

The Treasury segment includes interbank transactions, trading with financial instruments, securities and ALM.

The "*Other*" segment mainly includes equity investments and other non-interest bearing assets and liabilities of the Group that cannot be allocated to segments referred to above, i.e. capital, subordinated deposit, assets, other assets/liabilities, capital investments. The Group monitors amounts of net interest income and net fee and commission income, net gain/(loss) from financial operations, movements in loss allowances, general operating expenses, income tax, and volume of client and non-client assets and liabilities by segment. Other items are not monitored by segment.

A predominant part of the Group's income is generated in the Czech Republic from transactions with customers who have their permanent residence or place of business in the Czech Republic or from trading with financial instruments issued by Czech entities. The income generated outside the Czech Republic is immaterial for the Group.

The Group has no customer or group of related parties for which income from transactions exceeds 10% of the Group's total income.

Selected items by segment (2018)

At 31 December 2018 CZK thousand	Corporate entities	Retail customers	Treasury and ALM	Other	Reconciliation to the statement of comprehensive income	Total
Income statement:						
Net interest income	2,544,221	4,808,141	176,245	167,701	(30,812)	**7,665,496**
Net fee and commission income	1,315,687	2,093,108	(32,678)	(25,325)	(1,370,726)	**1,980,066**
Net gain/(loss) from financial operations	(843)	1,183	51,268	(6,641)	1,370,726	**1,415,693**
Net gain from hedge accounting	–	–	72,759	–	–	**72,759**
Impairment losses on financial instruments	(623,637)	(256,735)	–	–	–	**(880,372)**
Gain or loss (-) arising from derecognition of financial assets measured at amortised cost	41,156	–	–	–	–	**41,156**
Other operating expenses	(1,459,529)	(4,043,529)	(223,761)	71,574	–	**(5,655,245)**
Dividend income	–	–	–	–	30,812	**30,812**
Share in income of associated companies	–	–	–	–	13,589	**13,589**
Profit before tax	**1,817,055**	**2,602,168**	**43,833**	**207,309**	**13,589**	**4,683,954**
Income tax	(317,159)	(472,603)	1,800	(80,974)	–	**(868,936)**
Profit after tax	**1,499,896**	**2,129,565**	**45,633**	**126,335**	**13,589**	**3,815,018**
Assets and liabilities:						
Total assets	**117,043,008**	**126,307,571**	**111,688,184**	**11,119,636**	**–**	**366,158,399**
Total liabilities	**82,986,345**	**176,787,963**	**71,230,148**	**5,254,027**	**–**	**336,258,483**

Selected items by segment (2017)

At 31 December 2017 CZK thousand	Corporate entities	Retail customers	Treasury	Other	Reconciliation to the statement of comprehensive income	Total
Income statement:						
Net interest income	2,365,164	4,504,089	(375,900)	102,045	(31,116)	**6,564,282**
Net fee and commission income	1,371,016	2,018,394	(15,811)	368	(1,370,147)	**2,003,820**
Net gain/(loss) from financial operations	231,528	135,369	668,044	14,314	1,370,147	**2,419,402**
Changes in loss allowances	(618,691)	219,637	–	–	–	**(399,054)**
Other operating expenses	(1,508,530)	(4,269,869)	(205,251)	(174,587)	–	**(6,158,237)**
Dividend income	–	–	–	–	31,116	**31,116**
Share in income of associated companies	–	–	–	–	7,560	**7,560**
Profit before tax	**1,840,487**	**2,607,620**	**71,082**	**(57,860)**	**7,560**	**4,468,889**
Income tax	(395,211)	(678,907)	(94,541)	(42,279)	–	**(1,210,938)**
Profit after tax	**1,445,276**	**1,928,713**	**(23,459)**	**(100,139)**	**7,560**	**3,257,951**
Assets and liabilities:						
Total assets	**102,587,288**	**116,781,408**	**114,224,799**	**9,105,473**	**–**	**342,698,968**
Total liabilities	**86,036,464**	**159,515,554**	**61,333,353**	**11,166,518**	**(3,257,951)**	**314,793,938**

Differences between individual lines of the segment analysis and information in the consolidated statement of comprehensive income and the statement of financial position

The difference in *"Net interest income"* primarily arises from the different presentation of dividend income.

In *"Net interest income"* in the *"Other"* segment, the Group reports a positive compensation of capital costs that are allocated to individual client segments.

The difference in *"Net fee and commission income"* arises from the different presentation of income and expenses from commissions from foreign currency transactions.

The difference in *"Net gain/(loss) from financial operations"* arises from the different presentation of income and expenses from foreign currency transactions.

"Other operating expenses" includes *"Other operating expenses"*, *"Other operating income"*, *"Personnel expenses"*, *"Depreciation/amortisation of property and equipment and intangible assets"* and *"General operating expenses"* presented in the consolidated statement of comprehensive income in separate lines.

The difference in liabilities in 2017 arose from the different presentation of the profit for the current year.

The differences referred to above between the segment analysis and the statement of comprehensive income arise from the different classification of selected profit and loss items in the Group's management accounting.

46. FINANCIAL INSTRUMENTS – MARKET RISK

The Group is exposed to market risks arising from open positions of transactions with interest rate, equity and currency instruments that are sensitive to changes in financial market conditions.

(a) Trading

The Group holds trading positions in various financial instruments including financial derivatives.

These positions are also held for the purpose of speculation on the expected future development of financial markets and thus represent speculation on this development. The majority of the Group's trading activities are conducted based on the requirements of the Group's customers.
The Group maintains the admission to financial markets through the quoting of bid and ask prices and by trading with other market makers. The Group's business strategy is thus affected by the speculative expectation and market making and its goal is to maximise net income from trading.

The Group manages risks associated with its trading activities on the level of individual risks and types of financial instruments. The key risk management tools are the limits for individual transaction volumes and individual position volumes, stop loss limits and value at risk (VaR) limits. The quantitative methods applied to market risk management are described in "*Risk management methods*" in note 46 (d).

(b) Risk management

The selected risks exposures resulting from the Group's activities, management of positions arising from these activities and its risk management approach are described below. More detailed policies applied in measuring and managing these risks are included in "*Risk management methods*" in note 46 (d).

Liquidity risk

Liquidity risk arises from the time mismatch between cash inflows and outflows. It includes both the risk of inability to raise funds to cover the Group's assets using instruments with appropriate maturity and the Group's ability to sell assets at a reasonable price within a reasonable time frame. The liquidity position of the Group is regularly monitored by the Czech National Bank.

The Group has access to diversified sources of funding, which comprise deposits and other savings, issued securities, loans accepted including subordinated loans, and also the Group's equity. This diversification makes the Group flexible and reduces its dependency on one source of funding. The Group regularly evaluates its liquidity exposures, in particular by monitoring the changes in the structure of financing and comparing these changes with the Group's liquidity risk management strategy, which has been approved by the Group's board of directors. As part of its liquidity risk management strategy, the Group also holds a portion of its assets in highly liquid funds, such as government treasury bills and similar bonds and deposits with the Czech National Bank (repo transactions/deposit facilities). The Group uses internal statistical models for diversification of the maturity of customer deposits. These models are reassessed on a regular basis.

The following table shows the remaining maturity of contractual cash flows arising from financial liabilities. Contractual cash flows from derivatives are analysed in the tables in notes 43 (b) and 43 (d).

Analysis of financial liabilities according to remaining maturity (undiscounted cash flows)

2018 CZK thousand	Carrying amount	Total contractual liability	0 – 3 months	3 – 12 months	1 – 5 years	Over 5 years
Deposits from banks	**34,401,546**	**34,520,965**	25,998,048	7,275,415	1,247,502	–
Deposits from customers	**270,920,560**	**271,034,978**	266,372,968	1,914,417	2,708,852	38,741
Debt securities issued	**19,599,578**	**19,876,585**	110,241	12,713,544	5,772,145	1,280,655
Subordinated liabilities and bonds	**2,577,259**	**3,534,967**	–	108,799	482,787	2,943,381
Other financial liabilities	**3,171,060**	**3,171,060**	3,171,060	–	–	–
Other liabilities	**929,519**	**929,519**	929,519	–	–	–
Off-balance sheet items	**45,690,882**	**45,690,882**	3,511,729	8,695,282	17,994,745	15,489,126

2017 CZK thousand	Carrying amount	Total contractual liability	0 – 3 months	3 – 12 months	1 – 5 years	Over 5 years
Deposits from banks	**31,372,154**	**31,531,229**	18,935,281	5,375,676	7,220,272	–
Deposits from customers	**251,731,818**	**251,983,686**	246,260,910	2,185,406	3,433,109	104,261
Debt securities issued	**19,473,226**	**19,880,511**	141,106	101,906	17,842,822	1,794,677
Subordinated liabilities and bonds	**2,712,697**	**2,716,335**	2,889	126,801	2,586,645	–
Other financial liabilities	**4,263,046**	**4,263,046**	4,263,046	–	–	–
Other liabilities	**941,865**	**941,865**	941,865	–	–	–
Off-balance sheet items	**43,562,731**	**43,562,731**	2,465,177	4,031,806	14,013,119	23,052,629

Off-balance sheet items include all irrevocable credit commitments provided to the Group's customers, guarantee commitments, and guarantees and letters of credit provided to customers.

Foreign currency risk

The foreign currency risk is the risk arising from currency markets. The source of this risk is the Group's foreign currency position which arises from the mismatch of the Group's assets and liabilities, including the currency-sensitive off-balance sheet items. The majority of foreign currency gains or losses is due to changes in foreign currency rates in currency positions of the Group denominated in EUR and USD. The foreign currency risk is managed by setting trading limits. More detailed policies applied in managing this risk are included in "*Risk management methods*" in note 46 (d).

Interest rate risk

The Group is exposed to interest rate risk since the interest-bearing assets and liabilities have different maturity dates, periods of interest rate changes/adjustments and volumes during these periods. As for variable interest rates, the Group is exposed to a basis risk arising from the difference in the mechanism of adjusting individual types of interest rates, such as PRIBOR, announced interest on deposits, etc. The interest rate risk of the Group is primarily impacted by the development in interbank interest rates, including the negative rates (the impact of negative interest rates is disclosed in note 7). The Group's interest rate risk management activities are aimed at optimising the Group's net interest income in accordance with its strategy approved by the board of directors. In managing the interest rate risk, the Group uses (as in the case of liquidity management) statistical models for distribution of those items where it is unable to determine the exact moment of repricing of interest rates or liquidity maturity (for example on current accounts).

The Group mostly uses interest rate derivatives to manage the mismatch between the rate-sensitivity of assets and liabilities. These derivative transactions are entered into in accordance with the asset and liability management strategy as approved by the Group's board of directors.

Part of the Group's income is generated through a targeted mismatch between rate-sensitive assets and rate-sensitive liabilities. In managing the inerest rate risk, the carrying amounts of these assets and liabilities and the nominal (notional) values of interest rate derivatives are recorded either in the year in which they are due or in which the interest rate changes, whichever occurs first. Due to the anticipated preliminary repayment or undefined maturity dates, certain assets or liabilities are allocated to individual periods based on an expert estimate.

Equity risk

Equity risk is the risk of fluctuations in the prices of equity instruments held in the Group's portfolio and financial derivatives related to these instruments. As the Group does not trade shares on its own account, it is exposed to indirect equity risk arising from the shares held by the Group as collateral for customer loans. Equity risk is managed by trading limits. The equity risk management methods are described in "*Risk management methods*" in note 46 (d).

(c) Fair values of financial assets and liabilities

The Group used the following methods and estimates in determining the fair values of financial assets and liabilities.

i) Cash and balances with central banks
The reported amounts of cash and short-term instruments are essentially equivalent to their fair value.

ii) Loans and advances to banks
The reported amounts of loans and advances to banks due within one year are essentially equivalent to their fair values. The fair values of other loans and advances to financial institutions are estimated based on cash flows discounted at standard rates for similar types of investments (market rates adjusted for credit risk). The fair values of delinquent loans to financial institutions are estimated based on discounted cash flows; for loss loans, fair values are equivalent to the amount of the respective collateral.

iii) Loans and advances to customers
For variable-rate loans that are often remeasured or loans with the final maturity within one year, and for which credit risk changes are immaterial, the fair values are essentially equivalent to the reported amounts. The fair values of fixed-rate loans are estimated based on discounted cash flows using the interest rate that is standard for loans with similar conditions and maturity dates and provided to borrowers with a similar risk profile, including the impact of collateral (the discounted rate technique according to IFRS 13). The fair values of delinquent loans are estimated based on discounted cash flows, including proceeds from a collateral foreclosure, if any.

iv) Debt securities at amortised cost
The fair values of debt securities at amortised cost (in 2017: securities carried in the held-to-maturity portfolio) are estimated based on discounted cash flows using the interest rate common as at the reporting date, unless they are traded on an active market.

v) Deposits from banks and customers
The fair values of deposits repayable on demand at the reporting date are equal to the amounts repayable on demand (i.e. their carrying amounts). The carrying amounts of variable-rate term deposits are essentially equivalent to their fair values at the reporting date. The fair values of fixed-rate deposits are estimated based on discounted cash flows using market interest rates and taking into account the Group's liquidity costs.

vi) Bonds issued
The fair values of bonds issued by the Group are determined based on current market prices. If market prices are not available, the fair values are the Group's estimates where the fair value is estimated based on discounted cash flows using market interest rates and taking into account the Group's liquidity costs.

vii) Subordinated liabilities and bonds

The fair values of subordinated loans are estimated based on discounted cash flows using market interest rates and taking into account the Group's liquidity costs. The fair values of subordinated bonds issued by the Group are determined based on current market prices.

The following table summarises the estimated amounts and fair values of financial assets and liabilities that are not recognised at fair value in the consolidated statement of financial position:

2018	Level 1	Level 2	Level 3	Fair value	Carrying amount	Difference
Assets						
Cash in hand, balances with central banks and other demand deposits	–	–	12,105,947	12,105,947	12,105,947	–
Loans and advances to banks*	–	–	99,528,498	99,528,498	99,528,498	–
Loans and advances to customers*	–	–	240,027,423	240,027,423	236,604,410	3,423,013
Debt securities at amortised cost*	5,086,500	–	1,796,470	6,882,970	6,864,559	18,411
Liabilities						
Deposits from banks	–	–	34,407,213	34,407,213	34,401,546	5,667
Deposits from customers	–	–	271,011,164	271,011,164	270,920,560	90,604
Debt securities issued	–	–	19,788,579	19,788,579	19,599,578	189,001
Subordinated liabilities and bonds	–	–	2,592,154	2,592,154	2,577,259	14,895
Other financial liabilities	–	–	3,171,060	3,171,060	3,171,060	–

*including loss allowances

2017	Level 1	Level 2	Level 3	Fair value	Carrying amount	Difference
Assets						
Cash and balances with central banks	–	–	10,363,327	10,363,327	10,363,327	–
Loans and advances to banks*	–	–	103,583,094	103,583,094	103,583,094	–
Loans and advances to customers*	–	–	224,928,191	224,928,191	218,987,348	5,940,843
Held-to-maturity securities	–	–	–	–	–	–
Liabilities						
Deposits from banks	–	–	31,417,900	31,417,900	31,372,154	45,746
Deposits from customers	–	–	251,889,897	251,889,897	251,731,818	158,079
Debt securities issued	–	–	19,870,076	19,870,076	19,473,226	396,850
Subordinated liabilities and bonds	–	–	2,827,631	2,827,631	2,712,697	114,934

*including loss allowances

Financial instruments at fair value

CZK thousand	Fair value at 31 December 2018			Fair value at 31 December 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Positive fair value of trading derivatives	–	1,687,444	–	–	1,566,987	–
Securities held for trading	268,021	–	–	n/a	n/a	n/a
Securities at fair value through profit or loss	n/a	n/a	n/a	70,793	–	85,653
Positive fair value of hedging derivatives	–	2,481,030	–	–	2,292,429	–
Financial assets at FVOCI	–	–	628,880	n/a	n/a	n/a
Available-for-sale securities	n/a	n/a	n/a	–	–	603,654
Total	**268,021**	**4,168,474**	**628,880**	**70,793**	**3,859,416**	**689,307**

CZK thousand	Fair value at 31 December 2018			Fair value at 31 December 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Negative fair value of trading derivatives	–	1,675,219	–	–	1,653,426	–
Negative fair value of financial derivatives	–	3,204,463	–	–	2,971,340	–
Total	**–**	**4,879,682**	**–**	**–**	**4,624,766**	**–**

Level 1 category is the category of financial instruments measured at fair value determined based on the price quoted on an active market.

Level 2 category is the category of financial instruments measured at fair value determined based on prices derived from market data. For financial derivatives, the fair values are determined based on discounted future cash flows that are estimated according to market interest rate and currency forward curves and contractual interest rates and currency rates according to individual contracts. The discount factor is derived from market rates. For securities at FVTPL, the fair value is calculated on the basis of discounted future cash flows. The discount factor is derived from market rates.

Level 3 category is the category of financial instruments measured at fair value determined using the techniques based on input information not based on data observable on the market.

The reconciliation of financial instruments measured at fair value determined using the techniques based on the input information not built upon the data observable on the market (Level 3 instruments).

2018

CZK thousand	Financial assets held for trading (debt securities)	Financial assets at FVOCI	Total
Balance at the beginning of the year	**85,653**	**603,654**	**689,307**
Transfer to Level 3			
Purchases	10	–	**10**
Comprehensive income/(loss)		25,226	**25,226**
– in the income statement	(10)	–	**(10)**
– in equity (note 40)		25,226	**25,226**
Sales/settlement	(85,653)	–	**(85,653)**
Transfer from Level 3		–	**–**
Balance at the end of the year	**–**	**628,880**	**628,880**

2017

CZK thousand	Securities at fair value through profit or loss	Available–for–sale securities	Total
Balance at the beginning of the year	**201,065**	**593,411**	**794,476**
Transfer to Level 3	–	891	**891**
Purchases	–	–	**–**
Comprehensive income/(loss)	5,068	9,352	**14,420**
– in the income statement	5,068	–	**5,068**
– in equity (note 40)	–	9,352	**9,352**
Sales/settlement	(120,480)	–	**(120,480)**
Transfer from Level 3	–	–	**–**
Balance at the end of the year	**85,653**	**603,654**	**689,307**

The Group measures financial assets held for trading and financial assets measured at FVOCI (in 2017: securities at fair value through profit or loss and available-for-sale securities) using the technique of discounted future cash flows. This valuation method adjusts future amounts (i.e. cash flows, income and expense) to the present (discounted) value. The fair value is determined based on the value acquired from the current market expectation of the future value. In respect of securities that fall into the Level 3 category, the Group uses the discount factor for the calculation that is derived from the internal price for liquidity determined by the Group and concurrently reflects the credit risk of the security issuer. The price of the Group for liquidity and credit risk of the security issuer are inputs that are not observable from the data available on the market. The price of the Group for liquidity determined in the calculation is based on the resolution of the Group's ALCO Committee and reflects the level of available sources of the Group's financing and their price. In the event of a negative development of the Group's liquidity position or changes in the interbank market, the price for liquidity may increase and consequently the price of the financial instrument may decline. The credit risk of the issuer is determined based on the rating of the securities issuer in the Group's rating scale. If the issuer was attributed a worse rating, the price of the financial instrument could decline by 0-10 %.

The amount in Level 3, item *"Financial assets at FVOCI"* primarily comprises an investment in Raiffeisen stavební spořitelna, a.s. of CZK 463,300 thousand (2017: CZK 464,701) and the Group's membership in Visa Inc. association of CZK 164,731 thousand (2017: CZK 138,111 thousand).

(d) Risk management methods

The Group uses a set of limits for individual positions and portfolios as part of the appropriate methodologies to facilitate effective market risk management. The set of limits is based on limits determined by appropriate regulators which are complemented by the limits set by the parent company in a standardised way for the entire CEE region.
In some cases, the set of limits is complemented by other internal limits and methods that reflect the specifications of local markets that the Group is exposed to.

The Group monitors both aggregate and individual market risks using the value at risk method. Value at risk represents the potential loss arising from an adverse movement of market rates within a certain time period with a certain confidence level. Value at risk is measured based on a one-day holding period with a 99% confidence level. The calculation reflects mutual correlations of individual risk factors (currency rates, interest rates, market spreads and equity market prices).

CZK thousand	At 31 December 2018	Average 2018	At 31 December 2017	Average 2017
Total market risk VaR	**116,619**	**50,798**	**112,445**	**24 546**

Interest rate risk

The Group manages interest rate risk of the banking book and the trading book separately, on the level of individual currencies. The interest rate position is monitored based on the sensitivity of the position to the shift in the interest rate curve (BPV). The BPV (basis point value) method involves determining the change in the present value (both in total and individual time periods) of the portfolio when interest rates shift by one basis point (0.01%). This method is complemented by monitoring the interest rate risk using value at risk.

CZK thousand	At 31 December 2018	Average 2018	At 31 December 2017	Average 2017
Total interest rate position VaR	**23,274**	**9,435**	**3,447**	**9,025**
Interest rate position VaR - banking book	23,250	7,224	7,683	8,850
Interest rate position VaR - trading book	19,627	8,451	5,420	5,001

Foreign currency risk

The Group uses a set of limits established based on the standards of the Group. The limits are set for individual currencies and for the overall currency position. Internal currency position limits fully respect the limits set by the local regulator. Moreover, these limits are complemented by monitoring foreign currency risk using value at risk.

CZK thousand	At 31 December 2018	Average 2018	At 31 December 2017	Average 2017
Foreign currency position VaR	**1,214**	**2,663**	**625**	**2,194**

Market spread risk

To determine the risk of change in market spreads for forward exchange contracts (in the trading portfolio) and for its own positions in debt instruments (state and corporate), the Group also uses the value at risk method. The significant increase in the amount of spread VaR arising from bond positions was attributable to the extraordinary increase in the volatility of spreads for Czech government bonds at the end of 2018.

CZK thousand	At 31 December 2018	Average 2018	At 31 December 2017	Average 2017
Total market spread VaR	**98,003**	**48,748**	**114,229**	**20,992**
Market spread VaR - debt instruments	100,049	36,190	8,009	9,621
Market spread VaR - currency positions	29,785	24,483	113,884	17,859

Equity risk

Market risks arising from the Group's equity trading activities are managed using the limits of maximum open positions in equity instruments. At the end of 2013, the Group suspended trading with equity instruments on its own account.

Stress testing

The Group performs regular stress testing of interest rate risk inherent in the banking and trading portfolios, the foreign currency risk, option risk, market spread risk and liquidity risk. The results of stress tests are submitted to the Assets and Liabilities Committee (ALCO) on a regular basis.

(e) Operational risk

In accordance with the applicable legislation, operational risk is defined as the risk of loss arising from the inappropriateness or failure of internal processes, human errors or failures of systems or the risk of loss arising from external events. The Group monitors, tracks and assesses these risks on a regular basis and undertakes measures aimed at minimising losses. In respect of the operational risk, the Group applies the standardised approach to calculating capital adequacy. In the future, it intends to implement the advanced (AMA) approach. The Group has completed the preparatory phase for implementing the advanced approach (AMA). It has been planning to submit the application for approval of using this approach to the regulatory authority in coordination with its parent company Raiffeisen Bank International AG.

The basic principle is the responsibility of each employee for the identification and escalation of the operational risk and for timely and accurate reporting of incidents. The Group has a central operational risk management function in place, which is responsible for the setting of the methodology, measurements or analyses and which provides methodical support to managers.

Operational risk management primarily draws upon the following:
- event data collection;
- general ledger analysis;
- risk assessment;
- scenario analysis;
- early warning indicators;
- mitigation plans.

The objective of collecting data on the losses arising from operational risk events is not only to accumulate information but predominantly to analyse them. More serious cases are presented to and discussed by the Operational Risk Management Committee. Through the Operational Risk Management Committee, the Bank also presents, discusses and approves measures aimed at minimising or fully eliminating further occurrence of similar events. Specific responsibilities are determined for the implementation of proposed changes and their fulfilment is reviewed by the Operational Risk Management Committee. Other cases are dealt with by the relevant departments.

The general ledger analysis provides reconciliation between the reported loss and its recognition in the books.

The risk assessment is used to raise awareness of operational risks, clarify individual processes and mitigate the operational risks identified. The risk assessment determines the risk of individual processes, organisational units or activities. The risk level is a relevant value for taking measures within qualitative risk management.

The scenario analysis is a process used by the Group to consider the impact of extreme but probable events on its activities, assess the probability of occurrence and estimate significance of the impact on a scale of possible results. The scenario analysis aims at: (i) providing a potential method to record a specific event that occurred in a specific organisation; (ii) increasing awareness and educating management by providing insight into various types of risks and managing the plan of remedies and investments.

EWIs are used for the ongoing monitoring and reporting of the risk exposure to operational risk. They provide early warning to take possible steps or make changes in the risk profile, which may initiate management measures. The monitored EWIs include for example the number of dismissed employees, the supplier's financial dependence on the Group, deposit outflows in the retail portfolio, complex projects, major projects exceeding two years, the number of pending litigations or the number of counterfeit notes.

The Group defines and reviews the risk appetite on a regular basis. In using the above-specified instruments, the Group compares the identified risks with the appetite and prepares mitigation plans for the risks that exceed the appetite.

All instruments are used in a regular annual cycle.

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(f) Equity management

In the EU, banking regulation requirements are stipulated by the Basel III regulatory framework through Regulation EU No. 575/2013/EU on prudential requirements for credit institutions and investment firms (CRR – Capital Requirements Regulation) and Directive EU No. 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD IV – Capital Requirements Directive). CRD IV was transposed to the Czech legal system by means of an amendment to the Act on Banks and by adopting the Czech National Bank's Decree No. 163/2014 Coll. The new regulation primarily governs capital indicators, imposing stricter requirements namely in respect of regulatory capital, liquidity and risk-weighted exposure.

Since 2014, CRD IV has made it possible for member states to require that banks create and maintain three types of buffers: capital conservation buffer, systemic risk buffer and countercyclical capital buffer. As for the capital conservation buffer, the CNB has decided to apply it from the very beginning to all institutions in the full amount of 2.5% of the Tier 1 capital. In 2018, the systemic risk buffer was only applied to five institutions, including Raiffeisenbank (set at 1% for Raiffesenbank). As for the countercyclical capital buffer, the CNB decided to set the initial buffer amount to zero at the end of 2014; banks were to apply it over the two subsequent years. In December 2015, the CNB set the countercyclical capital buffer to 0.5% from 1 January 2017 and subsequently to 1.0% from 1 July 2018, to 1.25% from 1 January 2019, to 1.50% from 1 July 2019 and to 1.75% from 1 January 2020.

The Group manages its capital adequacy with a view to ensuring its sufficient level after the natural growth in the volume of sales has been accounted for, taking into account the potential macroeconomic development and the environment of changing regulatory requirements. The Group monitors changes in regulatory requirements on an ongoing basis, assessing their impact as part of the capital planning process.

As a local supervisory authority, the CNB monitors whether the Group complies with capital adequacy on a separate as well as consolidated basis. In 2018, the Group met all regulatory requirements.

Internal capital system

In line with Pillar 2 of Basel II, the Group creates its own internal capital system (hereinafter the "*ICS*"). The process ensures that the Group is able to:
- identify, quantify, manage and monitor all risks to a sufficient degree;
- secure and maintain the necessary amount of capital to cover all material risks; and
- set up reliable management of the risks, and develop and perfect it on an ongoing basis.

As part of the ICS, the Group proceeds in line with the applicable methodology, which is updated on an annual basis following developments in the ICS. The methodology is based on key parameters defined in line with the bank's general nature, size and risk profile. The key parameters are based on the Group's target rating, according to which the applied reliability level (99.9%), the time frame for calculating economic capital (1 year), and the planning time frame (3 years) are determined.

The Group determines the risk appetite, which represents the acceptable level of risk and is one of the basic starting points for the Group's strategic management. The Group's risk appetite is defined through internal and regulatory capital adequacy limits and serves as an instrument for ensuring sufficiently high values of the overall capital adequacy and Tier 1 and CET1 capital ratios under both expected and stress conditions.

On a monthly basis, the Group monitors internal capital adequacy, which is defined as a ratio of aggregated economic capital (EC) and internal capital, whose structure is based on regulatory capital (Pillar 1). In calculating EC for risks defined under Pillar 1, the Group applies methods derived from those used in determining capital regulatory requirements. For other risks, the economic capital is calculated using internal methods based on risk significance. In addition, the Group recognises a "*capital mark-up*" on total EC.

The risk limit for the risk undertaken (i.e. the amount of economic capital) is determined as 75% of the internal capital. The unallocated portion of internal capital serves as a buffer. If limits defined under the risk appetite are exceeded, the ALCO committee and the board of directors are immediately notified and corrective measures are taken.

As part of the ICS process, all relevant risks to which the Group is or may be exposed in the future are assessed and mapped. Based on the resulting assessment, it determines the risks for which it defines the management system, calculates economic capital and performs stress testing as part of Pillar 2 with the aim of verifying the Group's ability to overcome even highly adverse development of the economy.

The ICS forms part of financial planning (in the form of risk appetite). The creation of the financial plan is reflected in regular monthly stress tests in the form of capital prediction and development planning.

Throughout the year, ICS reports are individually submitted to the board of directors as part of the quarterly report. In addition, ICS reports are submitted to the Assets and Liabilities Management Committee on a monthly basis. The Group applies the ICS both on a local (monthly) and a consolidated basis (quarterly).

47. FINANCIAL INSTRUMENTS – CREDIT RISK

The Group takes on exposure to credit risks resulting from its trading activities, provision of loans, hedging transactions, investment activities and agency services.

Credit risks associated with trading and investment activities are managed using the methods and instruments applied by the Group in managing its credit risk exposures.

(a) Collateral assessment

Generally, the Group requires collateral for loans granted to certain debtors prior to the issuance of the loan. The Group considers the following types of collateral as eligible collateral:
- cash;
- real estate;
- first-class receivables;
- bank guarantees;
- guarantee provided by a reputable third party;
- machinery and equipment - movable assets;
- first-class securities; and
- commodities.

To determine the realisable value of collateral of immovable and movable assets, the Group refers to estimates of usual prices revised by a specialised department of the Group or internal assessments prepared by this department of the Group. In other types of hedging instruments, their value including the recalculated value is determined in line with the internal standards of the Group. The realisable value of collateral is subsequently determined by discounting the appraised value using a correction coefficient which reflects the Group's ability to realise the collateral as and when required. The Group regularly reviews and updates collateral values depending on the type and quality of the collateral, usually no later than on an annual basis.

(b) Credit risk measurement methods

The principal credit risk management methods in retail include in particular rating based on the application and behavioural scoring. The risks are managed on a portfolio level through the portfolio management approach, through the management of the approval process based on the regular monitoring of the portfolio quality development, and prediction of potential future loss development.

In the corporate segment, the Group measures the credit risk through rating scales (see below) and each rating category is allocated a certain risk rate (probability of default and a coefficient for determining risk weighted assets); the risk measured using this method can be mitigated through collateral according to effective regulations of the Czech National Bank.

(c) Concentration of credit risk

The Group maintains a system of internal limits for individual countries, sectors and clients (or groups of economically connected clients) in order to be able to manage risks connected with significant concentration of credit risk. As at the reporting date, the Group recorded no significant credit risk concentration exposure to an individual client or an economically connected group of clients that would exceed the limits set by the Czech National Bank.

The credit risk concentration analysis by sector/industry and concentration by geographical areas is provided in notes 47(l) and 47(m).

(d) Recovery of receivables

The Group has special functions in place which are responsible for the recovery and administration of distressed receivables. These functions undertake legal steps, perform the restructuring of receivables, communicate with problematic clients, etc. in order to achieve maximum recovery, including collateral recovery, and representing the Group in creditors' committees under insolvency proceedings.

(e) Expected credit losses – methods effective from 1 January 2018

The measurement of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of the money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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General approach

The process of measuring the expected credit losses is a field that requires the use of complex models and significant assumptions about future economic conditions and payment behaviour. Significant judgements are required in applying the accounting requirements for measuring expected credit losses, inter alia:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit losses;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit losses;
- Establishing groups of similar financial assets for the purposes of measuring expected credit losses.

For the Group (as defined in the methodology of Raiffeisen Bank International Group (further also "*RBI Group*"), credit risk comes from the risk of suffering a financial loss should any of customers, clients or market counterparties fail to fulfil their contractual obligations. Credit risk arises mainly from interbank, commercial and consumer loans, and loan commitments arising from such lending activities, but can also arise from financial guarantees given, such as, credit guarantees, letters of credit, and acceptances.

The Group is also exposed to other credit risks arising from investments in debt securities and from its trading activities (trading credit risks) including trade in non-equity trading portfolio assets and derivatives as well as settlement balances with market counterparties and reverse repurchase agreements.

The estimation of the credit risk for risk management purposes is complex and requires the use of models, as the risk varies with changes in market conditions, expected cash flows and the passage of time. The assessment of the credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, the associated default ratios and the default correlations between counterparties. The Group measures credit risks using the probability of default ("*PD*"), exposure at default ("*EAD*") and loss given default ("*LGD*"). This is the predominant approach used for the purposes of measuring expected credit losses under IFRS 9.
IFRS 9 prescribes a three-stage model for impairment based on changes in credit quality from the point of initial recognition.

Under this model, a financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored. If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired. If the financial instrument is deemed credit-impaired, it is then moved to Stage 3.

Financial instruments in Stage 1 have their expected credit loss measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next twelve months. Instruments in Stages 2 or 3 have their expected credit losses measured based on expected credit losses on a lifetime basis. According to IFRS 9, when measuring expected credit losses it is necessary to consider forward-looking information. Purchased or originated credit-impaired financial assets ("*POCI*") are those financial assets that are credit-impaired on initial recognition. Their expected credit loss is always measured on a lifetime basis (Stage 3).

Significant increase in credit risk

RBI Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

a) Quantitative criteria

RBI Group uses quantitative criteria as the primary indicator of significant increase in credit risk for all material portfolios plus additionally qualitative criteria like 30 days past due or forbearance measures for a particular facility as backstop. For quantitative staging RBI Group compares the lifetime PD curve at reporting date with the forward lifetime PD curve at the date of initial recognition. Given the different nature of products between non-retail and retail, the methods for assessing potential significant increases also slightly differ.

For non-retail risk to make the two curves comparable the PDs are scaled down to annualised PDs. A significant increase in credit risk is considered to have occurred if the PD increase was 250% or greater. For longer maturities the threshold of 250% is reduced to account for a maturity effect.

For retail exposure on the other hand, the remaining cumulative PDs are compared. In general, a significant increase in credit risk is considered to have occurred with a relative increase in the cumulative remaining PD above a certain threshold. The level of the threshold was estimated empirically for each individual portfolio based on the characteristics of the relevant rating model used for the given facility, and it ranges between 150% and up to 300%.

With regard to the threshold at which a financial instrument must be transferred to Stage 2, RBI has decided on the aforementioned thresholds based on the current market practice. However, it is not possible to rule out the possibility that another market practice will become established which provides for a lower threshold for certain markets.

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b) Qualitative criteria

RBI Group uses qualitative criteria as a secondary indicator of a significant increase in credit risk for all material portfolios. A movement to Stage 2 takes place when the criteria below are met.

For sovereign, bank, corporate and project finance portfolios, if the borrower meets one or more of the following criteria:
- External market indicators;
- Changes in contract terms;
- Changes to management approach;
- Expert judgement.

The assessment of a significant increase in credit risk incorporates forward-looking information and is performed on a quarterly basis at an individual transaction level for all non-retail portfolios – corporates, credit institutions and public sector – held by RBI.
For private individual portfolios, if the borrower meets one or more of the following criteria:
- Forbearance, which the lender permits the borrower for economic or contractual reasons when the borrower is experiencing economic difficulties, but would not otherwise grant;
- Expert judgement.

The assessment of significant increase in credit risk incorporates forward-looking information and is performed on a monthly basis at an individual transaction level for all retail portfolios held by RBI.

Backstop

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days overdue on its contractual payments.

Low Credit Risk Exemption

In selected cases for mostly sovereign debt securities RBI Group makes use of the low credit risk exemption. All securities which are presented as low credit risk have a rating equivalent to investment grade or better i.e. minimum S&P BBB-, Moody's Baa3 or Fitch BBB-. The Bank has not used the low credit risk exemption for any lending business.

Definition of Default and Credit-Impaired Assets

RBI defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

a) Quantitative criteria

The borrower is more than 90 days past due on a material credit obligation. No attempt is made to rebut the presumption that financial assets which are more than 90 days past due are to be shown in Stage 3.

b) Qualitative criteria

The borrower meets the unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty and unlikely to repay any credit obligation in full. The indications of unlikeliness to pay include:
- A credit obligation is put to a non-accrual status due to its deteriorated credit quality;
- A credit obligation is sold at a material economic loss;
- A credit obligation is subject to a distressed restructuring;
- The obligor is bankrupt/insolvent;
- The obligor committed credit fraud;
- The obligor has deceased;
- A credit contract was prematurely terminated due to the obligor's non-compliance with contractual obligations.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Group's expected loss calculations.

A credit obligation is considered to be no longer in default after a probation period of minimum 3 months (6 months after a distressed restructuring in retail), where during the probation period the customer demonstrated good payment discipline and no other indication of unlikeliness to pay was observed.

Explanation of inputs, assumptions and estimation techniques

The expected credit losses are measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether the asset is considered to be credit-impaired. Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. Expected credit losses are the discounted product of the probability of default (PD), loss given default (LGD), exposure at default (EAD), and discount factor (D).

Probability of Default

The probability of default represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months or over the remaining lifetime of the obligation. In general the lifetime probability of default is calculated using the regulatory 12 month probability of default, stripped of any margin of conservatism, as a starting point. Thereafter various statistical methods are used to generate an estimate of how the default profile will develop from the point of initial recognition throughout the lifetime of the loan or portfolio of loans. The profile is based on historical observed data and parametric functions.

Different models have been used to estimate the default profile of outstanding lending amounts and these can be grouped into the following categories:
- Sovereign, local and regional governments, insurance companies and collective investment undertakings the default profile is generated using a transition matrix approach. Forward looking information is incorporated into the probability of default using the Vasicek one factor model.
- Corporate customers, project finance and financial institutions the default profile is generated using a parametric survival regression (Weibull) approach. Forward looking information is incorporated into the probability of default using the Vasicek one factor model. The default rate calibration is based on Kaplan Maier methodology with withdrawal adjustment.
- Retail mortgages and other retail lending the default profile is generated using parametric survival regression in competing risk frameworks. Forward looking information is incorporated into the probability of default using satellite models.

In the limited circumstances where some inputs are not fully available grouping, averaging and benchmarking of inputs is used for the calculation.

Loss Given Default

Loss given default represents the Group's expectation regarding the extent of loss on a defaulted exposure. Loss given default varies by type of counterparty and product. Loss given default is expressed as a percentage loss per unit of exposure at the time of default. Loss given default is calculated on a 12-month or lifetime basis, where 12-month loss given default is the percentage of loss expected to be made if the default occurs in the next 12 months and lifetime loss given default is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

Different models have been used to estimate the loss given default of outstanding lending amounts and these can be grouped into the following categories:
- The loss given default for sovereigns is determined by using market implied sources.
- Corporate customers, project finance, financial institutions, local and regional governments, insurance companies the loss given default is generated by discounting cash flows collected during the workout process. Forward looking information is incorporated into the loss given default using the Vasicek model.
- Retail mortgages and other retail lending the loss given default is generated by stripping the downturn adjustments and other margins of conservatism from the regulatory loss given default. Forward looking information is incorporated into the loss given default using various satellite models.
- In the limited circumstances where some inputs are not fully available alternative recovery models, benchmarking of inputs and expert judgement is used for the calculation.

Exposure at Default

Exposure at default is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis. Where relevant early repayment/refinance assumptions are also considered in the calculation.

For revolving products, the exposure at default is predicted by taking current drawn balance and adding a credit conversion factor which allows for the expected drawdown of the remaining limit by the time of default. The prudential regulatory margins are removed from the credit conversion factor. In the limited circumstances where some inputs are not fully available benchmarking of inputs is used for the calculation.

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Discount Factor

In general for balance sheet exposures which are not leases or POCI, the discount rate used in the expected credit loss calculation is the effective interest rate or an approximation thereof.

Calculation

The expected credit loss is the product of PD, LGD and EAD times the probability not to default prior to the considered time period. The latter is expressed by the survivorship function S. This effectively calculates future values of expected credit losses, which are then discounted back to the reporting date and summed. The calculated values of expected credit losses are then weighted by forward looking scenario.

Different models have been used to estimate the provisions of outstanding lending amounts and these can be grouped into the following categories:

- For sovereign, corporate customers, project finance, financial institutions, local and regional governments, insurance companies and collective investment undertakings, the Stage 3 loss allowances are calculated in Finevare by workout managers who discount expected cash flows using the appropriate effective interest rate.
- For retail loans, the Stage 3 loss allowances are generated by calculating the statistically best estimate of the expected loss adjusted for indirect costs.

Where the quantitative models do not capture and translate the forward-looking information into the expected credit losses, parameters adjustments are made to reflect the holistic nature of credit risk analysis. These adjustments result in additional stage 2 provisions. It also includes slightly higher expected defaults on mortgage loans due to higher interest rate clauses of mortgage refixations.

Forward looking information

The assessment of significant increase in credit risk and the calculation of expected credit losses both incorporate forward-looking information. The RBI Group has performed an analysis of historical data and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the probability of default, loss given default and exposure at default vary by category type. Forecasts of these economic variables (the base economic scenario) are provided by Raiffeisen Research on a quarterly basis and provide the best estimate view of the economy over the next three years. The set of forward looking information also includes the currently assumed state of the credit cycle (in form of the so called 'credit clock') and the derived outlook of the credit cycle development. After three years, to project the economic variables for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long-term average rate or a long-term average growth rate until maturity. The impact of these economic variables on the probability of default, loss given default and exposure at default has been determined by performing statistical regression to understand the impact changes in these variables have had historically on default rates and on the components of loss given default and exposure at default.

In addition to the basic economic scenario, Raiffeisen Research also estimates an optimistic and a pessimistic scenario to ensure non-linearities are captured. The RBI Group has concluded that three or fewer scenarios appropriately capture non-linearity. Expert judgment on idiosyncratic risks has also been applied in this process on the level of Raiffeisen Research in coordination with the RBI Group risk management, resulting in selective adjustments to the optimistic and pessimistic scenarios. In the event of a potential negative or positive forecast bias of selected macroeconomic indicators, a potential bias correction might be performed on a single country level. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The probability-weighted expected credit losses are determined by running each scenario through the relevant expected credit loss (ECL) model and multiplying it by the appropriate scenario weighting.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The RBI Group considers these forecasts to represent its best estimate of the future outcomes and cover any potential non-linearities and asymmetries within RBI Group's various portfolios.

The most significant assumptions used for the expected credit loss estimates at quarter end are shown below:

Real GDP	Scenario	2019	2020	2021
Czech Republic	Optimistic	4.3%	4.0%	3.4%
	Base	3.0%	2.5%	1.7%
	Pessimistic	1.7%	1.0%	(0.1)%

Unemployment	Scenario	2019	2020	2021
Czech Republic	Optimistic	2.6%	3.0%	4.1%
	Base	3.3%	3.7%	5.0%
	Pessimistic	4.7%	5.2%	6.7%

Lifetime Bond Rate	Scenario	2019	2020	2021
Czech Republic	Optimistic	2.1%	2.2%	2.2%
	Base	2.5%	2.7%	2.8%
	Pessimistic	3.4%	3.6%	3.8%

The weightings assigned to each scenario at quarter end are as follows: 25 per cent optimistic, 50 per cent base and 25 per cent pessimistic scenarios.

Sensitivity analysis

The most significant assumptions affecting the sensitivity of the expected credit loss allowance are as follows:
- Gross domestic product (all portfolios)
- Unemployment rate (all portfolios)
- Long term government bond rate (non-retail portfolios especially)
- Real estate prices (retail portfolios especially)

The table below provides a comparison between the reported accumulated impairment for expected credit losses for financial assets in Stage 1 and 2 (weighted by 25 per cent optimistic, 50 per cent base and 25 per cent pessimistic scenarios) and then each scenario weighted by 100% on their own. The optimistic and pessimistic scenarios do not reflect extreme cases, but the average of the scenarios which are distributed in these cases. This information is provided for illustrative purposes.

2018 – Accumulated impairment (Stage 1 & 2)

CZK thousand	Reported	Optimistic	Base	Pessimistic
Retail exposures	1,001,647	898,511	935,074	1,300,380
Non-retail exposures	603,266	560,371	589,746	678,654
Total	**1,604,913**	**1,458,882**	**1,524,820**	**1,979,034**

The table below shows the impact of staging on the RBI Group's accumulated impairment for financial assets by comparing the reported amounts accumulated for all performing assets subject to impairment with the special case where all accumulated impairment is measured based on 12 month expected losses (Stage 1).

2018 – Accumulated impairment (Stage 1 & 2)

CZK thousand	Reported	Accumulated impairment losses (Stage 1)	Impact of Staging
Retail exposures	1,001,647	303,399	713,834
Non-retail exposures	603,266	442,866	161,765
Total	**1,604,913**	**746,265**	**875,599**

The table below shows the impact of staging on the RBI Group's accumulated impairment for financial assets by comparing the reported amounts accumulated for all performing assets subject to impairment with the special case where all accumulated impairment is measured based on lifetime expected losses (Stage 2). This information is provided for illustrative purposes.

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2018 – Accumulated impairment (Stage 1 & 2)

CZK thousand	Reported	Accumulated impairment losses (Stage 2)	Impact of Staging
Retail exposures	1,001,647	2,459,678	(1,442,444)
Non-retail exposures	603,266	1,863,061	(1,258,432)
Total	**1,604,913**	**4,322,739**	**(2,700,876)**

Write-Offs

Loans and debt securities are written-off (either partially or fully) where there is no reasonable expectation of recovery. This happens when the borrower does not have income from operations anymore and collateral values cannot generate sufficient cash flows to repay amounts subject to the write-off. For corporate exposures in gone concern cases loans are written down to the value of collateral in case the company has no cash flows from operations anymore. For retail exposure efficiency and recovery costs are considered and for economically non-viable cases the amounts owed are written-off.

The contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity amounts to CZK 13,974 thousand.

(f) Loss allowances to receivables - methods effective until 31 December 2017

The Group determines impairment of individual receivables or the portfolio of receivables with similar characteristics in terms of credit risk.

The Group applies the portfolio approach in respect of individually assessed receivables where no impairment was noted individually. In this case, the Group also determines impairment of the portfolio of similar individually unimpaired loans.

Portfolio loss allowances are calculated pursuant to the anticipated development in the loan portfolio (probability of default, default loss, etc).

The amount of an individual allowance is determined based on the anticipated cash flows. Future cash flows are estimated pursuant to the assessment of all available information, including the estimated collateral value, possibility of the sale of a receivable, proceeds from the bankruptcy and anticipated length of the recovery process.

Problematic receivables from the SME and Corporate segments are dealt with by the Workout division. Significant (in terms of volume) loans are assessed by the Problem Loan Committee.

The value of the future cash flows of retail receivables is estimated on the basis of the historical behaviour of similar receivables and historical success of the recovery process.

(g) Financial assets at amortised cost and provisions for commitments and financial guarantees provided based on the stages of impairment

Financial assets at amortised cost

	31/12/2018				
	Gross carrying amount				
CZK thousand	Stage 1	Stage 2	Stage 3	POCI	Total
Debt securities	**6,867,590**	**–**	**–**	**–**	**6,867,590**
Government institutions	4,669,569	–	–	–	**4,669,569**
Non-financial enterprises	2,198,021	–	–	–	**2,198,021**
Loans and advances to banks	**98,910,654**	**618,122**	**–**	**–**	**99,528,776**
Central banks	98,237,392	–,	–	–	**98,237,392**
Credit institutions	673,262	618,122	–	–	**1,291,384**
Loans and advances to customers	**180,124,308**	**56,336,971**	**4,287,599**	**306,856**	**241,055,734**

Government institutions	785,598	615,365	–	–	**1,400,963**
Other financial institutions	6,571,780	2,240,328	1,965	–	**8,814,073**
Non-financial enterprises	103,304,381	10,262,175	2,280,421	–	**115,846,977**
Households	69,462,549	43,219,102	2,005,213	306,856	**114,993,721**
Total	**285,902,552**	**56,955,093**	**4,287,599**	**306,856**	**347,452,100**

Breakdown of loss allowances for financial assets at amortised cost and provisions for commitments and financial guarantees provided based on segments and stages of impairment

	31/12/2018				
CZK thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Debt securities	**(3,031)**	**–**	**–**	**–**	**(3,031)**
Government institutions	(109)	–	–	–	**(109)**
Non-financial enterprises	(2,922)	–	–	–	**(2,922)**
Loans and advances to banks	**(29)**	**(249)**	**–**	**–**	**(278)**
Central banks	–	–	–	–	**–**
Credit institutions	(29)	(249)	–	–	**(278)**
Loans and advances to customers	**(337,123)**	**(1,039,340)**	**(3,042,528)**	**(32,333)**	**(4,451,324)**
Government institutions	(38)	(220)	–	–	**(258)**
Other financial institutions	(13,121)	(3,603)	(1,935)	–	**(18,659)**
Non-financial entities	(238,036)	(235,052)	(1,375,630)	–	**(1,848,718)**
Households	(85,928)	(800,465)	(1,664,963)	(32,333)	**(2,583,689)**
Total loss allowances for financial assets at amortised cost	**(340,183)**	**(1,039,589)**	**(3,042,528)**	**(32,333)**	**(4,454,633)**
Provisions for off-balance sheet items	**(126,826)**	**(98,315)**	**(319,451)**	**(180)**	**(544,772)**
Total	**(467,009)**	**(1,137,904)**	**(3,361,979)**	**(32,513)**	**(4,999,405)**

(h) Changes in the gross carrying amount and changes in loss allowances

	31/12/2018				
CZK thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2018	**293,976,085**	**27,437,473**	**4,728,455**	**1,176,414**	**327,318,427**
Transfers	(30,926,838)	29,736,874	1,189,964	–	**–**
Increase due to origination and acquisition	185,205,350	11,242,287	93,061	674,025	**197,214,723**
Decrease due to derecognition and total repayment	(147,261,581)	(4,510,658)	(682,236)	(296,699)	**(152,751,174)**
Decrease in loss allowances due to write-offs	–	(4,981)	(180,159)	(785,680)	**(970,820)**
Partial repayment	(15,262,893)	(6,982,858)	(866,056)	(461,204)	**(23,573,011)**
Adjustments by foreign exchange gains/ losses	172,429	36,956	4,570	–	**213,955**
Balance at 31/12/2018	**285,902,552**	**56,955,093**	**4,287,599**	**306,856**	**347,452,100**

CZK thousand	31/12/2018 Stage 1	Stage 2	Stage 3	POCI	Total
Financial assets at amortised cost					
Balance at 1 January 2018	**(318,526)**	**(894,687)**	**(3,629,368)**	**(128,190)**	**(4,970,771)**
Increase due to origination and acquisition	(40,901)	(3,349)	–	(58,216)	**(102,466)**
Decrease due to derecognition	187,593	8,726	–	58,279	**254,598**
Changes due to the change in credit risk (net)	(168,994)	(155,958)	405,754	(689,886)	**(609,084)**
Decrease in loss allowances due to write-offs	–	4,981	180,159	785,680	**970,820**
Impact of unwind	–	–	(4,663)	–	**(4,663)**
Adjustments by foreign exchange gains/losses	645	698	5,590	–	**6,933**
Balance at 31/12/2018	**(340,183)**	**(1,039,589)**	**(3,042,528)**	**(32,333)**	**(4,454,633)**
Provisions for off-balance sheet items					
Balance at 1 January 2018	**(41,004)**	**(33,645)**	**(151,544)**	**(57)**	**(226,250)**
Increase due to origination and acquisition	–	–	–	–	**–**
Decrease due to derecognition	–	–	–	–	**–**
Changes due to the change in credit risk (net)	(86,259)	(65,147)	(169,199)	(123)	**(320,728)**
Decrease in loss allowances due to write-offs	–	–	–	–	**–**
Adjustments by foreign exchange gains/losses	437	477	1,292	–	**2,206**
Balance at 31/12/2018	**(126,826)**	**(98,315)**	**(319,451)**	**(180)**	**(544,772)**
Total	**(467,009)**	**(1,137,904)**	**(3,361,979)**	**(32,513)**	**(4,999,405)**

CZK thousand	2017
Customers	
Balance at 1 January	(6,264,042)
Additions	(2,714,433)
Release	2,052,140
Use for the write-off and assignment of receivables	1,833,111
Foreign exchange gains/losses from loss allowances denominated in foreign currency	41,647
Balance at 31 December	**(5,051,577)**
Banks	
Balance at 1 January	–
Additions	(4,903)
Balance at 31 December	**(4,903)**
Total	**(5,056,480)**

(i) Allocation of financial assets at amortised cost and credit commitments and financial guarantees based on internal rating and stage of impairment

The Group allocates each exposure to a credit risk grade in conformity with a rating model corresponding with borrower's segment and type of exposure.

Rating models and credit risk grades are defined based on statistical models and techniques. The allocated credit risk grade is a result of a combination of qualitative and quantitative parametres which indicate the probability of default of the credit exposure.

Each credit exposure must be allocated to a credit risk grade. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data:

- Information obtained from a borrower – audited financial statements, management accounts, financial budget and projections, structure of areas of particular focus such as sales revenues, customers, receivables, costs, suppliers and liabilities, intragroup transactions, competitors, management etc.;
- Internally collected data – overdue status, fulfilment of financial covenants, internal monitoring of the credit exposure and periodic review of borrower's files;
- Data from credit reference agencies, press articles, changes in external credit ratings;
- Quoted securites prices for the borrower where available;
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.

The credit risk rating grades for the retail exposures are subject to ongoing monthly monitoring which typically involves use of the available information.

Rating grades – retail portfolio

Rating	Probability of default (in %)
Excellent	0.0000 – 0.0300
Strong	0.0310 – 0.1878
Good	0.1879 – 1.1735
Satisfactory	1.1736 – 7.3344
Substandard	7.3345 – 99.999
Credit-impaired	100

Rating grades – non-retail portfolio:

Rating	S&P Corp
Excellent	AAA to AA-
Strong	A+ to BBB
Good	BBB- to BB
Satisfactory	BB- to B
Substandard	B- to C
Credit-impaired	D

Financial assets at amortised cost

CZK thousand	2018					2017
Gross carrying amount	Stage 1	Stage 2	Stage 3	POCI	Total	Total
Excellent	103,077,056	–	–	–	**103,077,056**	**103,148,782**
Strong	15,778,328	1,547,375	–	–	**17,325,703**	**56,184,537**
Good	107,508,525	36,970,061	98,237	–	**144,576,823**	**90,266,382**
Satisfactory	56,754,807	11,328,050	54,337	–	**68,137,194**	**60,058,863**
Substandard	2,694,499	7,052,345	128,404	–	**9,875,248**	**6,560,451**
Credit-impaired	–	–	4,006,621	306,856	**4,313,477**	**5,884,459**
No rating	89,337	57,262	–	–	**146,599**	**5,523,449**
Total	**285,902,552**	**56,955,093**	**4,287,599**	**306,856**	**347,452,100**	**327,626,923**

Credit commitments and financial guarantees

CZK thousand Gross carrying amount	2018 Stage 1	Stage 2	Stage 3	POCI	Total
Excellent	38,880	–	–	–	**38,880**
Strong	18,289,694	2,444,825	–	–	**20,734,519**
Good	40,872,317	12,749,089	157	–	**53,621,563**
Satisfactory	25,823,786	2,231,983	211	–	**28,055,980**
Substandard	802,628	2,115,174	15	–	**2,917,817**
Credit-impaired	–	–	536,645	–	**536,645**
No rating	–	–	–	–	**–**
Total	**85,827,306**	**19,541,071**	**537,028**	**–**	**105,905,404**

(j) Modified contractual cash flows

The following table provides information on financial assets that were modified while they had loss allowances measured at an amount equal to lifetime ECL:

CZK thousand	2018
Financial assets modified during the year	
Amortised cost before the modification of contractual cash flows	308,439
Net modification gain	8,439
Financial assets modified since initial recognition	
Gross carrying amount at the reporting date relating to financial assets for which loss allowance has changed to 12-month ECL during the year	10,192

(k) Quantitative information on collateral for credit-impaired financial assets (Stage 3)

CZK thousand	2018 Gross carrying amount	Collateral
Financial assets at amortised cost (Stage 3)	4,287,599	822,994

The principal type of collateral for credit- impaired financial assets is the pledge of real estate, movable property and company guarantees.

(l) Concentration of credit risk by location

Loans and advances to customers

CZK thousand	2018	2017
Czech Republic	223,798,226	213,016,727
Slovakia	4,686,140	3,799,580
Other EU member countries	8,445,181	3,284,675
Other	4,126,187	3,937,943
Total gross carrying amount	**241,055,734**	**224,038,925**

(m)Analysis of loans and advances to customers by sector and type of collateral

2018	Cash collateral	State guarantees	Bank guarantees	Real estate	Company guarantee	Personal surety and bills of guarantee	Other collateral	Movable assets	Total collateral	Uncollater-alised	Total
Agriculture, hunting, forestry and fishing	–	–	99,657	601,261	31,077	848,268	76,326	318,188	**1,974,777**	339,896	**2,314,673**
Mining and quarrying	–	–	3,422	–	–	19,208	–	53,676	**76,306**	159,687	**235,993**
Manufacturing	138,559	–	424,261	4,571,380	3,127,115	9,000,538	512,916	1,826,281	**19,601,050**	5,426,603	**25,027,653**
Electricity, gas and water supply	41,338	–	5,612	167,952	679,050	608,336	1	2,976,742	**4,479,031**	1,604,214	**6,083,245**
Construction	12,147	–	242,235	1,615,373	23,150	1,349,963	43,608	679,150	**3,965,626**	1,957,907	**5,923,533**
Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	8,798	–	697,291	3,526,965	993,445	6,422,967	657,646	2,106,237	**14,413,349**	4,566,771	**18,980,120**
Hotels and restaurants	30,941	–	96,183	2,063,413	30,849	352,938	200	87,465	**2,661,989**	201,084	**2,863,073**
Transport, storage and communication	270	–	609,527	618,425	19,384	1,809,955	108,692	3,258,166	**6,424,419**	4,749,557	**11,173,976**
Financial intermediation	11,100	–	2,319,761	623,927	1,406,039	977,272	–	308,648	**5,646,747**	2,675,516	**8,322,263**
Real estate	244,682	1,556,916	335,084	24,445,701	851,072	4,408,224	284,605	557,803	**32,684,087**	6,445,030	**39,129,117**
Public administration and defence; compulsory social security	–	581,948	251	6,300	23,639	55,058	–	4,971	**672,167**	32,821	**704,988**
Education	–	–	9,731	16,956	250,283	20,908	–	310,849	**608,727**	207,102	**815,829**
Health and social work	1,000	776,182	45,899	327,641	76,245	158,691	2,870	177,963	**1,566,491**	461,460	**2,027,951**
Other community, social and personal service activities	1,521	–	63,956	307,876	18,461	940,334	28,209	62,126	**1,422,483**	1,037,116	**2,459,599**
Private households with employed persons	–	–	–	92,095,834	–	1,926	177,465	95,713	**92,370,938**	22,622,783	**114,993,721**
Total	**490,356**	**2,915,046**	**4,952,870**	**130,989,004**	**7,529,809**	**26,974,586**	**1,892,538**	**12,823,978**	**188,568,187**	**52,487,547**	**241,055,734**

For the purposes of reporting loans and advances to customers by sector and type of collateral, the Group uses the collateral in nominal value.

2017	Cash collateral	State guarantees	Bank guarantees	Real estate	Company guarantee	Personal surety and bills of guarantee	Other collateral	Movable assets	Total collateral	Uncollater-alised	Total
Agriculture, hunting, forestry and fishing	200	-	104 608	364 787	148 279	1 298 348	30 000	245 078	**2 191 300**	277 308	**2 468 608**
Mining and quarrying	-	-	293	9 348	30 846	19 915	-	57 811	**118 213**	95 981	**214 194**
Manufacturing	166 948	-	224 147	4 511 832	2 295 114	7 777 530	452 706	2 060 038	**17 488 315**	4 920 152	**22 408 467**
Electricity, gas and water supply	68 263	-	2 953	251 416	811 444	498 737	12 342	4 332 305	**5 977 460**	1 791 117	**7 768 577**
Construction	13 929	-	225 542	1 764 978	54 073	1 656 370	58 811	452 858	**4 226 561**	900 619	**5 127 180**
Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	24 527	-	545 984	3 421 992	1 135 751	7 213 265	197 389	1 701 743	**14 240 651**	3 516 842	**17 757 493**
Hotels and restaurants	41 172	-	54 171	2 225 729	61 287	224 240	200	70 227	**2 677 026**	360 245	**3 037 271**
Transport, storage and communication	558	-	565 843	569 234	-	1 469 591	5 859	2 609 033	**5 220 118**	4 393 059	**9 613 177**
Financial intermediation	11 100	-	550 505	946 497	828 270	629 363	259	920	**2 966 914**	3 425 663	**6 392 577**
Real estate	290 264	1 297 898	305 631	24 097 097	2 341 160	5 281 183	381 199	853 692	**34 848 124**	3 331 220	**38 179 344**
Public administration and defence; compulsory social security	-	729 406	251	7 012	29 480	92 444	-	5 698	**864 291**	109 540	**973 831**
Education	-	-	2 948	63 366	265 554	24 584	-	227 343	**583 795**	190 269	**774 064**
Health and social work	1 000	921 742	30 122	300 117	-	162 326	2 500	142 571	**1 560 378**	447 520	**2 007 898**
Other community, social and personal service activities	1 673	-	69 199	488 826	57 131	1 003 508	900	104 579	**1 725 816**	303 161	**2 028 977**
Private households with employed persons	-	-	-	85 149 600	-	1 916	117 365	100 682	**85 369 563**	19 917 704	**105 287 267**
Total	**619 634**	**2 949 046**	**2 682 197**	**124 171 831**	**8 058 389**	**27 353 320**	**1 259 530**	**12 964 578**	**180 058 525**	**43 980 400**	**224 038 925**

For the purposes of reporting loans and advances to customers by sector and type of collateral, the Group uses the collateral in nominal value.

The collateral values presented in the above table do not include the portfolio guarantee under the securitisation transaction of CZK 1,966,580 thousand (refer to note 25 (d)) since it cannot be allocated to individual loans.

(n) Analysis of loans provided to customers by default categories

CZK thousand 2018	Before due date	Less than 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	Over 1 year	Total
Loans and advances to customers							
Stage 1	176,472,367	3,651,941	–	–	–	–	**180,124,308**
Stage 2	54,480,093	1,504,704	352,174	–	–	–	**56,336,971**
Stage 3	874,172	112,778	402,164	411,719	607,318	1,879,448	**4,287,599**
POCI	147,565	23,591	11,604	8,231	10,480	105,385	**306,856**
Gross	**231,974,197**	**5,293,014**	**765,942**	**419,950**	**617,798**	**1,984,833**	**241,055,734**
Loss allowances	(1,531,525)	(173,611)	(315,855)	(187,755)	(384,523)	(1,858,055)	**(4,451,324)**
Net	**230,442,672**	**5,119,403**	**450,087**	**232,195**	**233,275**	**126,778**	**236,604,410**

CZK thousand 2017	Before due date	Less than 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	Over 1 year	Total
Loans and advances to customers							
– without default	217,785,776	492,089	47,628	–	–	–	**218,325,493**
– with default	1,944,935	116,221	98,218	533,060	458,729	2,562,269	**5,713,432**
Gross	**219,730,711**	**608,310**	**145,846**	**533,060**	**458,729**	**2,562,269**	**224,038,925**
Loss allowances	(1,780,181)	(20,672)	(70,285)	(472,224)	(322,394)	(2,390,724)	**(5,056,480)**
Net	**217,950,530**	**587,638**	**75,561**	**60,836**	**136,335**	**171,545**	**218,982,445**

The proportion of loans and advances with default decreased year-on-year from 2.6% to 1,9% of the total loan portfolio. The coverage by individual loss allowances to loans with default decrease from 68,0 % in 2017 to 66,9 % at the end of 2018.

(o) Forbearance and non-performing exposures

In compliance with the EBA's Implementing Technical Standard (ITS) on supervisory reporting (forbearance and non-performing exposures), the Group introduced a new definition of forbearance and non-performing exposures in 2014 that do not necessarily represent default under the CNB's regulation.

The key criterion in treating an exposure as forborne is a customer's financial health as at the date on which contractual conditions are adjusted. Receivables are defined as forborne if a customer has financial difficulties at the time of a change in contractual conditions (taking into account the client's internal rating or other circumstances known at that time) and if the adjustment of the contractual conditions is considered a payment relief provided in order to divert the client's unfavourable financial situation. If such an adjustment of contractual conditions results in subsequent forbearance or default exceeding 30 days, the exposure is considered non-performing irrespective of the conditions of the CNB's regulation being met or not.

If a forborne exposure is classified as non-performing (after the forbearance is provided) it remains in this category for a period of at least 12 months. After the lapse of this period, the exposure is reclassified as performing forbearance provided the predefined conditions are met. Subsequently, the exposure is monitored on a regular basis during a probation period of at least 24 months. If the predefined conditions are met after the expiry of the probation period, the exposure ceases to be classified as forborne.

Within the defined processes, the Group' customers having financial difficulties and being provided with forbearance are assessed, rated and monitored according to specific algorithms in line with the relevant regulations. In practice, this means that all customers with financial difficulties who were provided with forbearance, or for whom forbearance is considered, are at least subject to the early warning system, or in case of default, they are treated by the workout or collection teams. The algorithms applied are in compliance with the parent group's requirements for individual segments of the Group. The above-specified processes have an impact on the classification of receivables under individual stages according to IFRS 9 (in 2017: into the five sub-categories of credit quality according to the CNB regulation (standard, monitored, non-standard, doubtful and loss)) and, consequently, on the assessment of the amount of individual and portfolio allowances.

Credit risk analysis of loans and advances to forborne customers under IFRS 7

CZK thousand 31/12/2018	Loans and advances to forborne customers allowances Performing exposure	Non-performing exposure	Total with forbearance	Loss	Collateral
Non-financial enterprises	1,613,388	391,726	2,005,114	(192,243)	1,570,371
Households	800,929	881,996	1,682,925	(455,812)	890,425
Total	**2,414,317**	**1,273,722**	**3,688,039**	**(648,055)**	**2,460,796**

CZK thousand 31/12/2017	Loans and advances to forborne customers allowances Performing exposure	Non-performing exposure	Total with forbearance	Loss	Collateral
Other financial institutions	–	1,749	1,749	(154)	1,595
Non-financial enterprises	654,565	1,277,182	1,931,747	(362,506)	1,368,693
Households	865,015	1,161,537	2,026,552	(691,478)	1,116,238
Total	**1,519,580**	**2,440,468**	**3,960,048**	**(1,054,138)**	**2,486,526**

The Group recognises no forborne loans and advances to banks.

The Group's interest income includes interest on loans and advances to forborne customers of CZK 109,007 thousand (2017: CZK 157,727 thousand).

Development of loans and advances to forborne customers

CZK thousand 2018	Other financial institutions	Non-financial enterprises	Households	Total
Balance at 1 January	**1,749**	**1,931,747**	**2,026,552**	**3,960,048**
Additions (+)	–	643,539	337,096	**980,635**
Disposals (-)	(1,749)	(158,551)	(281,835)	**(442,135)**
Movements in exposures (+/-)	–	(411,621)	(398,888)	**(810,509)**
Balance at 31 December	**–**	**2,005,114**	**1,682,925**	**3,688,039**

CZK thousand 2017	Other financial institutions	Non-financial enterprises	Households	Total
Balance at 1 January	**–**	**3,002,587**	**2,446,240**	**5,448,827**
Additions (+)	1,749	190,554	216,668	**408,971**
Disposals (-)	–	(85,498)	(273,195)	**(358,693)**
Movements in exposures (+/-)	–	(1,175,896)	(363,161)	**(1,539,057)**
Balance at 31 December	**1,749**	**1,931,747**	**2,026,552**	**3,960,048**

Carrying amount of loans and advances to forborne customers compared to the total loans and advances to customers

CZK thousand 2018	Loans and advances to customers	Loans and advances to forborne customers	Percentage of forborne loans and advances
Government institutions	1,400,963	–	–
Other financial institutions	8,814,073	–	–
Non-financial enterprises	115,846,977	2,005,114	**1,7%**
Households	114,993,721	1,682,925	**1,5%**
Total at 31 December 2018	**241,055,734**	**3,688,039**	**1,5%**

CZK thousand 2017	Loans and advances to customers	Loans and advances to forborne customers	Percentage of forborne loans and advances
Government institutions	1,813,322	–	–
Other financial institutions	4,325,388	1,749	–
Non-financial enterprises	110,258,965	1,931,747	**1,8%**
Households	107,641,250	2,026,552	**1,9%**
Total at 31 December 2017	**224,038,925**	**3,960,048**	**1,8%**

(p) Securitisation

The Group eliminates the credit risk of its exposures through synthetic securitisation. Securitisation involves merging credit exposure portfolios (loans and advances, guarantees and commitments) with the appropriate level of credit quality where the Group offers to transfer the credit risk arising from the credit exposures in securitisation to investors. The transactions are principally aimed at the improvement of capital adequacy of the Group and its parent group. The credit exposures included in the synthetic securitisation performed by the Group do not meet the conditions for derecognition of assets from the statement of financial position.

For an updated analysis of the Group's individual securitisation transactions, refer to note 25 (d).

(q) Maximum exposure to credit risk

2018 CZK thousand	On-balance sheet exposure (carrying amount)	Off-balance sheet exposure (carrying amount)	Aggregate exposure (carrying amount)	Allocated collateral – balance sheet	Allocated collateral – off balance sheet	Aggregate allocated collateral
Cash in hand, balances with central banks and other demand deposits	12,105,947	–	12,105,947	–	–	–
Loans and advances to banks*	99,528,498	266,310	99,794,808	1,117,476	–	1,117,476
Loans and advances to customers*	236,604,410	44,150,125	280,754,535	188,413,462	15,803,437	204,216,899
Debt securities*	6,864,559	–	6,864,559			
Positive fair values of financial derivatives	4,168,474	–	4,168,474	286,373	–	286,373
Securities held for trading	268,021	–	268,021	–	–	–
Financial assets at FVOCI	628,880	–	628,880	–	–	–
Tax receivables	28 649	–	28 649	–	–	–
Other assets	1,661,271	–	1,661,271	–	–	–

*including loss allowances and provisions

2017 CZK thousand	On-balance sheet exposure (carrying amount)	Off-balance sheet exposure (carrying amount)	Aggregate exposure (carrying amount)	Allocated collateral – balance sheet	Allocated collateral – off balance sheet	Aggregate allocated collateral
Cash and balances with central banks	10,363,327	–	10,363,327	–	–	–
Loans and advances to banks*	103,583,094	393,155	103,976,249	528,569	–	528,569
Loans and advances to customers*	218,987,348	42,707,097	261,694,445	180,058,525	18,301,526	198,360,051
Positive fair values of financial derivatives	3,859,416	–	3,859,416	282,591	–	282,591
Held-to-maturity securities	–	–	–	–	–	–
Securities at fair value through profit or loss	156,446	–	156,446	–	–	–
Available-for-sale securities	603,654	–	603,654	–	–	–
Tax receivables	7,886	–	7,886	–	–	–
Other assets	1,468,095	–	1,468,095	–	–	–

*including loss allowances and provisions

The allocated collateral values presented in the above table do not include the portfolio guarantee under the securitisation transaction of CZK 1,966,580 thousand (see note 25 (d)).

(r) Offsetting financial assets and financial liabilities

The following table shows the impact of master netting agreements on assets and liabilities that are not offset in the consolidated statement of financial position.

2018			Related amount not offset in the consolidated statement of financial position			
CZK thousand	**Amount of an asset/liability recognised in the consolidated statement of financial position**	**Amount of an asset/liability offset in the consolidated statement of financial position**	**Net amount presented in the consolidated statement of financial position**	**Financial instrument**	**Cash collateral received**	**Total**
Assets						
Positive fair values of financial derivatives	3,740,988	–	3,740,988	3,451,662	286,373	**2,953**
Reverse repo	98,502,573	–	98,502,573	97,958,114,	–	**544,459**
Total assets	**102,243,561**	**–**	**102,243,561**	**101,409,776,**	**286,373**	**547,412**
Liabilities						
Negative fair values of financial derivatives	4,601,282	–	4,601,282	3,451,662	1,065,053	**84,567**
Repo	1,499,778	–	1,499,778	1,490,000	–	**9,778**
Total liabilities	**6,101,060**	**–**	**6,101,060**	**4,941,662**	**1,065,053**	**94,345**

2017			Related amount not offset in the consolidated statement of financial position			
CZK thousand	**Amount of an asset/liability recognised in the consolidated statement of financial position**	**Amount of an asset/liability offset in the consolidated statement of financial position**	**Net amount presented in the consolidated statement of financial position**	**Financial instrument**	**Cash collateral received**	**Total**
Assets						
Positive fair values of financial derivatives	3,504,226	–	3,504,226	3,211,784	282,591	**9,851**
Reverse repo	103,057,882	–	103 057 882	101 649 771	–	**1 408 111**
Total assets	**106,562,108**	**–**	**106,562 108**	**104,861,555**	**282,591**	**1,417,962**
Liabilities						
Negative fair values of financial derivatives	3,865,866	–	3,865,866	3,211,784	457,165	**196,917**
Repo	5,000,250	–	5,000,250	4,931,000	–	**69,250**
Total liabilities	**8,866,116**	**–**	**8,866,116**	**8,142,784**	**457,165**	**266,167**

48. CHANGES IN THE CONSOLIDATED GROUP

(a) Newly consolidated entities

In 2018 and 2017, the Group did not acquire any entities that would be included in the consolidation using the full consolidation or equity accounting methods.

(b) Disposals for the year ended 31 December 2018

In 2018, the Group sold its joint venture Flex-Space Plzeň I., spol s.r.o.

CZK thousand	Fair value as at the date of disposal
Value of investment as at the date of disposal	7,069
Selling price of the equity investment	19,839
Profit/(loss) arising from the disposal	12,770
Cash inflow/(outflow) arising from the disposal	**19,839**

(c) Disposals for the year ended 31 December 2017

In 2017, the Group sold the subsidiary RLRE Dorado Property, s.r.o. and demerged RLRE Carina Property, s.r.o. to RLRE Carina Property, s.r.o and REF HP1 s.r.o. REF HP1 s.r.o. was sold outside the Group.

Disposal of RLRE Dorado Property, s.r.o.

CZK thousand	Fair value as at the date of disposal
Value of investment as at the date of disposal	181
Selling price of the equity investment	-
Profit/(loss) arising from the disposal	(181)
Cash inflow/(outflow) arising from the disposal	**-**

Disposal of REF HP1 s.r.o.

CZK thousand	Fair value as at the date of disposal
Value of investment as at the date of disposal	2
Selling price of the equity investment	62,761
Profit/(loss) arising from the disposal	62,759
Cash inflow/(outflow) arising from the disposal	**10,740**

49. TRANSACTIONS WITH RELATED PARTIES

At 31 December 2018

For related party transaction reporting purposes, the Group considers Raiffeisen CEE Region Holding GmbH (direct parent company) and Raiffeisen Bank International AG (entity with controlling influence on the Group exercised indirectly) to be its parent companies. Transactions with related parties are concluded under standard business terms and arm's length prices.

CZK thousand	Parent companies	Companies with significant influence over the Group	Jointly controlled entities	Board of directors, supervisory board and other managers	Other related parties	Total
Receivables	1,881,729	–	215,781	144,879	15,883	**2,258,272**
Positive fair values of financial derivatives	2,874,146	–	–	–	23	**2,874,169**
Liabilities	16,126,315	11,259	73,854	73,957	21,594,033	**37,879,418**
Negative fair values of financial derivatives	3,893,333	–	–	–	617	**3,893,950**
Other equity instruments	2,615,354	–	–	–	–	**2,615,354**
Subordinated liabilities and bonds	1,932,944	–	–	–	644,315	**2,577,259**
Guarantees issued	21,811	–	–	–	143,496	**165,307**
Guarantees received	72,951	–	–	–	689,924	**762,875**
Nominal values of financial derivatives (off-balance sheet receivables)	392,468,596	–	–	–	253,169	**392,721,765**
Nominal values of financial derivatives (off-balance sheet liabilities)	392,803,595	–	–	–	253,745	**393,057,340**
Irrevocable credit commitments provided	–	–	–	29,666	–	**29,666**
Interest income	2,286,008	1,812	11,811	2,352	5,188	**2,307,171**
Interest expense	(2,411,922)	(221)	–	(247)	(277,436)	**(2,689,826)**
Fee and commission income	21,486	97	–	–	30,843	**52,426**
Fee and commission expense	(33,744)	–	–	–	(75,029)	**(108,773)**
Net gain or loss from financial operations	1,035,760	–	–	19	(53,360)	**982,419**
Net gain or loss from hedge accounting	(45,101)	–	–	–	–	**(45,101)**
General operating expenses	(199,837)	–	–	(89,077)	(16,623)	**(305,537)**
Other operating income, net	11,298	–	–	–	1,405	**12,703**

The receivables are principally composed of the following:

Credit balances on the current account maintained at:
- Raiffeisen Bank International AG (parent company) of CZK 1,881,729 thousand.

Provided loan:
- Nordica Office, s.r.o. (joint venture of Raiffeisen Direct Investments CZ) of CZK 215,781 thousand.

Nominal values of financial derivatives - off-balance sheet receivables:
- Raiffeisen Bank International AG (parent company) of CZK 392,468,596 thousand;
- Raiffeisenbank AO (Russia), (affiliated company) of CZK 229,124 thousand.

The liabilities are principally composed of the following:

Credit balances on the current accounts of the Group from:
- Raiffeisen Bank International AG (parent company) of CZK 2,069,460 thousand.

Term deposits:
- UNIQA Österreich Versicherungen AG (associated company to the parent company Raiffeisen Bank International AG) of CZK 2,160,379 thousand;
- UNIQA pojišťovna, a.s. (associated company of the parent company Raiffeisen Bank International AG) of CZK 461,632 thousand;
- Raiffeisenbank (Bulgaria) EAD (affiliated company) of CZK 1,285,604 thousand;
- Raiffeisen Bank Zrt. (affiliated company) of CZK 7,351,786 thousand.

Repo transactions:
- Tatra Banka, a.s. (affiliated company) of CZK 1,499,778 thousand.

Debt securities issued by the Group:
- Raiffeisenbank Hungary (affiliated company) of CZK 3,943,014 thousand;
- Raiffeisenbank (Bulgaria) EAD (affiliated company) of CZK 1,770,865 thousand;
- Raiffeisen Bank International AG (parent company) of CZK 9,680,790 thousand;
- Raiffeisen Bank Albania (affiliated company) of CZK 2,322,132 thousand.

Nominal values of financial derivatives - off-balance sheet liabilities:
- Raiffeisen Bank International AG (parent company) of CZK 392,803,595 thousand.

Subordinated debt from:
- Raiffeisen Bank International AG (parent company) of CZK 1,932,944 thousand;
- Raiffeisenlandesbank Oberösterreich Aktiengesellschaft of CZK 644,315 thousand.

Other equity instruments - subordinated unsecured AT1 capital investment certificates purchased:
- Raiffeisen Bank International AG (parent company) of CZK 2 615 354 thousand.

At 31 December 2017

For related party transaction reporting purposes, the Group considers Raiffeisen CEE Region Holding GmbH (direct parent company) and Raiffeisen Bank International AG (entity with controlling influence on the Group exercised indirectly) to be its parent companies. Transactions with related parties are concluded under standard business terms and arm's length prices.

CZK thousand	Parent companies	Companies with significant influence over the Group	Jointly controlled entities	Board of directors, supervisory board and other managers	Other related parties	Total
Receivables	890,583	–	611,323	147,996	422,371	**2,072,273**
Positive fair values of financial derivatives	2,700,542	–	–	–	9,297	**2,709,839**
Liabilities	17,456,858	34,302	52,077	109,696	18,697,643	**36,350,576**
Negative fair values of financial derivatives	3,194,964	–	–	–	944	**3,195,908**
Other equity instruments	2,615,354	–	–	–	–	**2,615,354**
Subordinated debt	2,586,645	–	–	–	–	**2,586,645**
Guarantees issued	15 222	–	–	–	304 250	**319,472**
Guarantees received	885,032	–	–	–	325,000	**1,210,032**
Nominal values of financial derivatives (off-balance sheet receivables)	309,153,449	–	–	–	628 524	**309,781,973**
Nominal values of financial derivatives (off-balance sheet liabilities)	309 011 099	–	–	–	620 250	**309,631,349**
Irrevocable credit commitments provided	–	–	–	26,777	–	**26,777**
Interest income	1,108,272	(310)	20,041	2,400	9,259	**1,139,662**
Interest expense	(883,740)	303	–	(337)	(207,099)	**(1,090,873)**
Fee and commission income arising from	29,770	303	–	–	19,865	**49,938**
Fee and commission expense	(16,689)	–	–	–	(66,300)	**(82,989)**
Net gain or loss from financial operations	(3,719,641)	–	–	–	69,582	**(3,650,059)**
General operating expenses	(160,637)	–	–	(93,013)	(5,486)	**(259,136)**
Other operating income, net	1,148	–	–	–	2,911	**4,059**

The receivables are principally composed of the following:

Credit balances on the current account maintained at:
- Raiffeisen Bank International AG (parent company) of CZK 890,583 thousand.

Provided loan:
- Flex-Space Plzeň I., spol. s r.o. (under joint control of Czech Real Estate Fund B. V.) of CZK 111,168 thousand;
- Nordica Office, s.r.o. (under joint control of Raiffeisen Direct Investments CZ) of CZK 232,874 thousand;
- Karlín Park, s.r.o. (under joint control of Raiffeisen Direct Investments CZ) of CZK 267,282 thousand.

Nominal values of financial derivatives - off-balance sheet receivables:
- Raiffeisen Bank International AG (parent company) of CZK 309,153,449 thousand;
- Raiffeisen Polbank (affiliated company) of CZK 582,048 thousand.

The liabilities are principally composed of the following:

Credit balances on the current account of the Group from:
- Raiffeisen Bank International AG (parent company) of CZK 2,749,903 thousand.

Term deposits:
- UNIQA Österreich Versicherungen AG (associated company of the parent company Raiffeisen Bank International AG) of CZK 2,185,110 thousand;
- UNIQA pojišťovna, a.s. (associated company of the parent company Raiffeisen Bank International AG) of CZK 301,380 thousand;
- Raiffeisenbank (Bulgaria) EAD (affiliated company) of CZK 907,156 thousand;
- Raiffeisen Bank Zrt. (affiliated company) of CZK 7,300,711 thousand.

Repo transactions:
- Raiffeisen Bank International AG (parent company) of CZK 5,000,250 thousand.

Debt securities issued by the Group:
- Raiffeisenbank Hungary (affiliated company) of CZK 3,913,106 thousand;
- Raiffeisenbank Bulgaria. (affiliated company) of CZK 1,759,168 thousand;
- Raiffeisen Bank International AG (parent company) of CZK 9,612,176 thousand;
- Raiffeisen Bank Albania (affiliated company) of CZK 2,305,794 thousand.

Nominal values of financial derivatives - off-balance sheet liabilities:
- Raiffeisen Bank International AG (parent company) of CZK 309,011,099 thousand.

Subordinated debt from:
- Raiffeisen Bank International AG (parent company) of CZK 2,586,645 thousand.

Other equity instruments - subordinated unsecured AT1 capital investment certificates purchased:
- Raiffeisen Bank International AG (parent company) of CZK 2,615,354 thousand.

50. SUBSEQUENT EVENTS

As at 1 January 2019 the Group sold the subsidiary PZ Projekt a.s. outside the Group.

No events occurred subsequent to the reporting date that would have a material impact on the consolidated financial statements as at 31 December 2018.

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This document is an English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

Independent Auditor's Report to the Shareholders of Raiffeisenbank a.s.

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the accompanying separate financial statements of Raiffeisenbank a.s. ("the Company"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the separate statement of financial position as at 31 December 2018, and the separate statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1 to the separate financial statements.

In our opinion, the accompanying separate financial statements give a true and fair view of the unconsolidated financial position of the Company as at 31 December 2018, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and of the Council, and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs) as amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Loss allowance for loans and advances to customers

Key audit matter	How the audit matter was addressed
We focused on this matter because of the highly subjective and complex judgements made by the Company's management in determining the necessity for, and then estimating the size of, loss allowances for loans and advances to customers (further only as "loans"). Loss allowances for loans and advances to customers at CZK 4,252 million as at 31 December 2018 represents an estimate of the expected credit losses for loans at the reporting date. The loans are segmented into commercial and retail portfolios and within them further by type of product. In order to calculate loss allowances, the individual loans are allocated to one of three stages or Purchased or Originated Credit-Impaired ("POCI") category in line with IFRS 9 Financial instruments. Stage 1 and Stage 2 loans are performing loans. Stage 2 loans are loans where a significant increase in credit risk since origination has been observed. Stage 3 loans are non-performing, i.e. credit-impaired loans. The calculation of loss allowances for Stage 1 and Stage 2 loans is based on statistical models, which estimate inputs into the calculation primarily from Company's historical data. Loss allowances for retail and	We performed, among others, the procedures outlined below to address this key audit matter: Applying our knowledge, experience and market standards in the industry, we critically assessed and challenged the Company's credit and accounting policies and evaluated the processes related to calculation of expected credit losses by involving our credit risk specialists. We tested the design, implementation and operating effectiveness of system-based and manual controls over identification of significant increase in credit risk and identification of default. The tested controls comprise tests over calculation of days past due of loans, calculating relative increase of life-time PD since origination and appropriate allocation of loans to stages. We tested these controls by inquiry in combination with the observation, inspection and review of underlying documentation, and selected recalculations. In collaboration with our credit risk specialists we re-performed, recalculated and critically assessed the construction of cumulative PD curves including forward-looking information used in the statistical models for mortgage portfolio. We also critically assessed the methodology of construction of cumulative LGD curves as well as EAD. Furthermore, we recalculated ECL on the complete portfolio of the mortgage loans using data analytics approach that was

Key audit matter	How the audit matter was addressed
commercial Stage 3 loans are calculated differently for individually and portfolio managed exposures. Loss allowances for Stage 3 portfolio managed exposures are determined based on the statistical models using primarily Company's historical data. Loss allowances for stage 3 commercial loans are determined by estimating the probability-weighted discounted future cash flows for each exposure. The key judgements and assumptions are future cash repayment scenarios and assigned probabilities to these scenarios taking into account the estimated value and timing of cash flows including estimating the recoverable value of underlying collateral. Key inputs, assumptions and judgments relevant for the calculation of loss allowances based on statistical models comprise: - definition of default, definition of significant increase in credit risk (SICR) and estimation of probability of default (PD), - estimation of loss given default (LGD), - estimation of exposure at default (EAD) including prepayments and utilizations at default, - forward-looking information (FLI) based on three scenarios of expected development of selected macroeconomic indicators. **Refer to further information in the note 3f (Summary of significant accounting policies), note 23 (Financial assets at amortized cost) and note 44 (Financial instruments - credit risk) to the separate financial statements.**	based on averaged inputs generated by the Company's statistical models and compared our results with balances recognized in the accounting books. On a sample of retail loans, we recalculated ECL and compared the results with the calculation performed by the IT system. We assessed whether the PD and LGD including forward-looking information parameters used for calculation of expected credit losses on commercial loans were appropriate. For significant deviations of the macroeconomic forecasts we conducted sensitivity analysis of the effect on the point-in-time PD. Furthermore, we recalculated the allowance on the whole portfolio of performing commercial loans. On a sample of commercial loans, we evaluated whether examined loans were allocated to appropriate stages. For credit-impaired loans we examined the estimated cash flow scenarios as prepared by the credit risk department of the Company. In particular, we challenged the key assumptions in relation to both the amount and timing of estimated cash flows. During our assessment we considered also the latest developments in relation to the borrower. Finally, we re-calculated specific allowances calculated by the workout department of the Company in order to check the accuracy of data captured in the accounting records. Using data analytics tools, we performed data quality check on the whole credit portfolio on consistency of staging across the individual borrower's exposures. We evaluated results of back-testing of statistical models carried out by the Company as at the year end. We assessed the adequacy of the Company's disclosures on the loss allowances and credit risk management in

Key audit matter	How the audit matter was addressed
	the notes to the separate financial statements.

IT systems and controls over financial reporting

Key audit matter	How the audit matter was addressed
We identified IT systems and controls over financial reporting as an area of focus as the Company's financial accounting and reporting systems are dependent on complex systems and there is a risk that automated accounting procedures and related IT dependent manual controls are not designed or operating effectively.	In collaboration with our IT specialists we assessed and tested the design, implementation and operating effectiveness of the controls over the information systems that are critical to financial reporting. We, among others, tested the controls over the access to programs and data and change management procedures including compensating controls where required by inquiry in combination with observation and inspection of internal policies. We also assessed certain aspects of the security of the IT systems including access management and segregation of duties.

Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the annual report other than the financial statements and our auditor's report. The statutory body is responsible for the other information.

As described in Note 2 to the separate financial statements, Raiffeisenbank a.s. has not prepared an annual report as at 31 December 2018, as it plans to include the respective information in the consolidated annual report. Consequently, this auditor's report does not include our statement on the other information.

Responsibilities of the Statutory Body, Supervisory Board and Audit Committee for the Separate Financial Statements

The statutory body of Raiffeisenbank a.s. is responsible for the preparation and fair presentation of the separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the statutory body determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, the statutory body is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board and Audit Committee are responsible for the oversight of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design

audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of Raiffeisenbank a.s. by the General Meeting of Shareholders on 2 October 2017 and our uninterrupted engagement has lasted for 1 year.

Consistency with Additional Report to Audit Committee

We confirm that our audit opinion on the separate financial statements expressed herein is consistent with the additional report to the Audit Committee of Raiffeisenbank a.s., which we issued on 25 February 2019 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council.

Provision of Non-audit Services

We declare that no prohibited services referred to in Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided.

Except for the statutory audit, we did not provide the Company and its controlled undertakings with any other services that have not been disclosed in notes to the separate financial statements or annual report.

Statutory Auditor Responsible for the Engagement

Vladimír Dvořáček is the statutory auditor responsible for the audit of the separate financial statements of Raiffeisenbank a.s. as at 31 December 2018, based on which this independent auditor's report has been prepared.

Prague
26 February 2019

KPMG Česká republika Audit

KPMG Česká republika Audit, s.r.o.
Registration number 71

Vladimír Dvořáček
Partner
Registration number 2332

Raiffeisenbank a.s.

Separate Financial Statements Prepared in Accordance with International Financial Reporting Standards as Adopted by the European Union for the Year Ended 31 December 2018

Components of the Financial Statements:

- Statement of Comprehensive Income
- Statement of Financial Position
- Statement of Changes in Equity
- Cash Flow Statement
- Notes to the Financial Statements

These financial statements were prepared by the Bank and approved by the Board of Directors of the Bank on 26 February 2019.

Chief Financial Officer of the reporting entity

Tomáš Jelínek
Chief Financial Officer

Statutory body of the reporting entity

Igor Vida
Chairman of the Board of Directors

Jan Pudil
Member of the Board of Directors

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Statement of Comprehensive Income For the Year Ended 31 December 2018

CZK thousand	Note	2018	2017 (restated)
Interest income and similar income calculated using the effective interest method	5	10,227,046	8,230,932
Other interest income	5	1,533,343	768,382
Interest expense and similar expense	5	(4,470,300)	(2,815,032)
Net interest income		**7,290,089**	**6,184,282**
Fee and commission income	6	2,730,507	2,790,901
Fee and commission expense	6	(867,267)	(871,490)
Net fee and commission income		**1,863,240**	**1,919,411**
Net gain on financial operations	7	1,412,533	2,263,562
Net gain from hedge accounting	8	72,507	n/a
Dividend income	9	30,812	75,233
Impairment losses on financial instruments	10	(809,464)	(437,640)
Gain/(loss) from derecognition of financial assets measured at amortised cost	11	41,156	n/a
Personnel expenses	12	(3,003,494)	(3,088,618)
General operating expenses	13	(2,159,156)	(2,370,248)
Depreciation and amortisation of fixed assets	14	(655,856)	(582,519)
Other operating income	15	126,630	68,905
Other operating expenses	16	(32,724)	(107,816)
Profit before tax		**4,176,273**	**3,924,552**
Income tax expense	17	(811,302)	(1,099,894)
Net profit for the year attributable to the Bank's shareholders		**3,364,971**	**2,824,658**
Other comprehensive income			
Items that will not be reclassified to profit or loss in future:			
Gains/(losses) from remeasurement of equity securities at FVOCI	37	25,226	n/a
Deferred tax relating to items that will not be reclassified to profit or loss in following periods	37	(5,059)	n/a
Items that will be reclassified to profit or loss in future:			
Gains/(losses) from remeasurement of available-for-sale securities	37	n/a	9,352
Cash flow hedge		176,663	181,197
Deferred tax relating to items that will be reclassified to profit or loss in following periods	37	(39,988)	(32,499)
Total other comprehensive income		**156,842**	**158,050**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,521,813**	**2,982,708**

The accompanying notes are an integral part of these financial statements.

Statement of Financial Position As of 31 December 2018

CZK thousand	Note	31/12/2018	31/12/2017 (restated)
Assets			
Cash in hand, balances with central banks and other demand deposits	18	12,006,114	10,190,061
Financial assets held for trading	19	1,961,524	1,574,150
Trading derivatives	19, 40	1 693,503	1,574,150
Securities held for trading	19	268,021	n/a
Securities at fair value through profit or loss	20	n/a	156,446
Financial assets measured at FVOCI	21	628,880	n/a
Available-for-sale securities	22	n/a	603,654
Financial assets at amortised cost	23	340 314,803	n/a
Loan and advances to banks	23	99,358,402	n/a
Loans and advances to customers	23	234,091,842	n/a
Debt securities	23	6,864,559	n/a
Loans and advances to banks	24	n/a	103,587,997
Loss allowances to loans and advances to banks	24	n/a	(4,903)
Loans and advances to customers	25	n/a	219,913,310
Loss allowances to loans and advances to customers	25	n/a	(4,969,009)
Fair value remeasurement of portfolio-remeasured items (loans to customers and debt securities)	40	(1,144,945)	(1,259,634)
Hedging derivatives with positive fair value	26	2,468,917	2,281,086
Other assets	28	1,136,996	1,091,896
Equity investments in subsidiaries, associates and joint ventures	29	1,713,321	1,712,951
Intangible assets	30	2,691,030	2,346,742
Property and equipment	31	787,267	649,401
TOTAL ASSETS		**362,563,907**	**337,874,148**

CZK thousand	Note	31/12/2018	31/12/2017 (restated)
LIABILITIES AND EQUITY			
Financial liabilities held for trading	32	1,752,469	1,730,593
Trading derivatives	32	1,752,469	1,730,593
Financial liabilities at amortised cost	33	328,375,042	305,694,184
Deposits from banks	33	32,135,721	27,379,967
Deposits from customers	33	271,118,509	252,076,227
of which: change in fair value of hedged items	*33*	*89,896*	*129,500*
Debt securities issued	33	19,599,578	19,473,226
of which: change in fair value of hedged items	*33*	*28,307*	*52,993*
Subordinated liabilities and bonds	33	2,577,259	2,712,697
Other financial liabilities	33	2,943,975	4,052,067
Fair value remeasurement of portfolio-remeasured items (deposits from customers)	40	(1,757,940)	(1,848,943)
Hedging derivatives with negative fair value	34	3,204,463	2,971,340
Provisions	35	1,306,265	1,046,871
Current tax liability	17	35,265	253,122
Deferred tax liability	27	36,311	13,565
Other liabilities	36	829,834	826,426
TOTAL LIABILITIES		**333,781,709**	**310,687,158**
EQUITY			
Share capital	37	11,060,800	11,060,800
Reserve fund		693,561	693,561
Fair value reserve	37	253,739	96,897
Retained earnings		10,793,773	9,895,720
Other equity instruments	37	2,615,354	2,615,354
Profit for the year		3,364,971	2,824,658
Total equity		**28,782,198**	**27,186,990**
TOTAL LIABILITIES AND EQUITY		**362,563,907**	**337,874,148**

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Equity For the Year Ended 31 December 2018

CZK thousand	Share capital	Reserve fund	Fair value reserve	Retained earnings	Other equity instruments	Profit for the year	Total equity
At 1 January 2017	**11,060,800**	**693,561**	**(61,153)**	**8,850,893**	**1,934,450**	**2,604,336**	**25,082,887**
Capital increase	–	–	–	–	680,904	–	**680,904**
Dividends	–	–	–	–	–	(1,412,058)	**(1,412,058)**
Payment of coupon on other equity instruments	–	–	–	(147,451)	–	–	**(147,451)**
Allocation to retained earnings	–	–	–	1,192,278	–	(1,192,278)	**–**
Net profit for the year	–	–	–	–	–	2,824,658	**2,824,658**
Other comprehensive income, net	–	–	158,050	–	–	–	**158,050**
Total comprehensive income for the period	**–**	**–**	**158,050**	**–**	**–**	**2,824,658**	**2,982,708**
At 31 December 2017	**11,060,800**	**693,561**	**96,897**	**9,895,720**	**2,615,354**	**2,824,658**	**27,186,990**
Impact of transition to IFRS 9				(228,698)	–	–	**(228,698)**
At 1 January 2018	**11,060,800**	**693,561**	**96,897**	**9,667,022**	**2,615,354**	**2,824,658**	**26,958,292**
Capital increase	–	–	–	–	–	–	**–**
Dividends	–	–	–	–	–	(1,519,232)	**(1,519,232)**
Payment of coupon on other equity instruments	–	–	–	(178,675)	–	–	**(178,675)**
Allocation to retained earnings	–	–	–	1,305,426	–	(1,305,426)	**–**
Net profit for the year	–	–	–	–	–	3,364,971	**3,364,971**
Other comprehensive income, net	–	–	156,842	–	–	–	**156,842**
Total comprehensive income for the year	**–**	**–**	**156,842**	**–**	**–**	**3,364,971**	**3,521,813**
At 31 December 2018	**11,060,800**	**693,561**	**253,739**	**10,793,773**	**2,615,354**	**3,364,971**	**28,782,198**

The accompanying notes are an integral part of these financial statements.

Cash Flow Statement For the Year Ended 31 December 2018

CZK thousand	2018	2017
Profit before tax	**4,176,273**	**3,924,552**
Adjustments for non-cash transactions		
Creation of loss allowances and provisions for credit risks	809,464	437,640
Depreciation/amortisation of property and equipment and intangible assets	655,856	582,519
Creation of other provisions	(85,096)	25,636
Change in fair value of derivatives	124,478	2,043,698
Unrealised losses/(gains) on remeasurement of securities	2,244	1,393
Loss/(gain) on the sale of property and equipment and intangible assets	4,228	(722)
Change in the remeasurement of hedged items upon fair value hedge	87,976	(1,043,816)
Remeasurement of foreign currency positions	920,511	(4,657,648)
Other non-monetary changes	(136,102)	601,814
Operating profit before changes in operating assets and liabilities	***6,559,832***	***1,915,066***
Operating cash flow		
(Increase)/decrease in operating assets		
Mandatory minimum provisions with CNB	3,151,068	(1,258,291)
Loans and advances to banks	4,259,064	(100,010,829)
Loans and advances to customers	(21,016,682)	(6,553,176)
Debt securities held at amortised costs	(4,766,359)	n/a
Securities held for trading	(110,687)	n/a
Securities at fair value through profit or loss and securities available for sale	n/a	573,155
Other assets	(45,099)	6,533
Increase/(decrease) in operating liabilities		
Deposits from banks	4,532,272	(1,522,559)
Deposits from customers	17,435,622	26,468,707
Other financial liabilities	(1,108,092)	355,147
Other liabilities	3,408	599,756
Net operating cash flow before tax	**8,894,347**	**(79,426,491)**
Income tax paid	(1,076,313)	(1,006,808)
Net operating cash flow	***7,818,034***	***(80,433,299)***
Cash flows from investing activities		
Sale/(acquisition) of equity investments	(370)	(1,065,464)
Sale of securities available for sale	–	–
Acquisition of property and equipment and intangible assets	(998,948)	(710,298)
Proceeds from sale of non-current assets	3,331	2,992
Net decrease in securities held to maturity	n/a	2,491,448
Dividends received	30,812	75,233
Net cash flow from investing activity	***(965,175)***	***793,911***
Cash flows from financing activities		
Dividends paid and paid coupons on other equity instruments	(1,697,907)	(1,559,509)
Increase in other equity instruments	–	680,904
Debt securities issued	–	(4,623,095)
Repayment of subordinated debt	(2,554,000)	–
Withdrawal of subordinated debt	2,572,500	–
Repayment of subordinated bonds	(125,000)	–
Net cash flow from financing activities	***(1,804,407)***	***(5,501,700)***
Net (decrease)/increase in cash and cash equivalents	**5,048,452**	**(85,141,088)**
Cash and cash equivalents at the beginning of the year (note 38)	5,223,899	90,509,604
Foreign exchange gains/losses on cash and cash equivalents at the beginning of the year	(81,332)	(144,617)
Cash and cash equivalents at the end of the year (note 38)	**10,191,019**	**5,223,899**
Interest received	11,488,201	8,631,227
Interest paid	(4,532,852)	(2,696,733)

The accompanying notes are an integral part of these financial statements.

Reconciliation of liabilities arising from funding, including changes arising from cash flows and non-cash changes

		Cash flows		Non-cash changes		
	At 1 January 2018	Inflow	Outflow	Remeasurement of foreign currency positions	Other non-cash changes	At 31 December 2018
Debt securities issued	19,473,226	–	–	126,352	–	19,599,578
Subordinated liabilities	2,586,645	2,572,500	(2,554,000)	–	(27,886)	2,577,259
Subordinated bonds	126,052	–	(125,000)	(1,052)	–	–

		Cash flows		Non-cash changes		
	At 1 January 2017	Inflow	Outflow	Remeasurement of foreign currency positions	Other non-cash changes	At 31 December 2017
Debt securities issued	24,722,224	–	(4,623,095)	(625,903)	–	19,473,226
Subordinated liabilities	2,737,981	–	–	–	(151,336)	2,586,645
Subordinated bonds	126,001	–	–	51	–	126,052

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1. INFORMATION ABOUT THE COMPANY

Raiffeisenbank a.s. ("the Bank"), with its registered office at Hvězdova 1716/2b, Praha 4, post code 140 78, identification number 49240901, was founded as a joint stock company in the Czech Republic. The Bank was recorded in the Commercial Register maintained by the Municipal Court in Prague on 25 June 1993, Section B, File 2051.

Principal activities of the Bank according to the banking licence granted by the Czech National Bank (CNB):

- acceptance of deposits from the public;
- provision of loans;
- investing in securities on its own account;
- finance leases – at present, the Bank does not carry out this activity directly;
- payments and clearing;
- issuance and maintenance of payment facilities;
- provision of guarantees;
- opening of letters of credit;
- direct debit services;
- provision of investment services;
  - principal investment services under Section 4 (2) (a), (b), (c), (d), (e), (g), and (h) of Act No. 256/2004 Coll., as amended;
  - additional investment services under Section 4 (3) (a) – (f) of Act No. 256/2004 Coll., as amended;
- issuance of mortgage bonds;
- financial brokerage;
- depositary activities;
- foreign exchange services (foreign currency purchases);
- provision of banking information;
- proprietary or client-oriented trading with foreign currency assets;
- rental of safe-deposit boxes;
- activities directly relating to the activities listed in the banking licence; and
- mediation of supplementary pension schemes.

In addition to the licence to pursue bank operations, the Bank:

- was granted a securities broker licence; and
- has been listed by the Ministry of Finance of the Czech Republic as a limited insurance provider.

During the year ended 31 December 2018, the performance or provision of the Bank's activities and services were not restricted or suspended by the Czech National Bank.

2. BASIS OF PREPARATION

These statutory financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) and interpretations approved by the International Accounting Standards Board (IASB) as adopted by the European Union.

The financial statements include a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a cash flow statement and notes to the financial statements containing accounting policies and explanatory notes.

The financial statements are prepared on the accrual basis of accounting whereby the effects of transactions and other events are recognised when they occur and reported in the financial statements for the periods to which they relate in terms of substance and time, and further on the going concern basis.

These financial statements have been prepared under the historical cost convention (including any impairment), except for financial assets and financial liabilities measured at fair value through profit or loss (FVTPL) (including all non-hedging derivatives and hedging derivatives in a fair value hedge), financial assets measured at fair value through other comprehensive income (FVOCI), and hedging derivatives upon a cash flow hedge remeasured at fair value through other comprehensive income.

These financial statements and notes thereto are non-consolidated and do not include the accounts and results of those companies over which the Bank has control or significant influence and joint ventures. The policies of accounting for equity investments are disclosed in note 3 h.

The Bank prepares the separate financial statements in accordance with Act No. 563/1991 Coll., on Accounting, as amended.

The Bank also prepares consolidated financial statements in accordance with IFRS and interpretations approved by the IASB as adopted by the European Union which present the results of the Bank's financial group.

The Company does not prepare annual report as at the date of these individual financial statements, as all information will be included in the consolidated annual report.

Unless otherwise indicated, all amounts are shown in thousands of Czech crowns (CZK thousand). Numbers in brackets represent negative amounts.

Use of estimates

The presentation of separate financial statements in compliance with IFRS requires the Bank's management to make estimates and assumptions that affect the amounts of assets and liabilities reported as at the reporting date, disclosure of contingent assets and liabilities and the amounts of revenues and expenses for the accounting period. These estimates, which primarily relate to the determination of fair values of financial instruments (where no active market exists), measurement of intangible assets, impairment of assets and provisions, are based on the information available at the balance sheet date. The actual future results may differ from these estimates.

As disclosed in note 44 in calculating the expected credit losses the Bank uses estimates concerning the financial condition of the borrowers and their ability to repay the credit, the value and recoverability of the security, and future macroeconomic information.

The value of recognised provisions is based on the management's judgment and represents the best estimate of expenses required to settle liabilities of uncertain timing or amount. For additional information on provisions refer to note 35.

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3. SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

(a) Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income lines "*Interest income and similar income calculated using the effective interest method*", "*Other interest income*" and "*Interest expense and similar expense*" when earned or incurred, on an accrual basis. The Bank accounts for the accruals of interest using the effective interest rate method. The effective interest rate method is an approach to calculating the amortised cost of a financial asset or financial liability using the effective interest rate. The effective interest rate is used to discount the nominal value of future cash flows as at the maturity date to the present value. Interest income (expense) also includes interest expense (income) arising from negative interest rates carried by the relevant assets (liabilities) of the Bank.

(b) Fees and commissions

Fees and commissions that are deemed to be an integral part of the effective interest rate are included in the calculation of effective interest rate. The effective interest rate includes fees directly relating to the granting of loans such as the fee for the origination of loans, loan application processing, paid commissions, etc. Fees for services provided over a certain period of time are accrued over such a period of time. These fees include, for example, fees for guarantees and letters of credit, premiums relating to the purchased portfolios, internal and external commissions and fees for transactions with securities. Revenues from fees and commissions received for concluding a transaction for a third party or for participating in such a transaction are recognised at the moment the transaction is completed.

(c) Dividends

Income from dividends on securities and equity investments is recorded as declared and included as a receivable in the statement of financial position line "*Other assets*" and in "*Dividend income*" in the statement of comprehensive income. Upon receipt of the dividend, the receivable is offset against the collected cash.

Dividends paid reduce retained earnings in the period in which their payment is approved by the annual general meeting.

(d) Other income and expenses reported in the statement of comprehensive income

Other income and expenses presented in the statement of comprehensive income are recognised under the accrual basis of accounting, i.e. in the period to which they relate in terms of substance and time irrespective of the moment of their payment or receipt.

Other operating expenses and income that do not directly relate to banking activities are presented in "*Other operating expenses*" or "*Other operating income*".

(e) Taxation

The final amount of tax presented in the statement of comprehensive income comprises the current tax for the accounting period adjusted for changes in prior years' tax liabilities, if any, and deferred tax. Current tax for the year is calculated based on the taxable income, using the tax rate enacted and the tax legislation in force as at the reporting date.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The principal temporary differences arise from certain non-tax deductible provisions and loss allowances, differences between depreciation/amortisation of property and equipment and intangible assets for accounting and tax purposes,and remeasurement of financial assets at FVOCI.

Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profit will be available to allow the asset to be utilised.

Deferred tax is calculated using the tax rate expected to apply in the period in which the tax asset is utilised or the tax liability is settled. The effect of changes in tax rates on deferred tax is recognised directly in the statement of comprehensive income except where such changes relate to items charged directly to equity.

(f) Financial assets and liabilities

Date of recognition and derecognition of financial instruments in/from the statement of financial position

Financial assets with regular delivery terms, except for financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, are recognised using settlement date accounting.

The settlement (collection) date is the day on which the financial instrument is delivered (on which cash is paid). When settlement date accounting is applied, the financial asset is recognised on the day of receipt of a financial instrument (remittance of cash) and derecognised on the day of its provision (collection of cash).

All loans and receivables are recognised when funds are provided to customers. Loans and receivables are derecognised when repaid by the borrower. Assigned receivables are derecognised when payment is collected from the assignee, and receivables which the Bank decided to write off are derecognised as at the write-off date.

For financial assets and liabilities at fair value through profit or loss, the Bank uses the trade date accounting where the trade date is the date when the entity undertakes to buy or sell the financial asset.

The substance of trade date accounting is as follows:

- recognition of an asset that the entity shall receive as at the trade date; and
- derecognition of a sold asset and recognition of the gain or loss upon disposal and recognition of a receivable from the buyer as at the trade date.

The interest on the asset and the relating liability is accumulated from the settlement date when the ownership rights are transferred. The premium/discount is amortised from the purchase settlement date to the sale settlement date.

The Bank remeasures derivative instruments at fair value from the trade date to the settlement date, that is, delivery of the last related cash flow.

The Bank settles and derecognises financial liabilities as at the date on which all related risks and costs attributable to the specific liability are transferred.

Day 1 gain/loss

In the event that the transaction price differs from the fair value of a financial asset or financial liability measured at fair value, the difference between these values (gain or loss) is reported in the statement of comprehensive income. The Bank typically does not conduct this type of transaction.

Fair value measurement principles

The fair value of financial assets and financial liabilities is based on their listed market price as at the date of preparation of financial statements without any deduction for transaction costs. If a listed market price is not available, the fair value of the instrument is determined using the appropriate measurement models or discounted cash flow method.

Where the discounted cash flow method is used, estimated future cash flows are based on the management's best estimates and the discount rate is derived from the market rate as at the reporting date for instruments with similar terms and conditions. Where measurement models are used, inputs are based on market values as at the reporting date.

The fair value of derivatives that are not exchange-traded is determined as the amount that the Bank would receive or pay to terminate the contract as at the reporting date, taking into account current market conditions and the current creditworthiness of the counterparties.

The remeasurement of debt securities in the Bank's portfolio is carried out on a daily basis, using available market rates listed by the market participants by means of Bloomberg services. A group of contributors who provide reliable and regular debt security measurement is selected for each debt security. The credit spread of the debt security is calculated from individual contributions and discount curves.

If there are sufficient current market contributions available in respect of a given debt security, the remeasurement is calculated as their average value. To prevent possible errors of particular contributions, a comparison of daily changes is made at the same time.
If there is no market price available as a source of remeasurement or the number of actual contributions is not sufficient, the Bank will carry out the remeasurement based on a risk-free interest rate swap rate, to which the last verified credit spread is applied. The Bank continues to apply this method until:
- market quotations are again available;
- the credit spread of a particular debt security is adjusted based on a comparison of credit spreads of similar debt securities;
- the Bank obtains another signal to change the credit spread applied;
- the issuer's credit rating changes (change in internal and/or external rating, signals from the market that creditworthiness is worsening); and
- the liquidity of the specific security has deteriorated significantly.

Subsequently, the Bank will carry out the remeasurement comprising new aspects of the market price, including an assessment of possible impairment losses.

The Bank's management believes that the fair value of the assets and liabilities presented in these financial statements can be measured reliably.

Classification and measurement – methods effective since 1 January 2018

IFRS 9 contains a new classification approach for financial assets that reflects the cash flow characteristics ("SPPI test") and business model in which assets are managed. Based on these criteria, the Bank classifies financial instruments into the following categories:
- financial assets measured at amortised cost ("AC");
- financial assets measured at fair value through other comprehensive income ("FVOCI");
- financial assets measured at fair value through profit or loss ("FVTPL");

Financial assets measured at amortised cost (AC)

A financial asset is measured at amortised cost if it is held in a business model whose objective is to hold financial assets to collect contractual cash flows and the cash flows are solely payments of principal and interest (SPPI) on the principal amount outstanding.

In the statement of financial position, financial assets at amortised cost are recognised in "*Financial assets at amortised cost*" and include loans and advances to banks and customers and debt securities not held for trading.

The amortised cost is the cost minus repayments of principal, plus accrued interest, increased or decreased by amortisation of discount or premium, if any, and decreased by expected credit losses using a loss allowance. The amortised cost is calculated using the effective interest rate method. An integral part of the effective interest rate are fees and related transaction costs. All loans and advances are recognised when funds are provided to customers (or banks). Interest income from financial assets at amortised cost is reported in the statement of comprehensive income in "*Interest income and similar income calculated using the effective interest method*". Impairment losses are reported in the statement of comprehensive income in "*Impairment losses on financial instruments*".

Financial assets measured at fair value through other comprehensive income ("FVOCI")

Debt instruments can be measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and at the same time the cash flows are solely payments of principal and interest (SPPI) on the principal amount outstanding. Unrealised gains and losses on debt securities are recognised directly in other comprehensive income. Upon sale, cumulated gains and losses are reclassified from other comprehensive income to profit or loss. Currently, the Bank does not measure any debt instrument at fair value through other comprehensive income.

On initial recognition of an equity security not held for trading, the Bank can elect to present subsequent changes in fair value in equity. This classification is irrevocable. The Bank uses this option in respect of equity investments not exceeding 20%. In the statement of financial position, these equity securities are recognised in "*Financial assets measured at FVOCI*". Gains or losses from a change in their fair value are reported in the statement of comprehensive income in "*Gains/(losses) from remeasurement of equity securities at FVOCI*". Gain or loss accumulated in equity cannot be reclassified to profit or loss when the security is sold. Dividends received from these equity instruments are reported in the statement of comprehensive income in "*Dividend income*".

Financial assets measured at fair value through profit or loss ("FVTPL")

Financial assets can be measured at fair value through profit or loss if the cash flows do not meet the conditions of the contractual cash flow characteristics test or present a part of the business model whose objective is to hold financial assets to realise their value through sale.

In addition, the Bank may, on initial recognition, irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The Bank currently does not use this option.

Debt financial instruments measured at fair value through profit or loss are reported in the statement of financial position in "*Securities held for trading*" which is a part of "*Financial assets held for trading*".

Equity instruments which are classified by the Bank as held for trading or for which it does not apply the option to recognise fair value movements in other comprehensive income are measured at fair value through profit or loss.

Changes in net fair value of financial assets at FVTPL are reported in the statement of comprehensive income in "*Net gain on financial operations*". The interest income and interest expense is reported in the statement of comprehensive income in "*Other interest income*" or "*Interest expense and similar expense*".

Analysis of contractual cash flow characteristics

As part of the analysis of contractual cash flow characteristics, the Bank assesses whether the contractual cash flows from loans and debt securities represent solely payments of principal and interest (SPPI) on the principal amount outstanding. Principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic and lending risks and costs, as well as a profit margin.
In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank will consider:
- contingent events that would change the amount and timing of contractual cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the entity's claim to cash flows from specified assets; and
- features that modify consideration for the time value of money.

Business model

The definition of the Bank's business models reflects how groups of financial assets are managed together to achieve a particular business objective. In assessing the objective of a business model, the Bank primarily considers the following information:
- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, the Bank considers whether the management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the business model is evaluated and reported to the Bank's key management personnel;
- the risks that affect the performance of the business model and financial assets held within this business model, and how those risks are managed;
- how managers of the entity are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the entity's stated objective for managing the financial assets is achieved and how cash flows are realised.

The Bank classifies financial assets into the following business model categories:
(i) "Held for trading",
(ii) "Hold, collect contractual cash flows and sell";
(iii) "Hold and collect contractual cash flows";
(iv) "Held for strategic reasons"; or
(v) "Derivatives held for risk management purposes"

(i) Business model "*Held for trading*"
Debt securities and loans classified by the Bank as "*held for trading*" are held to generate cash flows through their sale. The Bank makes decisions based on the assets' fair values and manages their trading based on revenues from the realisation of these fair values. The "*held for trading*" business model category includes all debt securities and loans that are not included in the "*hold and collect contractual cash flows*" and "*hold, collect contractual cash flows and sell*" categories. The Bank classifies as "*held for trading*" all derivative transactions that do not fall into the "*derivatives held for risk management purposes*" category.

(ii) Business model "*Hold, collect contractual cash flows and sell*"
Loans and debt securities in the "*hold, collect contractual cash flows and sell*" category are held for the purpose of acquiring contractual cash flows and selling financial assets. To acquire contractual cash flows and sell financial assets form an essential part of the model's business objective, which is to manage the Bank's liquidity needs. The Bank expects that, upon the structural deficit of assets, it will sell these loans and securities to cover the deficit of liquid assets.

Within the "*hold, collect contractual cash flows and sell*" business model the Bank categorises all denominated government bonds that are part of a liquidity provision and (ii), potentially, all other debt securities that are held and could be sold before their maturity if market conditions are favourable.

(iii) Business model "*Hold and collect contractual cash flows*"
In the "*hold and collect contractual cash flows*" category the Bank holds all loans and debt securities for the purpose of acquiring contractual cash flows over the entire useful lives of instruments. The Bank expects and has intention and ability to hold these loans and debt securities to maturity. When determining whether cash flows will be generated by collecting financial assets' contractual cash flows, the Bank assesses the frequency, value and timeline of sales in previous periods as well as reasons why these sales were carried out and expectations regarding the future selling activities within the given portfolio.

The Bank considers the following sales to be consistent with the "*hold and collect contractual cash flows*" business model:
- a sale as a result of an increase in the credit risk associated with a financial instrument, irrespective of the frequency and value;
- a sale carried out to manage credit risk concentration if this sale is unique (even if material in terms of its value) or immaterial in terms of value but frequent;

(iv) Business model "*Held for strategic reasons*"
Equity securities falling into the "*held for strategic reasons*" category are held to acquire cash flows – dividends on a long-term basis. The Bank classifies its ownership interests in non-consolidated companies as "*held for strategic reasons*".

(v) Business model "*Derivatives held for risk management purposes*"
Derivative transactions categorised as falling in the "*derivatives held for risk management purposes*" represent hedging derivatives intended to manage the Bank's interest rate and currency risks. Hedging derivatives are used according to the type of hedging relationship, i.e. fair value hedges or cash flow hedges.

Impairment of financial assets

IFRS 9 has introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses ("*ECL*") relating to an increase in the borrower's credit risk.

The Bank determines impairment of financial assets using the ECL model in respect of the following financial assets:
- Financial assets at amortised cost;
- Debt financial instruments measured at FVOCI;
- Financial guarantees and loan commitments.

For the purpose of calculating loss allowances, IFRS 9 requires using a new three-stage model that evaluates changes in portfolio quality since initial recognition as at the reporting date.

Stage 1 includes financial assets the credit risk of which has not increased significantly since initial recognition and assets with low credit risk as at the reporting date. The 12-month expected credit losses are recognised for all assets in this category. Interest income is calculated on the basis of the gross carrying amount of financial assets.

Stage 2 includes financial assets the credit risk of which has increased significantly since initial recognition but for which there is no objective evidence of impairment. Expected credit losses are recognised for these assets over their lifetime. Interest income is calculated on the basis of the gross carrying amount of financial assets.

According to the Bank's methodology, credit risk significantly increases if one or more of the quantitative or qualitative criteria defined by the Bank are met.

The quantitative criteria are based on changes in the values of the probability of default. The qualitative criteria for assessing changes in the credit risk in respect of exposures to financial institutions, public sector institutions, corporate clients and project funding include changes in external market indicators, changes in contractual terms, and changes in expert assessments. In respect of the retail portfolio, the qualitative criteria include forbearance and expert assessment.

Stage 3 includes financial assets for which there is objective evidence of impairment. Expected credit losses are recognised for these assets over their entire lifetime. Interest income is calculated on the basis of the net carrying amount of the assets. Since 1 January 2018, the category has included receivables with default.

Purchased or originated credit-impaired financial assets ("POCI")
These assets include expected cash flows used in calculating the effective interest rate upon the initial recognition of the expected credit loss over the entire lifetime of the asset. Changes in expected credit losses are recognised as loss allowances along with the related gain or loss through the Bank's profit or loss.

According to the Bank's methodology, receivables are impaired if they meet one or more of the following criteria:
the borrower has been in default for over 90 days, the borrower has died, the borrower has become insolvent, the active market for the financial asset has disappeared due to financial difficulties, the borrower has been granted relief in relation to its financial difficulties, or the borrower is likely to go bankrupt. In calculating the present value of expected credit losses, the Bank refers to the

values of the probability of default ("PD"), loss given default ("LGD"), exposure at default ("EAD") and the discount factor ("D"). In assessing the significant increase in credit risk and calculating expected credit losses, the Bank takes into account relevant information including their future development. Based on an analysis, the Bank has identified the key economic indicators affecting the credit risk and the expected credit loss for individual portfolios. In respect of corporate clients, the indicators include the gross domestic product, the unemployment rate, the long-term interest rate of government bonds, and the inflation rate. In respect of the retail portfolio, these include the gross domestic product, the unemployment rate, and real estate prices.

Loans and receivables – methods effective until 31 December 2017

Loans originated by the Bank in the form of directly advancing funding to the client are considered provided loans and are stated at amortised cost. The portfolio of loans and receivables additionally includes debt securities measured at amortised cost and fulfilling the criteria of IAS 39 for being included in the "*Loans and receivables*" portfolio. The amortised cost is the cost minus principal repayments, plus accrued interest, plus or minus amortisation, if any, of discount or premium. The amortised cost is calculated using the effective interest rate method. An integral part of the effective interest rate are fees and the related transaction costs. All loans and advances are recognised when cash is advanced to borrowers (or banks).

Impairment losses on loans and receivables are recognised when there are reasonable doubts over the recoverability of the loan balance. Impairment losses on loans and receivables represent management's assessment of potential losses in relation to the Bank's on and off balance sheet activities.

Provisions are recognised individually in respect of specific loans where a debtor's default was identified or on a portfolio basis for not yet identified losses which may be present based on portfolio (similar individually unimpaired loans) performance with similar characteristics in terms of credit risk. The level of individual provisions is established by comparing the carrying amount of the loan and the present value of future expected recoverable amounts. The level of portfolio provisions is determined on the basis of the anticipated recovery rates of the portfolio as of the financial statements date. The anticipated cash flows from individual portfolios of similar loans are estimated on the basis of previous experience. If the Bank does not report multiple similar loans, the portfolio approach is not applied. Portfolio provisions are recognised for the loans and receivables of all market segments.

The change in provisions, after write-offs, is charged to the statement of comprehensive income line "*Impairment losses on financial instruments*". Additional details can be found in Note 44 f.

Loans and receivables when it can be reasonably anticipated that clients will be unable to fulfil their obligations to the Bank in respect of these loans are transferred to an external entity or individually written off with the concurrent use of a recorded provision. These write-offs are included in "*Change in provisions for credit risks*" in the statement of comprehensive income. Subsequent recoveries are also included in this line.

Restructuring of loans and advances to customers

Restructuring of loans and advances means providing the customer with a relief because the Bank concluded that it would likely incur a loss if it did not do so. For economic or legal reasons associated with the borrower's financial position the Bank therefore provided the borrower with a relief which would not have been available otherwise. For example, the relief may include rescheduling repayments, reducing the interest rate or waiving default interest. A restructured loan or advance (receivable) is not a loan or advance which originated as a result of the renewal of a short-term loan for current assets if the borrower fulfilled all of his payment and non-payment obligations arising from the loan agreement.

Furthermore, restructuring is not a change in the repayment schedule or in the form of the loan if these changes have been made for commercial reasons or on the grounds of changed financial needs of the borrower, and the anticipated development in the borrower's financial and economic situation does not give rise to doubt as to the full repayment of the receivable even without the change.

Securities – methods effective until 31 December 2017

Securities held by the Bank are categorised into portfolios in accordance with the Bank's intent on the acquisition of the securities and pursuant to the Bank's security investment strategy. In accordance with its intent, the Bank allocates securities into several portfolios - the portfolio of "*Securities at fair value through profit or loss*", the portfolio of "*Securities available for sale*" and the portfolio of "*Securities held to maturity*" and the portfolio of "*Loans and receivables*". The principal difference between the portfolios relates to the approach to measurement and presentation in the financial statements.

Securities at Fair Value through Profit or Loss

This portfolio includes both debt and equity securities held for trading, that is, securities held by the Bank with the intention of reselling them, thereby generating profits on price fluctuations in the short-term, and debt and equity securities that were designated, upon initial recognition, as at fair value through profit or loss. Securities at fair value through profit or loss are recognised at fair value (cost) at the acquisition date.

Changes in the fair values of securities held for trading as well as securities measured at fair value through profit or loss are recognised in the statement of comprehensive income as "*Net profit on financial operations*". Interest income from bonds held for trading and securities at fair value through profit or loss is reported in the statement of comprehensive income in "*Net profit on financial operations*".

For debt and equity securities traded on a public market, fair values are derived from quoted prices.

Transaction costs of at-fair-value-through-profit-or-loss securities are not added to the cost but are recognised through expenses and presented in the statement of comprehensive income line "*Fee and commission expense*".

Securities Available for Sale

Securities available for sale are securities held by the Bank for an indefinite period of time that are available for sale as liquidity requirements arise or market conditions change. In accordance with the investments strategy, the Bank did not include securities in this portfolio in the past period. The Bank does not intend to change the strategy for inclusion of securities in this portfolio in the coming years.

Securities available for sale are carried at fair value (cost). Securities for which the fair value cannot be reliably determined are stated at cost in accordance with IAS 39 and the Bank annually assesses whether the value is not impaired. Changes in the fair values of available for sale securities are recognised in other comprehensive income as "Gains/(losses) from remeasurement of securities available for sale", with the exception of their impairment and interest income and foreign exchange differences on debt securities.

When realised, the relevant revaluation gains or losses are taken to the statement of comprehensive income as "*Net profit on financial operations*". Interest income and impairment (if any) is included in the statement of comprehensive income as "*Net profit on financial operations*". Foreign exchange rate gains or losses from debt securities are included in "*Net profit on financial operations*". Dividend income from securities included in this portfolio is included in "*Dividend income*".

Securities Held to Maturity

Investments held to maturity are financial assets with fixed or determinable payments and fixed maturities that the Bank has the positive intent and ability to hold to maturity. In accordance with the Bank's strategy, only the securities issued by the Czech Republic are included in this portfolio. The Bank does not anticipate changing this intent in the future.

Securities held to maturity are initially measured at cost and subsequently reported at amortised cost using the effective interest rate less impairment, if any. The amortisation of premiums and discounts and interest income from coupon debt securities held to maturity is included in "*Interest income and similar income*".

The fair value of this portfolio is disclosed in Note 43c "*Fair values of financial assets and liabilities*".

Financial liabilities

The Bank classifies financial liabilities into two categories:
– financial liabilities at amortised cost;
– financial liabilities held for trading.

The Bank derecognises a financial liability where related contractual obligations are fulfilled or cancelled or they cease to exist.

Repo transactions

Where debt or equity securities are sold under a concurrent commitment to repurchase them at a predetermined price, they remain at fair value or amortised cost within the relevant portfolio in the statement of financial position and the consideration received is recorded in "*Financial liabilities at amortised cost*" – "*Deposits from banks*" or "*Financial liabilities at amortised cost*" – "*Deposits from customers*". Conversely, debt or equity securities purchased under a concurrent commitment to resell are recorded off balance sheet where they are remeasured at fair value. The corresponding receivable from the provided loan is recorded in "*Financial assets at amortised cost*" – "*Loans and advances to banks*" or in "*Financial assets at amortised cost*" – "*Loans and advances to customers*" in the statement of financial position.

Securities borrowed are not reported in the financial statements unless they are assigned to third parties, in which case ("short sales") the purchase and sale are recognised as a liability with the gain or loss included in "*Net gain on financial operations*".

The obligation to return them is recorded at fair value as a trading liability and presented in the statement of financial position line "*Other liabilities*".

Interest on debt securities transferred under repo transactions (repurchase transactions) is accrued while interest on debt securities received under reverse repurchase transactions is not accrued. Income or expenses arising from repo transactions or reverse repo transactions (reverse repurchase transactions) as the difference between the selling and purchase price are accrued over the term of the transaction and presented in the statement of comprehensive income as "*Interest income and similar income calculated using the effective interest method*" or "*Interest expense and similar expense*".

Issued bonds

Debt securities issued by the Bank are stated at amortised costs using the effective interest rate method. Interest expense arising on the issue of the Bank's own debt securities is reported in the statement of comprehensive income line "*Interest expense and similar expense*".

The Bank's own debt securities repurchased by the Bank are presented as a reduction of liabilities arising from securities issued. Upon initial recognition, the Bank's own debt securities are stated at fair value. The difference between the cost of repurchased own debt securities and the amortised cost of issued securities is included in the statement of comprehensive income line " Net gain on financial operations" in the period of acquisition. Interest expense on issued debt securities are reduced to reflect the gradual increase in the value of the Bank's own debt securities.

Subordinated loan

A subordinated loan is a loan where it has been contractually agreed that, in the event of liquidation, bankruptcy, forced settlement or settlement with the borrower, the loan will be repaid only after the full satisfaction of all other liabilities to the other creditors, the only exception being liabilities that carry the same or similar subordination condition.

The principal of the subordinated loan and relevant interest are recognised from the draw-down date to the maturity date of the subordinated loan. The subordinated loan including the accrued and not yet paid portion of the interest is reported in "*Subordinated liabilities and bonds*" in the statement of financial position. Interest expense on subordinated loan is reported in the statement of comprehensive income in "*Interest expense and similar expense*".

Subordinated debt securities issued

Subordinated debt securities issued are debt securities where it has been agreed that they will be settled only after the settlement of all other liabilities if the issuer is placed into liquidation or a resolution on the bankruptcy of the issuer is passed, except for liabilities that carry the same or similar subordination condition.

Subordinated debt securities issued are reported by the Bank at amortised cost using the effective interest rate and are included in "*Subordinated liabilities and bonds*" in the statement of financial position. Interest expense arising on the issue of the Bank's own debt securities is reported in the statement of comprehensive income line "*Interest expense and similar expense*".

Financial Derivative Instruments

In the normal course of business, the Bank enters into contracts for derivative financial instruments. Financial derivatives include foreign currency and interest rate swaps, cross currency swaps, currency forwards, forward rate agreements, foreign currency, interest rate and commodity options (both purchased and sold), and other derivative financial instruments. The Bank uses various types of derivative instruments in respect of both its trading and hedging activities of currency and interest rate positions. The Bank internally includes all types of derivatives in the banking or trading portfolios. The banking portfolio additionally includes financial derivatives used as hedging instruments in fair value and cash flow hedging.

All financial derivative instruments are initially recognised at fair value in the statement of financial position and are subsequently remeasured and stated at fair value. The fair values of financial derivatives held for trading are reported in "*Financial assets held for trading – derivatives held for trading*" and "*Financial liabilities held for trading – derivatives held for trading*" in the statement of financial position. The fair values of hedging financial derivatives are reported in "*Hedging derivatives with positive fair value*" and "*Hedging derivatives rwith negative fair value*" in the statement of financial position. Interest income and expense associated with financial derivatives used as hedging instruments when hedging fair values or cash flows is reported in "*Interest income calculated using the effective interest method*" or "*Interest expense and similar expense*" in the statement of comprehensive income. Interest income and expense relating to financial derivatives in the business portfolio is reported in "*Other interest income*" or "*Interest expense and similar expense*".

Realised and unrealised gains and losses are recognised in the statement of comprehensive income line "*Net profit on financial operations*", the only exception being unrealised gains and losses on cash flow hedges which are recognised in equity. Fair values of derivatives are based upon quoted market prices or pricing models which take into account current market and contractual prices of the underlying instruments, as well as the time value and yield curve or volatility factors underlying the positions. The fair value of derivative instruments also includes credit and debit adjustments resulting from a derivative transaction counterparty'scredit risk

Embedded derivatives

In some instances, a derivative may be part of a compound financial instrument, which includes both the host instrument and the derivative (embedded derivative) that influences the cash flow or otherwise modifies the characteristics of the host instrument.

Embedded derivatives – methods effective since 1 January 2018

Derivatives embedded in other financial instruments are treated as separate derivatives when:
- the host instrument is not an asset in compliance with IFRS 9;
- a separate host instrument is not remeasured at fair value through profit or loss (FVTPL);
- the terms of the embedded derivative would meet the definition of a derivative if these were part of a separate contract;
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host instrument.

Separate embedded derivatives are stated at fair value and changes in fair values are recognised in profit or loss if they are not part of hedging relationships within cash flow hedging or hedging of a net investment in a foreign operation.

Embedded derivatives – methods effective until 31 December 2017

An embedded derivative is separated from the host instrument and accounted for separately, provided all of the following criteria are met:
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- the host contract is not measured at fair value and changes in the fair value are not recognised in the statement of comprehensive income;
- the embedded instrument meets the general terms of a derivative.

Hedge accounting

From 1 January 2018, the Bank decided to continue to apply hedge accounting in accordance with IAS 39, and not in compliance with the current amendment in IFRS 9. Hedging derivatives are derivatives that the Bank can use to hedge against its interest rate and currency risks. A hedging relationship qualifies for hedge accounting if, and only if, all of the following conditions are met:
a) At the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge;,
b) The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship;,
c) For cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss;
d) The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured; and
e) The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

Hedging financial derivatives are accounted for according to the type of the hedging relationships which are as follows:
a) Fair value hedge: a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss;
b) Cash flow hedge: a hedge of the exposure to variability in cash flows that:
   i. Is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction; and,
   ii. Could affect profit or loss.
c) Hedge of a net investment in a foreign operation.

The Bank applies fair value hedging to manage its market risks. Changes in the fair value of hedging derivatives classified as a fair value hedge are reported in the statement of comprehensive income line "*Net gain from hedge accounting*", interest income and expense on these derivatives (i.e. both realised and accrued) are reported in the statement of comprehensive income line "*Interest income and similar income calculated using the effective interest method*" or "*Interest expense and similar expense*". A change in the fair value of the hedged item in relation to the fair value hedge of individual hedged items is recognised as part of the carrying amount of the hedged item in the statement of financial position and in line "*Net gain from hedge accounting*" in the statement of comprehensive income. In respect of the fair value hedge of the hedged items portfolio, the change in the fair value of hedged items is reported in the statement of financial position as "*Fair value remeasurement of portfolio-remeasured items*" in relevant items and in line "*Net gain from hedge accounting*" in the statement of comprehensive income.

The cash flow hedging is aimed at the elimination of uncertainty in future cash flows and the stabilisation of the net interest income. The effective part of the change in the fair value of hedging derivatives treated as cash flow hedges is reported in "*Cash flow hedges*" in the statement of comprehensive income and cumulatively in "*Fair value reserve*" in the statement of financial position. The ineffective part of the change in the fair value of hedging derivatives treated as cash flow hedges is immediately presented in "*Net gain from hedge accounting*" in the statement of comprehensive income. The values that were reported in other comprehensive income are reallocated in gain or loss in the period in which the hedged item affects gains or losses in "*Net gain from hedge accounting*" in the statement of comprehensive income.

The effectiveness of the hedge is regularly tested on a monthly basis, prospectively and retrospectively. Where the hedge ceases to meet the criteria for hedge accounting, the maturity of the hedging instrument expires, the hedging instrument is sold, terminated or exercised, the Bank discontinues the hedging relationship and writes off the adjustments of the carrying amount of the hedged interest bearing financial instruments through statement of comprehensive income over the period to the maturity of the hedged item in respect of the fair value hedge, or the accumulated profit or loss from the hedging instrument, originally presented in other comprehensive income, remain in the statement of financial position in "*Fair value reserve*" until the transaction is realised in respect of cash flow hedges.

(g) Offsetting

Financial assets and liabilities may be offset and the net amount is reported in the statement of financial position when the Bank has a legally enforceable right to set off the recognised amounts and the transactions are intended to be reported in the statement of financial position on a net basis. The Bank does not offset any financial assets and financial liabilities.

(h) Other equity instruments

Other equity instruments principally include AT1 capital investment certificates that combine the elements of equity and debt securities and meet the criteria for inclusion in the Bank's auxiliary Tier 1 capital. These instruments are reported at their nominal value in the statement of financial position line "*Other equity instruments*". The payment of interest income attributable to the certificate holders is governed by the relevant terms and conditions set out in the prospectus for the certificates and is made from the Bank's retained earnings following the approval of the profit distribution by the Bank's General meeting of shareholders.

(i) Equity investments

Equity investments in subsidiaries and associated companies and joint ventures are recognised at acquisition cost including transaction costs, less loss allowances for any temporary impairment, or less write-downs due to permanent impairment of their value.

At the date of preparation of the financial statements or interim financial statements, the Bank assesses equity investments in subsidiaries and associated companies and joint ventures for impairment. The impairment of an equity investment is identified as the difference between the carrying amount and recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and its value in use determined as a sum of discounted expected cash flows. Impairment of equity investments in subsidiaries and associated companies is reported in the statement of comprehensive income in "*Impairment losses on equity investments*".

Equity investments where the Bank holds a share in registered capital lower than 20 percent are reported as "*Financial assets measured at FVOCI*".

(j) Property and equipment and intangible assets

Property and equipment comprise assets with a physical substance and with an estimated useful life exceeding one year and acquisition cost of more than CZK 40,000.

Intangible assets include assets without physical substance with an estimated useful life exceeding one year and acquisition cost of more than CZK 60,000.

Property and equipment and intangible assets are stated at acquisition cost less accumulated depreciation, amortisation and loss allowances and are depreciated or amortised when ready for use through the statement of comprehensive income line "*Depreciation and amortisation of fixed assets*" on a straight line basis over their estimated useful lives.

Depreciation periods and depreciation rates for individual categories of property and equipment and intangible assets are as follows:

	Depreciation period	Depreciation rate
Software (except for core banking systems)	4 years	25%
Buildings	30 years	3.33%
Other (cars, furniture and fixtures, office equipment and computers)	4 – 10 years	10 – 25%

Leasehold improvements are depreciated on a straight-line basis over the lease term, or if appropriate the depreciation period is extended by the term arising from an option arrangement. Leasehold improvements under lease arrangements with no fixed expiry date are depreciated over 15 years.

Land and works of art (irrespective of their cost) and assets under construction are not depreciated.
The cost of internally generated intangible assets comprise all costs that can be allocated directly or by reference to a reasonable and consistent basis for generating and preparing an asset for its intended use.

The Bank periodically reviews the utilisation of its assets and adjusts the policy on their depreciation/amortisation as and when needed. A change in the depreciation period is not considered a change in accounting policies but a change in accounting estimates.

The Bank's assets are regularly tested for impairment. Impairment of assets, if any, is reported in the statement of comprehensive income in "*General operating expenses*". The Bank regularly reviews the anticipated future benefit from intangible assets; if no benefit can be expected, the relevant intangible assets are derecognised from the statement on financial position. The loss resulting from the derecognition is included in the statement of comprehensive income line "*Other operating expenses*".

Repairs and maintenance are charged directly to the statement of comprehensive income line "*General operating expenses*" in the year in which the expenses were incurred.

(k) Assets and disposal groups held for sale

Assets held for sale and assets that are part of a disposal group held for sale are reported in the statement of financial position line "*Assets held for sale*". If the disposal group held for sale also includes liabilities, they are reported in the statement of financial position line "*Liabilities attributable to assets held for sale*". Non-current assets and disposal groups classified as held for sale are measured at the lower of the carrying amount and fair value less the sale-related costs.

(l) Provisions

A provision represents a probable cash outflow of uncertain timing or amount. The Bank recognises a provision when, and only when:
- it has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- the amount of the obligation can be estimated reliably.

Provisions for guarantees and other off balance sheet items

The Bank recognises potential commitments arising from issued guarantees, irrevocable credit commitments (undrawn portion), confirmed open letters of credit, etc. as part of off-balance sheet assets. Provisions for estimated losses on these commitments are made under the same principles as the loss allowances to financial assets. Changes in these provisions are recognised in "*Impairment losses on financial instruments*".

Provision for payroll bonuses

The Bank accounts for provisions for long-term payroll bonuses (quarterly and annual bonuses). Creation, utilisation and release of the provisions for payroll bonuses are reported in the statement of comprehensive income in "*Personnel expenses*".

Other provisions

Creation, utilisation and release of the other provisions relating to banking activities (legal disputes, etc.) are reported in "*General operating expenses*". If a provision does not relate to banking activities, the creation, utilisation and release of the other provisions are reported in "*Other operating income/Other operating expenses*". Other provisions also include the provision for fines and penalties.

(m) Current tax liability

Current tax liability represents the tax liabilities for the current period less current income tax prepayments, adjusted for changes in prior year's tax liability, if any. Tax liabilities are stated at the amount that is expected to be paid to thte tax authority. In calculating the tax liabilities for the current period, the tax rates and tax legislation in force as at the reporting date will apply.

(n) Transactions with securities undertaken on behalf of customers

Securities taken by the Bank into custody, administration or to be managed are kept off balance sheet at their market or nominal values if the market value is not available. "*Other liabilities*" in the statement of financial position comprise the Bank's payables to customers (deposits from customers) arising from cash received to purchase securities or advance payments to be refunded to customers.

(o) Contingent assets, contingent liabilities and off-balance sheet items

A contingent asset/liability is a potential asset/liability that arises from past events and whose existence will be only confirmed by the occurrence or non-occurrence of one or more uncertain future events not fully under the entity's control. Contingent assets/liabilities are recorded off balance sheet, with the Bank regularly reviewing their development to specify whether an inflow/outflow of resources embodying economic benefits has become probable. Where the likelihood of an outflow of economic benefits is higher than 50%, the Bank will recognise a provision. Where the likelihood of an inflow of economic benefits is virtually certain, the Bank will recognise an asset and income.

Contingent liabilities also include existing liabilities if their settlement is unlikely to require an outflow of resources embodying economic benefits or if the amount of the liability cannot be reliably quantified. Contingent liabilities include for example: irrevocable credit commitments and commitments arising from bank guarantees and letters of credit.

Besides contingent assets and contingent liabilities, assets arising from activities consisting in management, administration and custody of valuables and securities are also recorded off balance sheet, including the related liabilities to return the relevant assets to customers.

Off-balance sheet items also include the nominal values of interest rate and foreign currency instruments, including forwards, swaps and options.

(p) Segment reporting

The Bank reports information about segments in accordance with IFRS 8 Operating Segments. IFRS 8 requires that operating segments be identified based on internal reports regularly reviewed by the Bank's chief operating decision maker. Pursuant to these internal reports including the overview of the performance of the particular operating segment, it is possible to assess the performance of the segment, or if appropriate decide on the strategic development of the operating segment.

The basis for determining reportable segments is a report that the Bank prepares for the Board of Directors which is considered to be the 'chief operating decision maker', i.e. a person/group of persons that allocates resources and assesses the performance of individual operating segments of the Bank.

Information on reportable operating segments of the Bank is disclosed in note 42.

(q) Foreign currency translation

Transactions denominated in foreign currencies are initially measured at the official exchange rate announced by CNB on the transaction date. Assets and liabilities denominated in foreign currencies are translated into the local currency at CNB's exchange rate prevailing as at the date of preparation of the statement of financial position. Realised and unrealised gains and losses on foreign currency translation are recognised in the statement of comprehensive income in "*Net gain on financial operations*", with the exception of foreign exchange rate differences on equity investments denominated in foreign currencies which are reported at the historical exchange rate, foreign exchange rate differences on equity securities included in the portfolio of financial assets at FVOCI which are reported as a component of a change in the fair value and foreign exchange rate differences on derivatives entered into to hedge the currency risk associated with assets or liabilities whose foreign exchange rate differences are a part of the change in the fair value.

(r) Cash and cash equivalents

The Bank considers cash on hand, deposits with central banks, deposits with other banks and treasury bills with a contractual maturity of three months or less to be cash equivalents. For the purpose of determining the balance of cash and cash equivalents, the minimum reserve deposit with CNB is not included as a cash equivalent due to restrictions on its utilisation.

(s) Employee benefits

Every employee of the Bank has access to a 'benefit purse' in which they obtain an annual one-off contribution depending on the number of years worked and their position. In drawing it, the employees have several options to choose from, including leisure, supplementary pension insurance and life assurance contributions, and meal contributions. The costs incurred in connection with the benefit purse contributions are reported on an accruals basis in "*Personnel expenses*" in the statement of comprehensive income. Employees receive bonuses on significant personal and work anniversaries. The costs incurred in connection with these benefits are reported in "*Personnel expenses*" in the statement of comprehensive income.

The amount of the bonuses depends on the fulfilment of the performance criteria. The bankers from the branch network receive monthly bonuses with a month delay. Branch managers receive quarterly bonuses with a month delay. The other employees receive annual bonuses. Bonuses are reported on an accruals basis. At year-end, the liability is reported in "*Provisions for payroll bonuses*". Creation, utilisation and release of the provisions for payroll bonuses are reported in the statement of comprehensive income in "*Personnel expenses*".

Members of the board of directors receive bonuses tied to their performance, depending on the fulfilment of financial and non-financial criteria approved by the supervisory board. A substantial portion of the bonus of at least 40% is spread over 3 years. A portion of the floating bonus of 50% is paid in the form of a non-monetary instrument, which is the Bank's virtual stock plan. The plan is based on the RBCZ Adjusted Book Value indicator. The basis for determining the Adjusted Book Value is the net book value of the Bank's share capital less the values held by minority shareholders (if any) as at the date on which the bonus is awarded. The value is subsequently used to determine the value of a single virtual share by dividing the value of the capital by the number of shares without minority owners. Following the conclusion of the financial year for which the variable bonus is awarded, the Adjusted Book Value is calculated based on the financial results approved by the Bank's supervisory board and general meeting. Deferred bonuses paid in cash, i.e. bonuses paid to members of the board of directors more than 12 months subsequent to the end of the reporting period during which they provided services to the Bank, are considered to be long-term employee benefits reported in "*Provision for payroll bonuses*" in the statement of financial position. Creation, utilisation and release of the provisions for payroll bonuses are reported in the statement of comprehensive income in "*Personnel expenses*".

4. CHANGES IN ACCOUNTING POLICIES IN 2018

(a) Newly applied standards and interpretations the application of which had a significant impact on the financial statements

IFRS 9 Financial Instruments is effective for annual periods beginning on or after 1 January 2018 and replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes requirements on recognition, measurement, impairment and derecognition of financial assets and liabilities and hedge accounting.

IFRS 9 has introduced a new approach to the classification of financial assets and calculation of credit losses.

For the purpose of classification under IFRS 9, the Bank newly assesses the individual financial assets based on the:
- business model for managing the financial assets;
- and the characteristics of contractual cash flows following from the financial assets.

In determining the credit losses (i.e. loss allowances), the Bank divided the financial assets in three stages based both on quantitative and qualitative criteria:
- performing receivables (stage 1);
- receivables where the credit risk has increased significantly since initial recognition (stage 2);
- non-performing receivables (stage 3).

Due to the delayed application of a part of IFRS 9 for macro hedge accounting, it is possible to apply hedge accounting according to IAS 39 until the effective date of the amendments to IFRS 9 relating to this area. From 1 January 2018, the Bank decided to continue to apply hedge accounting in accordance with IAS 39, and not in compliance with the current amendment in IFRS 9.

The new accounting policies for financial instruments are described in note 3.

The impact of this change on equity as at 1 January 2018 is stated below.

Reconciliation of financial assets and liabilities

CZK thousand Financial assets	Measurement model under IAS 39	IAS 39 31/12 2017	Reclassification	Remeasurement – impairment losses	Measurement model under IFRS 9	IFRS 9 1/1/2018
Financial assets at amortised cost						
Loans and advances to banks		103,583,094	–	–	–	**103,583,094**
Loans and advances to customers						
Transfer: To: Debt securities			(2,060,223)			
Total		214,944,301	(2,060,223)	(182,197)		**212,701,880**
Debt securities						
Transfer: From: Loans and advances to customers			2,060,223			
Total		–	2,060,223	1,227		**2,061,450**
Total	**L&R**	**318,527,395**	**–**	**(180,970)**	**AC**	**318,346,425**
Available-for-sale securities						
Transfer: To: Financial assets at FVOCI			(603,654)			
Total	**AFS**	**603,654**	**(603,654)**	**–**	**n/a**	**–**
Financial assets at FVOCI						
Transfer: From: Available-for-sale securities			603,654			
Total	**n/a**	**n/a**	**603,654**	**–**	**FVOCI**	**603,654**
Securities at fair value through profit or loss						
Transfer: To: Financial assets held for trading			(156,446)			
Total	**FVTPL**	**156,446**	**(156,446)**	**–**	**FVTPL**	**–**
Financial assets held for trading						
Transfer: From: Securities at FVTPL			156,446			
Transfer: From: Positive fair value of financial derivatives			1,574,150			
Total	**FVTPL**	**–**	**1,730,596**	**–**	**FVTPL**	**1,730,596**
Derivatives – hedge accounting						
Transfer: From: Positive fair values of financial derivatives			2,281,086			
Total	**FVTPL**	**–**	**2,281,086**	**–**	**FVTPL**	**2,281,086**
Positive fair values of financial derivatives						
Transfer: To: Financial assets held for trading			(1,574,150)			
Transfer: To: Derivatives – hedge accounting			(2,281,086)			
Total	**FVTPL**	**3,855,236**	**(3,855,236)**	**–**	**FVTPL**	**–**

CZK thousand Financial assets	Measure-ment model under IAS 39	IAS 39 31/12 2017	Reclassification	Remeasure-ment – impairment losses	Measure-ment model under IFRS 9	IFRS 9 1/1/2018
Financial liabilities held for trading						
Transfer: From: Negative fair values of financial derivatives			1,730,593			
Total	**FVTPL**	**–**	**1,730,593**	**–**	**FVTPL**	**1,730,593**
Hedging derivatives with negative fair value						
Transfer: From: Negative fair values of financial derivatives			2,971,340			
Total	**FVTPL**	**–**	**2,971,340**	**–**	**FVTPL**	**2,971,340**
Negative fair values of financial derivatives						
Transfer: To: Financial liabilities held for trading			(1,730,593)			
Transfer: To: Derivatives – hedge accounting			(2,971,340)			
Total	**FVTPL**	**4,701,933**	**(4,701,933)**	**–**	**FVTPL**	**–**
Provisions						
Total	**AC**	**1,046,871**	**–**	**24,781**	**AC**	**1,071,652**

Reconciliation of loss allowance from financial instruments

CZK thousand	IAS 39 31/12/2017	Reclassifcation	Remeasurement – impairment losses	IFRS 9 1/1/2018
Financial assets at amortised cost				
Loans and advances to banks	103,587,997	–		**103,587,997**
Loans and advances to customers	219,913,310	(2,065,228)	(308,496)	**217,539,586**
Debt securities	–	2,065,228	–	**2,065,228**
Financial assets at amortised cost – gross	**323,501,307**	**–**	**(308,496)**	**323,192,811**
Loss allowances				
Loans and advances to banks	(4,903)	–	–	**(4,903)**
Loans and advances to customers	(4,969,009)	5,005	126,300	**(4,837,704)**
Debt securities	–	(5,005)	1,227	**(3,779)**
Loss allowances total	**(4,973,912)**	**–**	**127,526**	**(4,846,386)**
Financial assets at amortised cost – net	**318,527,395**	**–**	**(180,970)**	**318,346,425**
Provisions for off balance sheet credit risk exposures	**197,836**	**–**	**24,781**	**222,617**

Reconciliation of retained earnings

CZK thousand	
Opening balance under IAS 39 as at 31/12/2017	**27,186,990**
Impairment losses	(205,751)
Deferred tax	(22,947)
Closing balance under IFRS 9 as at 1/1/2018	**26,958,292**

(b) Newly applied standards and interpretations the application of which had no significant impact on the financial statements

During the year ended 31 December 2018, the following amended standards issued by IASB and adopted by the EU were effective:

- **Adjustments of standard IFRS 2 – Share-based payment** – Classification and evaluation of transactions with settlements bounded to shares (Effective for annual periods beginning on or aftr 1 January 2018).
- **Adjustments of standard IFRS 4 – Insurance Contracts** – Appliance IFRS9 Financial instruments with IFRS 4 Insurance Contracts – approved by EU – 3 November 2017 (Effective for annual periodsbeginning on 1 January 2018 or if the IFRS 9 is firstly applied.).
- **IFRS 15 "Revenue from Contracts with Customers"** issued by the IASB on 28 May 2014 (on 11 September 2015 the IASB deferred the effective date of IFRS 15 to 1 January 2018 and on 12 April 2016 the IASB issued clarifications to this standard). IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. IFRS 15 applies to nearly all contracts with customers (the main exceptions are leases, financial instruments and insurance contracts). The core principle of the new standard is for companies to recognise revenue depicting the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The contracts that were subject to the Bank's assessment in respect of the impacts of IFRS 15 predominantly involve those resulting in reporting revenue arising from fees and commissions. The Bank has identified the following types of contractual relations, the recognition of which will be subject to new IFRS 15 requirements:
  - Contracts for supplies of financial services combined with supplies of goods ;
  - Contracts the conclusion of which is supported by paying internal or external commissions; and
  - Contracts supported by the loyalty programme.

The total expected impact on the Bank's profit or loss before tax as of 31 December 2018 amounts to approximately CZK (6,400) thousand.

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- **Adjustments of various standards "Improvement of IFRS (cycle 2014 – 2016)"** – approved by EU on 7 February 2019. Adjustments are resulting from project of yearly improvement IFRS (IFRS 1 and IFRS 28), which intent to remove discrepancies between individual standards and clarify their purpose (Effective for annual periods beginning on or after 1 January 2018).
- **Adjustments of standard IAS 40 – Investment Property** – Transfer of investments to properties (Effective for annual periods beginning on or after 1 January 2018).
- **IFRIC 22 – Foreign Currency Transactions and Advance Consideration** (Effective for annual periods beginning on or after 1 January 2018).

The adoption of these amendments resulted in no changes in the Bank's accounting policies.

(c) Standards and interpretations not yet effective

As at the date of approval of these financial statements, the following standards and amendments to existing standards adopted by the EU were issued but not yet effective:

- **IFRS 16 Leases** (Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if the entity also applies IFRS 15),
- **IFRS 16 Leases** issued by IASB on 13 January 2016. Under IFRS 16 a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. As with IFRS 16's predecessor, IAS 17, lessors classify leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease. The anticipated impact of IFRS 16 on the Bank's statement of financial position due to the recognition of new right-of-use assets and lease liabilities is approximately CZK 2,100,000 thousand.
- **IFRIC 23 Uncertainty over Income Tax Treatments** (Effective for annual periods beginning on or after 1 January 2019. Early application is permitted),
- **Amendments to IFRS 9 Prepayment Features with Negative Compensation** (effective for annual periods beginning on or after 1 January 2019).

The Bank decided not to apply these standards and amendments adopted by the EU but not yet effective before their effective dates. The Bank anticipates that the application of these standards and amendments in the period of their first-time adoption will have no significant impact on the Bank's financial statements.

(d) Standards and interpretations issued by IASB but not yet adopted by the European Union

At present, the version of standards adopted by the European Union does not significantly differ from the standards approved by IASB. The exception are the following standards, amendments and interpretations that were not adopted for use in the EU as at the date of approval of the financial statements (the effective dates listed below apply to the IFRS standards issued by the IASB).

- **Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** (the European Commission has decided to postpone the approval indefinitely);
- **IFRS 17 Insurance Contracts** (effective for annual periods beginning on or after 1 January 2021; with prospective application and with early application permitted);
- **Amendments to IAS 28 Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures** (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015–2017)"** (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to IAS 19 Employee Benefits –** (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to IFRS 3 – Business combinations** (Effective for annual periods beginning on or after 1 January 2020);
- **Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors** (Effective for annual periods beginning on or after 1 January 2020).

The Bank anticipates that the adoption of the above stated standards, amendments to existing standards and interpretations in the period of their first-time adoption will have no significant impact on the Bank's financial statements.

5. NET INTEREST INCOME

CZK thousand	2018	2017
Interest income calculated using the effective interest method		
Financial assets measured at amortised costs	**8,230,008**	**6,904,483**
from debt securities	114,910	4,147
from loans and advances to banks	1,182,150	227,003
from loans and advances to customers	6,932,948	6,673,333
Negative interest from financial liabilities measured at amortised costs	**14,538**	**15,937**
Hedging interest rate derivatives	**1,982,500**	**1,310,512**
Interest income calculated using the effective interest method	**10,227,046**	**8,230,932**
Other interest income		
Financial assets held for trading	**1,533,343**	**768,382**
derivatives for trading	1,530,131	758,737
of which derivatives in bank's portofolio	*67,643*	*81,953*
debt securities	3,212	9,645
Other interest incomes	**1,533,343**	**768,382**
Interest expense		
Financial liabilities held for trading	**(1,118,525)**	**(553,000)**
trading derivatives	(1,118,510)	(553,000)
of which derivatives in bank's portfolio	*(13,325)*	*(48,622)*
short sales	(15)	–
Financial liabilities at amortised costs	**(999,715)**	**(924,493)**
from deposits from banks	(289,790)	(161,599)
from deposits from customers	(488,452)	(385,533)
From debt securities issued	(138,973)	(293,367)
Subordinated liabilities	(82,500)	(83,994)
From securitisation	**(255,889)**	**(259,650)**
Hedging interest rate derivatives	**(2,092,108)**	**(1,073,565)**
Negative interest from financial assets measured at amortised costs	**(4,063)**	**(4,324)**
Total interest expense and similar expense	**(4,470,300)**	**(2,815,032)**
Net interest income	**7,290,089**	**6,184,282**

The items *"Interest income calculated using the effective interest method"* – *"Hedging interest rate derivatives"* and *"Interest expense " – "Hedging interest rate derivatives"* comprise net interest expense from hedging financial derivatives upon a cash flow hedge of CZK (105,343) thousand (2017: CZK (26,765) thousand), net interest income from hedging financial derivatives upon a fair value hedge of mortgage loans of CZK 100,212 thousand (2017: CZK (223,128) thousand), net interest expense from hedging financial derivatives upon a fair value hedge of term deposits and the portfolio of current and savings accounts of CZK (142,115) thousand (2017: CZK 446,769 thousand), and net interest income from hedging financial derivatives upon a fair value hedge of securities issued of CZK 37,638 thousand (2017: CZK 40,071 thousand).

Interest income additionally includes interest on impaired assets (primarily loans and advances to customers) of CZK 7,607 thousand (2017: CZK 138,118 thousand).

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6. NET FEE AND COMMISSION INCOME

CZK thousand	2018	2017
Fee and commission income arising from		
Securities transactions	219,683	214,990
Clearing and settlement	2,063,988	2,083,827
Asset management	32,283	48,574
Administration, custody and safekeeping of values	40,898	37,430
Product distribution for customers	132,753	169,862
Provided guarantees	151,176	143,811
Other	89,726	92,407
Total fee and commission income	**2,730,507**	**2,790,901**
Fee and commission expense arising from		
Clearing and settlement	(788,551)	(782,936)
Administration, custody and safekeeping of values	(2,515)	(6,914)
Received guarantees	(6,496)	(6,042)
Other	(69,705)	(75,598)
Total fee and commission expense	**(867,267)**	**(871,490)**
Net fee and commission income	**1,863,240**	**1,919,411**

7. NET GAIN ON FINANCIAL OPERATIONS

CZK thousand	2018	2017
Interest rate derivatives	**232,032**	**43,652**
Profit/loss from foreign currency transactions	**1,171,488**	**1,991,572**
of which: Customer foreign currency result	*1,105,006*	*1,370,147*
FX proprietary P/L	*66,483*	*621,425*
Gain/(loss) from transactions with securities	**(3,261)**	**39,701**
of which: Portfolio of securities available for sale	*n/a*	*–*
Portfolio of securities held for trading	*(3,261)*	*39,677*
Portfolio of securities at FVTPL	*n/a*	*–*
Own issue	*–*	*24*
Liabilities from short sales transactions	**3,746**	**–**
Capital instruments held for trading	**8,526**	**–**
Profit/(loss) from hedge accounting upon a cash flow hedge – ineffective part	**n/a**	**–**
Gains/(losses) from the sale of securities held to maturity	**n/a**	**175,385**
Change in the fair value of the hedged items in fair value hedging	**n/a**	**1,043,816**
Change in the fair value of the hedging derivatives in fair value hedging	**n/a**	**(1,030,564)**
Total	**1,412,533**	**2,263,562**

"*Customer foreign currency result*" comprises the margins from foreign currency transactions with customers.

"*FX proprietary P/L*" comprises the impact of proprietary trading and the impact of remeasurement of foreign currency positions using the Czech National Bank's exchange rate, including the result of the remeasurement of currency derivatives.

In 2017, the Bank recognised the gain from the sale of the portfolio of securities held to maturity of CZK 175,385 thousand in "*Gains/losses from the sale of securities held to maturity*".

8. NET PROFIT FROM HEDGE ACCOUNTING

CZK thousand	2018	2017
Change in the fair value of hedging derivatives upon fair value hedging	(6,466)	n/a
Change in the fair value of hedged items upon fair value hedging	79,971	n/a
Gains/ (losses) from cash flow hedges – ineffective part	(998)	n/a
Total	**72,507**	**n/a**

9. DIVIDEND INCOME

In 2018, "Income from other shares and equity investments" amounted to CZK 30,812 thousand (2017: CZK 75,233 thousand). The amount includes a dividend from Raiffeisen stavební spořitelna a.s. of CZK 30,000 thousand (2017: CZK 30,000 thousand), a dividend from Raiffeisen – Leasing, s.r.o. of CZK 0 thousand (2017: CZK 44,117 thousand) and a dividend from Visa Inc. of CZK 812 thousand (2017: CZK 1,116 thousand).

10. IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

CZK thousand	2018	2017
Changes in loss allowances		
Additions to loss allowances	(2,287,844)	(2,651,743)
Release of loss allowances	1,729,715	1,912,006
Use of loss allowances	1,072,629	1,833,111
Nominal value of assigned and written-off receivables	(1,072,629)	(1,833,111)
of which: direct write-offs of receivables	*(3,785)*	*(10,106)*
Income from written-off/sold receivables	74,191	260,787
Total changes in loss allowances	**(483,937)**	**(478,950)**
Provisions for off-balance sheet credit risks		
Creation of provisions	(411,542)	(198,105)
Release of provisions	86,015	239,415
Total changes in provisions for off-balance sheet credit risks	**(325,527)**	**41,310**
Total impairment losses on financial instruments	**(809,464)**	**(437,640)**

11. GAIN OR LOSS (–) ARISING FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

CZK thousand	2018
Gain from sales of financial assets measured at amortised cost	41,156
Total	**41,156**

12. PERSONNEL EXPENSES

CZK thousand	2018	2017
Wages and salaries	(2,181,269)	(2,256,003)
Social and health insurance	(695,158)	(717,278)
Other personnel expenses	(127,067)	(115,337)
Total	**(3,003,494)**	**(3,088,618)**
Of which wages, salaries and remuneration paid to:		
Members of the board of directors	(85,047)	(88,843)
Members of the supervisory board	(4,030)	(4,170)
Total	**(89,077)**	**(93,013)**

As at 31 December 2018 and 2017, the recalculated average number of the Bank's employees was as follows:

	2018	2017
Employees	2,934	2,921
Members of the Bank's board of directors	7	7
Members of the supervisory board	7	6

The financial arrangements between the Bank and members of the board of directors and supervisory board are disclosed in note 45.

13. GENERAL OPERATING EXPENSES

CZK thousand	2018	2017
Rent, repairs and other office management services	(521,365)	(562,614)
Marketing expenses	(370,311)	(416,819)
Costs of legal and advisory services	(323,861)	(257,954)
of which: statutory audit of financial statements	*(4,473)*	*(4,391)*
other assurance services provided by the auditor	*(2,848)*	*(1,907)*
IT support costs	(370,491)	(363,475)
Deposit and transaction insurance	(46,771)	(44,429)
Telecommunication, postal and other services	(77,643)	(123,783)
Security costs	(51,619)	(56,615)
Training costs	(31,022)	(31,360)
Office equipment	(19,376)	(22,758)
Travel costs	(22,731)	(21,757)
Fuel	(37,629)	(35,794)
Contribution to the crisis resolution fund	(257,825)	(220,783)
Other administrative expenses	(28,512)	(212,107)
Total	**(2,159,156)**	**(2,370,248)**

"*Deposit and transaction insurance*" includes the costs of the payment to the Deposit Insurance Fund (henceforth the "FPV").

Except for the statutory audit, the auditor provided the Bank with the following services:
- Limited assurance procedures on preparation of the Raiffeisenbank a.s.'s Financial Information Reporting as at 1 January 2018 in connection with the implementation of IFRS 9 prepared in conformity woth the instructions issued by group management of Raiffeisen Bank International;
- Review of the interim Financial Information of Raiffeisenbank a.s., reporting package, prepared for consolidation purposes for the period from 1 January 2018 to 30 June 2018 in conformity with the instructions issued by group management of Raiffeisen Bank International;
- Review of the Financial Information Reporting of Raiffeisenbank a.s., to Czech National Bank.

14. DEPRECIATION AND AMORTISATION OF PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

CZK thousand	2018	2017
Depreciation and amortisation of property and equipment	(164,727)	(183,034)
Depreciation and amortisation of intangible assets	(491,129)	(399,485)
Total	**(655,856)**	**(582,519)**

15. OTHER OPERATING INCOME

CZK thousand	2018	2017
Change in operating provisions	26,639	–
Gain/(loss) on sale of property and equipment and intangible assets	–	722
Income from reinvoicing	28,673	24,892
Income related to banking products	24,039	11,833
Other	47,279	31,458
Total	**126,630**	**68,905**

16. OTHER OPERATING EXPENSES

CZK thousand	2018	2017
Change in operating provisions	–	(76,753)
Change in loss provisions on operating receivables	(16,230)	(3,139)
Gain/(loss) on sale of property and equipment and intangible assets	(4,228)	–
Other	(12,266)	(27,924)
Total	**(32,724)**	**(107,816)**

17. INCOME TAX

(a) Income tax expense

CZK thousand	2018	2017
Current income tax	(831,867)	(747,872)
Adjustment to the tax payable/(additionally assessed tax) relating to the previous year	(26,478)	(11,643)
Dissolution of previous year provision	24,742	
Provision for additional income tax	–	(258,207)
(Expense)/income in respect of deferred tax	22,301	(82,172)
Total income tax	**(811,302)**	**(1,099,894)**

The tax balance differs from the theoretical tax balance that would have been determined had the basic tax rate been used as follows:

CZK thousand	2018	2017
Profit before tax (general tax base)	**4,176,273**	**3,924,552**
Total profit before tax	4,176,273	3,924,552
Tax calculated at the tax rate for the general tax base – 19% (2017: 19%)	**(793,492)**	**(745,665)**
Non-taxable income (tax effect)	330,550	594,776
Non-tax deductible expenses (tax effect)	(349,478)	(689,523)
Tax allowances and tax relief	2,854	10,368
Tax liability for the year	**(809,566)**	**(830,044)**
Tax overpayment/(underpayment) from previous years, use of tax relief and credits, including adjustment to the tax payable for previous years	(26,478)	(11,643)
Dissolution of previous year provision	24,742	
Provision for additional income tax	–	(258,207)
Total income tax	**(811,302)**	**(1,099,894)**
Effective tax rate	**19.43%**	**28.03%**

(b) Income tax provision/receivable

CZK thousand	2018	2017
Tax liability for the year	**(809,566)**	**(830,044)**
Deferred tax	(22,301)	82,172
Provision for additional income tax	(258,207)	(258,207)
Advances for income tax	1,077,756	752,957
Tax incidence of IFRS9	(22,947)	–
Total income tax (provision)/receivable	**(35,265)**	**(253,122)**

Tax incidence of IFRS9 of CZK (22,947) thousand is presented in the statement of changes in equity in item "Impact of transition to IFRS 9" which amounts to CZK (228,698) thousand.

For additional details on the deferred tax, refer to note 27.

18. CASH IN HAND, BALANCES WITH CENTRAL BANKS AND OTHER DEMAND DEPOSITS

CZK thousand	2018	2017
Cash in hand and other cash equivalents	3,373,826	3,299,758
Balances with central banks (including one-day deposits)	3,897,632	355,254
Mandatory minimum provisions with the Czech National Bank (CNB)	1,815,095	4,966,162
Other demand deposits	2,919,561	1,568,887
Total	**12,006,114**	**10,190,061**

Mandatory minimum provisions include deposits, the amount of which is determined based on the regulation declared by the Czech National Bank and the drawing of which is limited. The Bank may draw an amount from mandatory minimum provisions which exceeds the actual average amount of the mandatory minimum provisions for the particular period calculated according to the Czech National Bank's regulation.

For information on cash in hand and other readily-available funds reported in the statement of cash flows, refer to note 38.

19. FINANCIAL ASSETS HELD FOR TRADING

CZK thousand	2018	2017
Derivatives	**1,693,503**	**1,574,150**
Interest rate derivatives	1,248,723	1,042,505
Currency derivatives and contracts concerning gold	444,780	531,645
Debt securities	**268,021**	**n/a**
Government institutions	268,021	n/a
Other non-financial enterprises	-	n/a
Total	**1,961,524**	**1,574,150**

Securities pledged as collateral

As at 31 December 2018 and 2017, the Bank provided no pledge of securities as collateral as part of repurchase and similar transactions with other banks and customers.

20. SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

CZK thousand	2018	2017
Securities at FVTPL	**n/a**	**156,446**
of which: Securities held for trading	**n/a**	**156,446**
– debt securities	n/a	156,446
Total	**n/a**	**156,446**

"Securities at FVTPL" includes government bonds and state treasury bills of CZK 70,549 thousand which may be used for refinancing with the Czech National Bank.

21. FINANCIAL ASSETS MEASURED AT FVOCI

CZK thousand	2018	2017
Equity instruments	**628,880**	**n/a**
Shares	628,880	n/a
Total	**628,880**	**n/a**

"Financial assets measured at FVOCI" includes the Bank's investment in Raiffeisen stavební spořitelna a.s. of CZK 463,300 thousand and its membership in Visa Inc. of CZK 164,731 thousand.

22. AVAILABLE-FOR-SALE SECURITIES

CZK thousand	2018	2017
Available-for-sale securities	**n/a**	**603,654**
Shares and units	n/a	603,654
Total	**n/a**	**603,654**

"Available-for-sale securities" includes the Bank's investment in Raiffeisen stavební spořitelna a.s. of CZK 464,701 thousand and its membership in Visa Inc. of CZK 138,111 thousand.

23. FINANCIAL ASSETS AT AMORTISED COST

(a) Financial assets at amortised cost by segment

CZK thousand		2018	
	Gross carrying amount	Loss allowances	Net carrying amount
Debt securities	**6,867,590**	**(3,031)**	**6,864,559**
Government sector	4,669,569	(109)	**4,669,460**
Non-financial entities	2,198,021	(2,922)	**2,195,099**
Loans and advances to banks	**99,358,680**	**(278)**	**99,358,402**
Central banks	98,237,392	–	**98,237,392**
Credit institutions	1,121,288	(278)	**1,121,010**
Loans and advances to customers	**238,340,830**	**(4,248,988)**	**234,091,842**
Government sector	1,400,963	(258)	**1,400,705**
Other financial institutions	25,600,366	(20,603)	**25,579,763**
Non-financial entities	96,473,295	(1,644,776)	**94,828,519**
Households	114,866,206	(2,583,351)	**112,282,855**
Total	**344,567,100**	**(4,252,297)**	**340,314,803**

(b) Financial assets at amortised cost by category

CZK thousand	2018
Debt securities	
Debt securities	6,867,590
Debt securities – gross	**6,867,590**
Loss allowances	(3,031)
Debt securities – net	**6,864,559**
Loans and advances to banks	
Term deposits	1,121,288
Reverse repo with Czech National Bank	98,237,392
Loans and advances to banks – gross	**99,358,680**
Loss allowances	(278)
Loans and advances to banks – net	**99,358,402**
Loans and advances to customers	
Current account overdrafts	4,496,013
Term loans	133,214,081
Mortgage loans	93,528,230
Reverse repo	265,182
Credit card receivables	4,032,129
Other	2,805,195
Loans and advances to customers – gross	**238,340,830**
Loss allowances	(4,248,988)
Loans and advances to customers – net	**234,091,842**
Total financial assets at amortised cost	**340,314,803**

The Bank has applied hedge accounting upon the fair value hedge of the portfolio of receivables from mortgage loans. The remeasurement of the hedged items amounted to CZK (1,144,945) thousand and CZK (1,259,634) thousand as at 31 December 2018 and 2017, respectively.

(c) Reverse repo transactions

The Bank advanced loans in the aggregate amount of CZK 265,182 thousand (2017: CZK 46,771 thousand) under reverse repo transactions. Reverse repo transactions are collateralised by securities with the fair value of CZK 365,114 thousand (2017: CZK 62,186 thousand).

(d) Securitisation

ROOF RBCZ 2015

Since December 2015, the Bank has carried out a synthetic securitisation of the corporate banking loans and guarantees portfolio. The total nominal value of the transaction is EUR 1 billion. The selected portfolio was divided into three tranches by the credit risk exposure attributable to individual tranches. The junior (the first loss piece) tranche amounts to 1.4% of the nominal value. The credit risk relating to the mezzanine tranche has been transferred to external institutional investors. For the purposes of this transaction, a special-purpose vehicle ROOF RBCZ 2015 S.à r.l. with its registered office in Luxembourg was established, which issued debt securities relating to the credit risk of the mezzanine tranche. These debt securities were sold to external institutional investors and at the same time, ROOF RBCZ 2015 S.à r.l. provided a portfolio guarantee to the Bank as collateral for the credit risk arising from the mezzanine tranche of CZK 1,985,060 thousand which was effective till 30 December 2018 (2017: CZK 1,966,580 thousand). The guarantee was secured by the assets of ROOF RBCZ 2015 S.à r.l., which comprised cash received by the entity through the sale of the debt securities issued. The maturity of the transaction was in April 2024; in the following three years, the Bank may have replaced settled credit exposures with new ones in its securitised portfolio under the predefined criteria. The arrangement resulted in the Bank transferring some but not substantially the risks and rewards related to the portfolio, while retaining control over the portfolio. Consequently, the securitised portfolio continued to be recognised by the Bank. The Bank accounted for the transaction with ROOF RBCZ 2015 S.à r.l. as a guarantee received. The costs of the guarantee received are of an interest nature and are recognised in "*Interest expense and similar expense*"; refer to note 5.

The Bank has no equity investment in the newly-established entity and exercises no control or significant influence over it under IFRS. ROOF RBCZ 2015 S.à r.l. may only perform specific limited-scope activities relevant to the transaction, which were defined in detail at the inception of the transaction, and the Bank is unable to influence the activities. For these reasons, the Bank does not consider the entity to be its subsidiary or associated company. With the exception of the received guarantee referred to above and the charge paid by the Bank for this guarantee, the Bank reports no assets, liabilities or other balances in respect of ROOF RBCZ 2015 S.à r.l. that would result in any risks for the Bank in relation to this entity.

The bank had ended the securitisation prematurely as of 31 December 2018.

(e) Syndicated loans

Pursuant to concluded syndicated loan agreements, the Bank acted as the arranger of syndicated loans in the original amount of aggregate credit limits of CZK 6,434,757 thousand as at 31 December 2018 (2017: CZK 7,195,683 thousand), of which the proportion of the Bank amounted to CZK 2,568,653 thousand (2017: CZK 3,041,367 thousand) and the proportion of other syndicate members amounted to 3,866,104 CZK thousand (2017: CZK 4,154,316 thousand).

As at 31 December 2018, the aggregate amount of outstanding receivables under the syndicated loan facilities was CZK 3,820,402 thousand (2017: CZK 5,330,717 thousand), of which the proportion of the Bank was CZK 1,438,778 thousand (2017: CZK 2,127,675 thousand) and the proportion of other syndicate members was CZK 2,381,624 thousand (2017: CZK 3,203,042 thousand).

The risks and interest arising from these syndicated loans are shared by all participating syndicate members in proportion to their aggregate exposure.

(f) Purchase of the client portfolio of the Czech branch of ZUNO BANK AG

In June 2017, the Bank took over the client portfolio of the Czech branch of ZUNO BANK AG. In relation to the takeover of the portfolio, primarily of customer loans and deposits, the Bank's loans and advances to customers increased by CZK 636,029 thousand. No intangible asset originated in relation to the transaction.

24. RECEIVABLES FROM BANKS

CZK thousand	2017
Reverse repurchase transactions with Czech National Bank	103,011,111
Other	576,886
Gross carrying amount	**103,587,997**
Loss allowances	(4,903)
Net carrying amount	**103,583,094**

25. LOANS AND ADVANCES TO CUSTOMERS

(a) Loans and advances to customers by category

CZK thousand	2017
Current account overdrafts	2,336,260
Term loans	121,558,078
Mortgage loans	86,788,967
Debt securities	2,065,229
Reverse repo	46,771
Credit card receivables	4,422,944
Other loans	2,695,061
Gross carrying amount	**219,913,310**
Loss allowances	**(4,969,009)**
Net carrying amount	**214,944,301**

(b) Loans and advances to customers and debt securities at amortised cost by segment

CZK thousand	2017
Debt securities	**2,065,229**
Government sector	–
Non-financial institutions	2,065,229
Loans and advances to customers	**217,848,081**
Government sector	1,813,322
Other financial institutions	17,616,169
Non-financial institutions	90,913,060
Households	107,505,530
Gross carrying amount	**219,913,310**
Loss allowances	**(4,969,009)**
Net carrying amount	**214,944,301**

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26. HEDGING DERIVATIVES WITH POSITIVE FAIR VALUE

CZK thousand	2018	2017
Fair value hedge derivatives	**35,523**	**236,704**
Other OTC interest rate derivatives	35,523	236,704
Portfolio hedge derivatives	**2,433,394**	**2,044,382**
Cash flow hedge	177,172	13,140
Fair value hedge	2,256,222	2,031,242
Total	**2,468,917**	**2,281,086**

27. DEFERRED TAX ASSET/LIABILITY

Deferred tax is calculated on all temporary differences under the liability method using the basic income tax rate of 19% (the tax rate for 2018).
Deferred tax asset comprises the following items:

	Balance as at 1 January 2018			Balance as at 31 December 2018		
CZK thousand	Net deferred tax asset (liability)	Movement for the year – (expense)/ income	Movement for the year against equity	Deferred tax liability	Deferred tax asset	Net deferred tax asset (liability)
Loss allowances for loans	20,603	(20,603)	–	–	–	**–**
Provision for salary bonuses	83,037	7,425	–	–	90,462	**90,462**
Other provisions	55,794	55,662	–	–	111,456	**111,456**
Outstanding vacation days	3,457	(325)	–	–	3,132	**3,132**
Fair value reserve – cash flow hedge	31,164	–	(39,988)	(8,824)	–	**(8,824)**
Differences between accounting and tax carrying amounts of property and equipment and intangible assets	(201,402)	(19,858)	–	(221,260)	–	**(221,260)**
Movement in fair value reserve in equity from remeasurement of financial assets at FVOCI	(6,218)	–	(5,059)	(11,277)	–	**(11,277)**
Deferred tax asset/liability	**(13,565)**	**22,301**	**(45,047)**	**(241,361)**	**205,050**	**(36,311)**

CZK thousand	Balance as at 1 January 2017	Movement for the year – (expense)/ income	Movement for the year against equity	Balance as at 31 December 2017		
	Net deferred tax asset (liability)			Deferred tax liability	Deferred tax asset	Net deferred tax asset (liability)
Loss allowances for loans	83,599	(62,996)	–	–	20,603	**20,603**
Provision for salary bonuses	66,874	16,163	–	–	83,037	**83,037**
Other provisions	80,218	(24,424)		–	55,794	**55,794**
Outstanding vacation days	5,122	(1,665)	–	–	3,457	**3,457**
Fair value reserve – cash flow hedge	59,170	–	(28,006)	–	31,164	**31,164**
Differences between accounting and tax carrying amounts of property and equipment and intangible assets	(192,153)	(9,249)	–	(201,402)	–	**(201,402)**
Movement in fair value reserve in equity from remeasurement of financial assets at FVOCI	(1,724)	–	(4,494)	(6,218)	–	**(6,218)**
Deferred tax asset/liability	**101,106**	**(82,171)**	**(32,500)**	**(207,620)**	**194,055**	**(13,565)**

28. OTHER ASSETS

CZK thousand	2018	2017
Indirect tax receivables	10,533	11,203
Receivables arising from non-banking activities	199,976	347,966
Deferred expenses and accrued income	215,232	18,697
Receivables from securities trading	88,215	73,932
Settlement of cash transactions with other banks	497,745	386,740
Other	125,296	253,358
Total	**1,136,996**	**1,091,896**

29. EQUITY INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES AND JOINT VENTURES

(a) Equity investments

CZK thousand	2018	2017
Balance at 1 January	**1,712,951**	**647,487**
Acquisition/addition to equity investments	370	1,065,464
Sale/liquidation of equity investments	–	–
Addition to loss allowance for equity investments	–	–
Balance at 31 December	**1,713,321**	**1,712,951**

The Bank regularly tests equity investments for impairment. No impairment of equity investments was identified in 2018 (the value of impaired equity investments (2017: CZK 0 thousand)).

On 22 August 2018, the Bank purchased a 80% investment in Czech Real Estate Fund (CREF) B.V. from NOTIC Finance B.V. The acquisition totalled 370 CZK thousand.

On 3 October 2017, the Bank purchased a 50% equity investments in Raiffeisen–Leasing, s.r.o. from Raiffeisen-Leasing International GmbH. The acquisition totalled CZK 1,065,464 thousand. No intangible asset originated in relation to the transaction.

(b) Subsidiaries (equity investments with controlling influence)

CZK thousand Company name	Registered office	Equity	Of which: Share capital	Share of the share capital	Share of voting power	Carrying amount
Czech Real Estate Fund B.V.	Amsterdam, Naritaweg 165	52,638	463	100%	100%	471
Raiffeisen-Leasing, s.r.o.	Praha 4, Hvězdova 1716/2b	2,071,667	450,000	100%	100%	1,455,640
Raiffeisen investiční společnost a.s.	Praha 4, Hvězdova 1716/2b	182,840	40,000	100%	100%	40,000
Raiffeisen Direct Investments CZ s.r.o.	Praha 4, Hvězdova 1716/2b	216,440	200	100%	100%	217,210
Balance at 31 December 2018						**1,713,321**
Czech Real Estate Fund B.V.	Amsterdam, Naritaweg 165	46,006	499	20%	20%	101
Raiffeisen-Leasing, s.r.o.	Praha 4, Hvězdova 1716/2b	1,931,766	450,000	100%	100%	1,455,640
Raiffeisen investiční společnost a.s.	Praha 4, Hvězdova 1716/2b	143,678	40,000	100%	100%	40,000
Transaction System Servis s.r.o.	Praha 4, Hvězdova 1716/2b	216,588	200	100%	100%	217,210
Balance at 31 December 2017						**1,712,951**

Czech Real Estate Fund B.V. – principal activities:
- real estate activities; and
- business, financial, organisational and economic advisory.

In 2017, the other shareholder having a share in the equity and voting powers in Czech Real Estate Fund B.V. was NOTIC Finance B.V.

In 2017, the Bank presented its investments in the real estate fund Czech Real Estate Fund B.V. as an equity investment with controlling influence. While the Bank held only 20% of the issued share capital of the fund and did not have a majority of voting rights or board representations, the Bank received the major part of returns. The other shareholder of Czech Real Estate Fund B.V. bore a minor part of the risks and received a smaller part of the returns.

Raiffeisen-Leasing, s.r.o. – principal activities:
- lease of movable and immovable assets;
- valuation of immovable assets;
- agency activities related to trade and services;
- accounting advisory, bookkeeping, tax records; and
- provision of loans and credits from own resources.

Raiffeisen investiční společnost a.s. – principal activities:
- offer of investment products; and
- administration of investment and participation funds.

Raiffeisen Direct Investments CZ, s.r.o. – principal activities:
- real estate activities; and
- business, financial, organisational and economic advisory.

30. INTANGIBLE ASSETS

CZK thousand	Software	Intangible assets under construction	Total
Cost			
At 1 January 2017	4,821,632	426,724	**5,248,356**
Additions	231,917	342,613	**574,530**
Disposals	(77,755)	–	**(77,755)**
Other changes (transfers)	324,966	(325,721)	**(755)**
At 31 December 2017	**5,300,760**	**443,616**	**5,774,376**
Additions	333,029	502,388	**835,417**
Disposals	(315)	–	**(315)**
Other changes (transfers)	348,004	(348,004)	**–**
At 31 December 2018	**5,981,478**	**598,000**	**6,579,478**
Accumulated amortisation			
At 1 January 2017	(3,075,639)	–	**(3,075,639)**
Additions – annual amortisation charges	(399,485)	–	**(399,485)**
Disposals	77,490	–	**77,490**
At 31 December 2017	**(3,397,634)**	**–**	**(3,397,634)**
Additions – annual amortisation charges	(491,129)	–	**(491,129)**
Disposals	315	–	**315**
At 31 December 2018	**(3,888,448)**	**–**	**(3,888,448)**
Net book value			
At 31 December 2017	**1,903,126**	**443,616**	**2,346,742**
At 31 December 2018	**2,093,030**	**598,000**	**2,691,030**

Additions to software predominantly represent the putting into use of technical improvements on data warehouses and other software used by the Bank. Internal costs (primarily personnel expenses and rental costs) which are required to generate these assets are capitalised. In 2018, internal costs of CZK 146,760 thousand (2017: CZK 65,917 thousand) were capitalised.

Other additions to intangible assets under construction include purchases from external entities. In this category, the Bank does not report or record additions acquired through business combinations.

"*Other changes (transfers)*" includes capitalisation of completed investments.

31. PROPERTY AND EQUIPMENT

(a) Movements in property and equipment

CZK thousand	Land, buildings and technical improvements on buildings	Fixtures and fittings	Machinery and equipment	Property and equipment under construction	Total
Cost					
At 1 January 2017	1,071,250	210,690	951,938	35,005	**2,268,883**
Additions	49,696	11,235	109,289	31,466	**201,686**
Disposals	(25,747)	(11,696)	(73,172)	–	**(110,615)**
Other changes (transfers)	9,892	2,736	21,984	(33,857)	**755**
At 31 December 2017	**1,105,091**	**212,965**	**1,010,039**	**32,614**	**2,360,709**
Additions	56,405	5,603	148,136	100,146	**310,290**
Disposals	(14,390)	(8,905)	(248,045)	–	**(271,340)**
Other changes (transfers)	8,384	2,443	17,258	(28,085)	**–**
At 31 December 2018	**1,155,490**	**212,107**	**927,387**	**104,675**	**2,399,660**
Accumulated depreciation					
At 1 January 2017	(741,229)	(162,355)	(732,853)	–	**(1,636,437)**
Additions	(81,222)	(11,784)	(90,028)	–	**(183,034)**
Disposals	25,747	10,910	71,506	–	**108,163**
At 31 December 2017	**(796,704)**	**(163,229)**	**(751,375)**	**–**	**(1,711,308)**
Additions	(70,020)	(11,026)	(83,681)	–	**(164,727)**
Disposals	14,062	8,345	241,236	–	**263,643**
At 31 December 2018	**(852,662)**	**(165,910)**	**(593,820)**	**–**	**(1,612,392)**
Net book value					
At 31 December 2017	**308,387**	**49,736**	**258,664**	**32,614**	**649,401**
At 31 December 2018	**302,828**	**46,197**	**333,567**	**104,675**	**787,267**

The figures presented under "*Other changes (transfers)*" represent the reclassification of assets from assets under construction to individual categories and a change in the classification of selected classes of assets.

(b) Property and equipment acquired under finance lease

The Bank recorded no property and equipment under finance leases in the years ended 31 December 2018 and 2017.

32. FINANCIAL LIABILITIES HELD FOR TRADING

CZK thousand	2018	2017
Derivatives	**1,752,469**	**1,730,593**
Interest rate derivatives	1,236,162	1,028,617
Foreign exchange derivatives	516,307	701,976
Total	**1,752,469**	**1,730,593**

33. FINANCIAL LIABILITIES AT AMORTISED COST

(a) Liabilities to bank institutions

CZK thousand	2018	2017
Current accounts/One-day deposits	3,038,529	3,894,563
Term deposits of banks	27,597,414	18,485,154
Repurchase transactions	1,499,778	5,000,250
Total	**32,135,721**	**27,379,967**

(b) Liabilities to customers

Liabilites to customers by type

CZK thousand	2018	2017
Current accounts/One-day deposits	243,451,140	229,221,324
Term deposits of banks	14,370,439	8,050,259
Term deposits with maturity	13,207,034	14,675,144
Change in the fair values of hedged items in the fair value hedging	89,896	129,500
Total	**271,118,509**	**252,076,227**

The Bank has applied hedge accounting upon the fair value hedge of term deposits.

The Bank has applied hedge accounting upon the fair value hedge of the portfolio of current and savings accounts. The remeasurement of the hedged items amounts to CZK (1,757,940) thousand and CZK (1,848,943) thousand as at 31 December 2018 and 2017, respectively.

In relation to the takeover of the client portfolio of the Czech branch of ZUNO BANK AG, the deposits from Bank's customers increased by CZK 4,708,219 thousand.

Analysis of deposits from customers by sector

CZK thousand	2018	2017
Government sector	7,110,497	5,352,445
Other financial institutions	10,219,418	9,062,435
Non-financial enterprises	99,249,954	97,236,855
Households	154,538,641	140,424,492
Total	**271,118,509**	**252,076,227**

Repo transactions
As at 31 December 2018 and 2017, the Bank received no loans from customers as part of repo transactions.

(c) Debt securities issued

Analysis of issued debt securities by type

CZK thousand	2018	2017
Mortgage bonds	19,551,265	19,413,463
Change in the fair value of hedged items upon fair value hedging	28,307	52,993
Non-hedged bonds issued	2	3,320
Deposit certificates and depository bills of exchange	20,004	3,450
Total	**19,599,578**	**19,473,226**

Analysis of mortgage bonds

CZK thousand							
				Nominal value		Net carrying amount	
Issue date	**Maturity date**	**ISIN code**	**Currency**	**2018**	**2017**	**2018**	**2017**
05/11/2014	05/11/2019	XS1132335248	EUR	12,579,525	12,513,733	12,605,629	12,528,361
08/3/2017	08/3/2021	XS1574150261	EUR	5,145,000	5,087,737	5,152,028	5,108,659
08/3/2017	08/3/2023	XS1574150857	EUR	514,500	507,843	515,771	511,504
08/3/2017	08/3/2024	XS1574151236	EUR	1,286,250	1,253,171	1,277,837	1,264,939
08/3/2017	08/4/2022	XS1574149842	EUR	-	-	-	-
TOTAL				**19,525,275**	**19,362,484**	**19,551,265**	**19,413,463**

ISIN	Interest rate
XS1132335248	0.75 %
XS1574150261	0.50 %
XS1574150857	0.88 %
XS1574151236	1.13 %
XS1574149842	0.63 %

In March 2017, the Bank placed four mortgage bond issues in the aggregate amount of EUR 1,200,000 thousand, of which EUR 270,000 thousand was sold and the remaining amount was repurchased by the Bank. The issues form part of the Bank's bond programme with the total amount of EUR 5,000,000 thousand and comply with the conditions for foreign currency transactions with the European Central Bank.

In December 2017, the Bank redeemed bonds denominated in CZK in the aggregate amount of CZK 8,000,000 thousand and bonds denominated in EUR in the aggregate amount of EUR 100,000 thousand.

The bank hadn't issued any new bonds in 2018. The amounts of sold and hold bonds haven't changed.

As at 31 December 2018, the Bank held issued EUR-denominated mortgage bonds totalling EUR 943,256 thousand (at 31 December 2017: EUR 943,256 thousand), of which EUR 197,744 thousand (at 31 December 2017: EUR 197,744 thousand) is used as collateral as part of repurchase transactions with the European Central Bank.

(d) Subordinated liabilities and bonds

Subordinated loan

CZK thousand	2018	2017
Raiffeisen Bank International AG (parent company)	1,932,944	2,586,645
Raiffeisenlandesbank Oberösterreich AG	644,315	–
Total	**2,577,259**	**2,586,645**

The subordinated loan bears the interest of a 12 months EURIBOR and a margin of 3.7 per cent p.a.

Issue of subordinated bonds

CZK thousand							
Date of issue	Date of maturity	ISIN	Currency	Nominal value		Net book value	
				2018	2017	2018	2017
21.9.2011	21.9.2018	CZ0003702961	CZK	–	125,000	–	126,052
Total				**–**	**125,000**		**126,052**

(e) Other financial liabilities

CZK thousand	2018	2017
Liabilities from trading with securities	180,490	68,951
Liabilities from non-banking activities	119,580	130,945
Settlement and suspense clearing accounts	2,643,905	3,852,171
Total	**2,943,975**	**4,052,067**

34. HEDGING DERIVATIVES WITH NEGATIVE FAIR VALUE

CZK thousand	2018	2017
Positive fair value of portfolio hedge derivatives	3,204,463	2,971,340
Cash flow hedge	321,241	457,799
Fair value hedge	2,883,222	2,513,540
Total	**3,204,463**	**2,971,340**

35. PROVISIONS

CZK thousand	2018	2017
Provisions for off balance sheet credit risk exposures	**542,326**	**197,836**
Other provisions	**763,939**	**849,035**
Provisions for legal disputes	800	82,910
Provisions for outstanding vacation days	16,482	18,194
Provisions for payroll bonuses	476,115	444,324
Provision for restructuring	14,560	16,459
Other	255,982	287,148
Total	**1,306,265**	**1,046,871**

The Bank recognises povisions for credit risks arising from off-balance sheet items in respect of irrevocable credit commitments, guarantees and letters of credit provided to customers who are in default of repayment of their principal balances and accrued interest and there is an increased risk that the Bank will not collect the provided amount in the event of the performance under the irrevocable commitments to customers. The movement in provisions for commitments and financial guarantees provided is part of Section 44 "*Financial instruments – credit risk*".

Overview of other provisions

CZK thousand	Provisions for legal disputes	Provision for outstanding vacation days	Provisions for salary bonuses	Provision for restructuring	Other provisions	Total
1 January 2017	**4,800**	**26,960**	**351,969**	**80,358**	**116,045**	**580,132**
Establishment of provisions	81,903	18,136	615,660	–	196,208	**911,907**
Use of provisions	(1,000)	(26,960)	(351,969)	(31,609)	(10,682)	**(422,220)**
Release of redundant provisions	(3,000)	58	(171,336)	(32,290)	(13,866)	**(220,434)**
Foreign exchange gains/losses	207	–	–	–	(557)	**(350)**
31 December 2017	**82,910**	**18,194**	**444,324**	**16,459**	**287,148**	**849,035**
Establishment of provisions	–	16,482	618,198	–	14,951	**649,631**
Use of provisions	(52,542)	(18,194)	(444,324)	(1,615)	(23,603)	**(540,278)**
Release of redundant provisions	(30,490)	–	(142,083)	(284)	(22,598)	**(195,455)**
Foreign exchange gains/losses	922	–	–	–	84	**1,006**
31 December 2018	**800**	**16,482**	**476,115**	**14,560**	**255,982**	**763,939**

The Bank recognises provisions for legal disputes on the basis of an internal expert assessment of the current legal disputes conducted against the Bank. If there is a risk of possible loss in the legal dispute, the internal division issues an instruction for a provision to be recognised. If the legal dispute discontinues or the likelihood of a loss is reduced, the provision is released due to redundancy.

"*Other provisions*" includes provisions for future potential payments arising from compensation for armed robberies, bonuses for customers, etc. For all types of other provisions, the Bank assesses the risk and probability of performance. This item includes the effect of changes in foreign currency rates on provisions denominated in foreign currencies.

Provisions are recognised when it is possible to estimate the amount of future performance. In most types of risk, the Bank recognises a provision equal to 100% of the anticipated repayments and payments.

36. OTHER LIABILITIES

CZK thousand	2018	2017
Estimated payables for payroll costs	243,587	219,966
Accrued expenses and deferred income	71,149	54,367
Estimated payables – uninvoiced receipts for services/goods	458,339	424,890
Other	56,759	127,203
Total	**829,834**	**826,426**

37. EQUITY

(a) Share capital

The Bank's shareholder structure as at 31 December 2018:

Name	Registered office	Number of ordinary shares	Nominal value (CZK thousand)	Ownership percentage* (in %)
Raiffeisen CEE Region Holding GmbH	Austria	829,560	8,295,600	75
RLB OÖ Sektorholding GmbH	Austria	276,520	2,765,200	25
Total		**1,106,080**	**11,060 800**	**100**

* Direct investment in the share capital

On 24 April 2018, the Bank's general meeting approved the following allocation of the profit generated in 2017:

Net profit for 2017	**2,824,658**
Approved allocation:	
Allocation to reserve funds	–
Allocation to retained earnings	1,305,426
Dividends paid to shareholders*	1,519,232
of which: Raiffeisen CEE Region Holding GmbH	*1,139,424*
RB Prag Beteiligungs GmbH	*379,808*

* Dividends were paid out on 3 May 2018 according to the shareholder structure effective as at 31 December 2017.

During 2018, the share capital of the Bank was not increased.

As a result of a merger of RB Prag Beteiligungs GmbH and RLB OÖ Sektorholding GmBH, the shareholder holding 25% of the Bank's issued share capital and voting rights changed as at 31 August; RLB OÖ Sektorholding GmbH became the successor company. Therefore, the Bank's direct shareholder holding 276,520 shares (25%) changed. The ultimate parent company of the Bank is Raiffeisen Bank International AG, Austria.

In 2018, the dividend per share amounted to CZK 1,374 (2017: CZK 1,277).

(b) Other equity instruments

Other equity instruments include subordinated unsecured AT1 capital investment certificates issued by the Bank that combine the elements of equity and debt securities and meet the criteria for inclusion in the Bank's Tier 1 capital. In January 2017, the Bank placed another issue of AT1 capital investment certificates in the amount of CZK 680,904 thousand. As at 31 December 2018, the issue totalled CZK 2,615,354 thousand (2017: CZK 2,615,354 thousand). The Czech National Bank approved the inclusion of AT1 certificates in the Bank's auxiliary Tier 1 capital. In 2018, the Bank paid out a coupon of CZK 178,675 thousand (2017: CZK 147,451 thousand) from retained earnings to the holders of these certificates.

(c) Fair value reserve
Arising from cash flow hedges

CZK thousand	2018	2017
Fair value of the effective part of cash flow hedges at 1 January	(130,224)	(311,422)
Deferred tax asset/(liability) arising from fair value reserve at 1 January	31,164	59,170
Total balance at 1 January	**(99,060)**	**(252,252)**
Net gains/(losses) from the change in the fair value of a hedge instrument for the year		
Cross currency swaps	893,937	(671,653)
Interest rate swaps	48,573	(667)
Accumulated net gains/losses arising from cash flow hedges		
Cross currency swaps	(765,847)	853,517
Tax effect of cash flow hedges for the year	(39,988)	(28,006)
Fair value of the effective part of cash flow hedges at 31 December	46,439	(130,224)
Deferred tax asset/(liability) arising from fair value reserve at 31 December	(8,823)	31,164
Total balance at 31 December	**37,615**	**(99,060)**

From remeasurement of equity securities at FVOCI

CZK thousand	2018	2017
Fair value reserve from remeasurement of available-for-sale securities at 1 January	n/a	192,823
Fair value reserve from remeasurement of equity securities at FVOCI at 1 January	202,175	n/a
Deferred tax asset/(liability) arising from fair value reserve at 1 January	(6,218)	(1,724)
Total balance at 1 January	**195,957**	**191,099**
Net gain/(loss) from remeasurement of available-for-sale securities	n/a	9,352
Net gain/(loss) from remeasurement of equity securities at FVOCI	25,226	n/a
Accumulated net gains/losses	–	–
Tax effect of remeasurement of equity securities at FVOCI for the year	(5,059)	n/a
Tax effect of remeasurement of available-for-sale securities for the year	n/a	(4,494)
Fair value reserve from remeasurement of available-for-sale securities at 31 December	n/a	202,175
Fair value reserve from remeasurement of equity securities at FVOCI at 31 December	227,401	n/a
Deferred tax asset/(liability) arising from fair value reserve at 31 December	(11,277)	(6,218)
Total balance at 31 December	**216,124**	**195,957**

38. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the year as shown in the statement of cash flows are composed of the following asset balances:

CZK thousand	2018	2017
Cash and balances with central banks (see note 18)	9,086,553	8,621,174
Mandatory minimum provisions (see note 18)	(1,815,095)	(4,966,162)
Loans and advances to banks repayable on demand (see note 18)	2,919,561	1,568,887
TOTAL CASH AND CASH EQUIVALENTS	**10,191,019**	**5,223,899**

The Bank restated disclosures of foreign exchange gains/losses on cash and cash equivalents at the beginning of the year in the statement of cash flows.

In 2018, the Bank restated the definition of cash equivalents in the statement of cash flows. The reason for the change was to unify the approach with the parent company. Since 1 January 2018, the Bank has included loans and advances to banks repayable on demand in cash equivalents.

39. CONTINGENT LIABILITIES

(a) Legal disputes

The Bank conducted a review of legal proceedings outstanding against it as at 31 December 2018. Pursuant to the review of individual legal disputes in terms of the risk of potential losses and the probability of payment, the Bank recognised a provision (see note 35) for significant litigations in the aggregate amount of CZK 800 thousand in 2018 (2017: CZK 82,910 thousand).

(b) Commitments and guarantees provided and letters of credit issued

CZK thousand	2018	2017
Banks		
Commitments provided (irrevocable)	55,854	54,016
Guarantees provided	75,039	34,591
Letters of credit issued	157,443	304,548
Total	**288,336**	**393,155**
Customers		
Commitments provided (irrevocable)	27,794,622	26,013,163
Guarantees provided	16,565,014	16,734,619
Letters of credit issued	310,789	446,771
Total	**44,670,425**	**43,194,553**
Total	**44,958,761**	**43,587,708**

In addition, the Bank provides the customers with revocable credit commitments and guarantee commitments.

(c) Uncommitted credit commitments and guarantee commitments

CZK thousand	2018	2017
Banks	3,806,264	2,326,555
Customers	64,415,928	67,994,463
Total	**68,222,192**	**70,321,018**

40. FINANCIAL DERIVATIVES

(a) Trading derivatives – overview of fair value and nominal value

CZK thousand	Fair value – assets	Fair value – liabilities	Nominal value
31 December 2018 **Interest rate**			
Interest rate swaps	1,236,147	1,205,048	173,152,306
Interest rate forwards	12,576	31,114	43,500,000
Interest rate options	–	–	5,969
Interest rate	**1,248,723**	**1,236,162**	**216,658,275**
Foreign exchange			
Cross currency swaps	1,431	1,379	508,484
Currency forwards and swaps	376,395	449,038	69,026,738
Currency options	66,954	65,890	10,311,886
Foreign exchange	**444,780**	**516,307**	**79,847,108**
Total trading derivatives	**1,693,503**	**1,752,469**	**296,505,383**

CZK thousand	Fair value – assets	Fair value – liabilities	Nominal value
31 December 2017 **Interest rate**			
Interest rate swaps	1,032,590	1,018,892	116,150,465
Interest rate forwards	1,755	1,700	7,500,000
Interest rate options	8,149	8,002	4,378,063
Interest rate	**1,042,494**	**1,028,594**	**128,028,528**
Foreign exchange			
Cross currency swaps	481	448	510,700
Currency forwards and swaps	475,123	645,362	62,727,084
Currency options	56,052	56,189	7,898,205
Foreign exchange	**531,656**	**701,999**	**71,135,989**
Total trading derivatives	**1,574,150**	**1,730,593**	**199,164,517**

(b) Trading derivatives – residual maturity of contracted amount (nominal value)

CZK thousand	Up to 1 year	From 1 to 5 years	Over 5 years	Total
31 December 2018 **Interest rate**				
Interest rate swaps	38,633,607	115,013,244	19,505,455	**173,152,306**
Interest rate forwards	31,500,000	12,000,000	–	**43,500,000**
Interest rate options	5,969	–	–	**5,969**
Interest rate	**70,139,576**	**127,013,244**	**19,505,455**	**216,658,275**
Foreign exchange				
Cross currency swaps	–	508,484	–	**508,484**
Currency forwards and swaps	65,726,537	3,300,201	–	**69,026,738**
Currency options	8,278,813	2,033,073	–	**10,311,886**
Foreign exchange	**74,005,350**	**5,841,758**	**–**	**79,847,108**
Total trading derivatives	**144,144,926**	**132,855,002**	**19,505,455**	**296,505,383**

CZK thousand	Up to 1 year	From 1 to 5 years	Over 5 years	Total
31 December 2017 **Interest rate**				
Interest rate swaps	18,627,940	69,711,965	27,810,560	**116,150,465**
Interest rate forwards	6,000,000	1,500,000	–	**7,500,000**
Interest rate options	–	4,378,063	–	**4,378,063**
Interest rate	**24,627,940**	**75,590,028**	**27,810,560**	**128,028,528**
Foreign exchange				
Cross currency swaps	–	510,700		**510,700**
Currency forwards and swaps	58,994,050	3,733,034	–	**62,727,084**
Currency options	6,992,325	905,880	–	**7,898,205**
Foreign exchange	**65,986,375**	**5,149,614**	**–**	**71,135,989**
Total trading derivatives	**90,614,315**	**80,739,642**	**27,810,560**	**199,164,517**

(c) Hedging derivatives – overview of fair and nominal value

During the year ended 31 December 2018, the Bank reported the following hedging arrangements that meet the criteria for hedge accounting under IAS 39.

Fair value hedge:

- fair value hedge of the mortgage loan receivable portfolio;
- fair value hedge of the current and savings account portfolio;
- fair value hedge of term deposits; and
- fair value hedge of securities issued.

Interest rate swaps (IRS) are the hedging instruments used in hedge accounting upon a fair value hedge.

Portfolio cash flow hedge:

- cash flow hedge of the portfolio of crown assets and euro liabilities.

Cross currency swaps and interest rate swaps (IRS) are the hedging instruments used in cash flow hedging.

A hedge is regarded as highly effective if both of the following conditions are met:

- at the inception of the hedge and in subsequent periods, the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for with the hedge is designated;
- the tests are performed on a cumulative basis; the hedge is highly effective when the actual results of the hedge are within a range of 80–125%.

Hedge ineffectiveness (less than 5%) is caused by insignificant differences between the maturity of hedging derivatives and the remeasurement of the hedged item. The Bank did not identify any other sources of hedge ineffectiveness.

CZK thousand	Fair value – assets	Fair value – liabilities	Nominal value
31 December 2018 **Interest rate risk**			
Interest rate swaps to hedge fair value	35,523	–	6,431,250
Derivatives to hedge fair value	**35,523**	**–**	**6,431,250**
Interest rate swaps to hedge cash-flow	177,172	2,489	12,913,950
Cross currency swaps to hedge cash-flow	–	318,752	13,119,424
Interest rate swaps to hedge fair value	2,256,222	2,883,222	204,859,482
Derivatives to hedge portfolio	**2,433,394**	**3,204,463**	**230,892,856**
Total	**2,468,917**	**3,204,463**	**237,324,106**

CZK thousand	Fair value – assets	Fair value – liabilities	Nominal value
31 December 2017 **Interest rate risk**			
Interest rate swaps to hedge fair value	236,704	–	8,428,200
Derivatives to hedge fair value	**236,704**	**–**	**8,428,200**
Interest rate swaps to hedge cash-flow	13,140	17,934	10,599,100
Cross currency swaps to hedge cash-flow	–	439,866	14,449,792
Interest rate swaps to hedge fair value	2,031,242	2,513,540	207,281,097
Derivatives to hedge portfolio	**2,044,382**	**2,971,340**	**232,329,989**
Total	**2,281,086**	**2,971,340**	**240,758,189**

(d) Hedging derivatives – residual maturity of contractual amount (nominal value)

CZK thousand	Up to 1 year	From 1 to 5 years	Over 5 years	Total
31 December 2018 **Interest rate risk**				
Interest rate swaps to hedge fair value	6,431,250	–	–	**6,431,250**
Average interest rate	0.75%	–	–	**0.75%**
Derivatives to hedge fair value	**6,431,250**	**–**	**–**	**6,431,250**
Interest rate swaps to hedge cash-flow	3,730,125	7,717,500	1,466,325	**12,913,950**
Average interest rate	(0.31) %	0.73%	0.49%	**0.40%**
Cross currency swaps to hedge cash-flow	9,445,781	3,673,643	–	**13,119,424**
Average interest rate	(0.31)%	(0.38)%	–	**(0.33)%**
Interest rate swaps to hedge fair value	34,108,545	126,460,985	44,289,952	**204,859,482**
Average interest rate	0.63%	0.97%	0.96%	**0.91%**
Derivatives to hedge portfolio	**47,284,451**	**137,852,128**	**45,756,277**	**230,892,856**
Total hedging derivatives	**53,715,701**	**137,852,128**	**45,756,277**	**237,324,106**

CZK thousand	Up to 1 year	From 1 to 5 years	Over 5 years	Total
31 December 2017 **Interest rate risk**				
Interest rate swaps to hedge fair value	–	8,428,200	–	**8,428,200**
Derivatives to hedge fair value	**–**	**8,428,200**	**–**	**8,428,200**
Interest rate swaps to hedge cash-flow	–	8,811,300	1,787,800	**10,599,100**
Cross currency swaps to hedge cash-flow	1,347,956	13,101,836	–	**14,449,792**
Interest rate swaps to hedge fair value	36,417,020	122,071,030	48,793,047	**207,281,097**
Derivatives to hedge portfolio	**37,764,976**	**143,984,166**	**50,580,847**	**232,329,989**
Total hedging derivatives	**37,764,976**	**152,412,366**	**50,580,847**	**240,758,189**

(e) Fair value hedge

Hedging instruments

CZK thousand	2018					
	Nominal value	Fair value		Line item in the statement of financial position where the hedging instrument is located	Ineffective-ness recognised in profit or loss	Line item(s) in profit or loss (that include(s) hedge ineffectiveness)
		Assets	Liabilities			Liabilities
Interest rate risk						
Fair value derivatives hedge						
Interest rate swaps (IRS)	6,431,250	35,523	–	Hedge derivatives with positive fair value	(29,084)	Net income from hedge accounting
Portfolio derivatives hedge						
Interest rate swaps (IRS)	204,859,482	2,256,222	2,883,222	Hedge derivatives with positive/negative fair value	22,618	Net income from hedge accounting

Hedged items

CZK thousand	2018					
	Carrying amount		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Line item in the statement of financial position where the hedged instrument is located	Changes in fair value used for calculating hedge ineffectiveness
	Assets	Liabilities	Assets	Liabilities		
Interest rate risk						
Debt securities	3,832,171	–	94,375	–	Financial assets in amortised costs	94,375
Loans and advances to customers	76,770,481	–	(1,239,320)	–	Financial assets in amortised costs	20,315
Liabilities to customers	–	77,782,548	–	(1,668,044)	Financial liabilities in amortised costs	(58,666)
Issued debt securities	–	6,456,923	–	28,307	Financial liabilities in amortised costs	23,947

Comparative period under IAS 39

CZK thousand	2017		
	Nominal value	Assets	Liabilities
Interest rate risk			
Fair value hedge			
Interest rate swaps (IRS)	8,428,200	236,704	–
Portfolio hedge			
Interest rate swaps (IRS)	207,281,097	2,031,242	2,513,540

(f) Portfolio cash flow hedge
Hedging instruments

CZK thousand	2018									
	Nominal value	Fair value		Line item in the statement of financial position where the hedging instrument is located	Changes in fair value used for calculating hedge ineffectiveness	Changes in the value of the hedging instrument recognised in OCI	Ineffectiveness recognised in profit or loss	Line item(s) in profit or loss (that include(s) hedge ineffectiveness)	Amount reclassified from the hedge reserve to profit or loss	Line item in profit or loss affected by the reclassification
		Assets	Liabilities							
Interest rate risk										
Interest rate swaps (IRS)	12,913,950	177,172	2,489	Hedge derivatives with positive/negative fair value	47,575	48,573	(998)	Net income from hedge accounting	(998)	Net income from hedge accounting
Cross currency swaps	13,119,424	–	318,752	Hedge derivatives with positive/negative fair value	128,090	128,090	–	Net income from hedge accounting	–	Net income from hedge accounting

Hedged items

CZK thousand	2018	
	Line item in the statement of financial position where the hedged item is located	Changes in value used for calculating hedge ineffectiveness
Interest rate risk		
Loans and advances to customers	Financial assets in amortised costs	(125,283)
Deposits from customers	Financial liabilities in amortised costs	(13,455)
Issued debt securities	Financial liabilities in amortised costs	(52,067)

Comparative period under IAS 39

	2017		
CZK thousand	**Nominal amount**	**Assets**	**Liabilities**
Interest rate risk			
Interest rate swaps (IRS)	25,048,892	13,140	457,799

41. OTHER OFF-BALANCE SHEET ITEMS

(a) Assets placed under management, into administration and deposit

In the years ended 31 December 2018 and 2017, the Bank placed no assets under management, into administration or deposit.

(b) Assets accepted for management, administration and deposit

CZK thousand	2018	2017
Assets accepted for management	9,404,776	9,229,582
Assets accepted for custody	233	–
Assets accepted for administration	47,900,712	38,373,914
Assets accepted for deposit	1,712	5,795
TOTAL	**57,307,433**	**47,609,291**

42. SEGMENT ANALYSIS

The base for the segment analysis according to IFRS 8 are internal reports of the Bank which are based on management accounts and serve as the principal financial information for decision-making of the Bank's management.

Management accounts are maintained on a margin basis. For this reason, the interest income and expense and fee and commission income and expense of individual operating segments are not reported separately, but on a net basis.

Operating segments are represented as follows:
- Corporate banking;
- Retail banking;
- Treasury and ALM;
- Other.

The Corporate banking segment involves transactions with corporate clients, public sector institutions and financial institutions.

The Retail banking segment generally includes all private individuals including VIP clients, individuals – entrepreneurs and the Bank's own employees.

The Treasury segment includes interbank transactions, trading with financial instruments, securities and ALM.

The "Other" segment mainly includes equity investments and other non-interest bearing assets and liabilities of the Bank that cannot be allocated to segments referred to above, i.e. capital, subordinated deposit, assets, other assets/liabilities, capital investments.

The Bank monitors amounts of net interest income and net fee and commission income, net gain/(loss) from financial operations, movements in loss allowances, general operating expenses, income tax, and volume of client and non-client assets and liabilities by segment. Other items are not monitored by segment.

A predominant part of the Bank's income is generated in the Czech Republic from transactions with customers who have their permanent residence or place of business in the Czech Republic or from trading with financial instruments issued by Czech entities. The income generated outside the Czech Republic is immaterial for the Bank.

The Bank has no customer or group of related parties for which income from transactions exceeds 10% of the Bank's total income.

Selected items by segment (2018)

At 31 December 2018 CZK thousand	Corporate entities	Retail customers	Treasury and ALM	Other	Reconciliation to the statement of comprehensive income	Total
Income statement:						
Net interest income	2,405,281	4,678,823	100,431	136,366	(30,812)	**7,290,089**
Net fee and commission income	1,298,468	1,979,565	(18,742)	(25,325)	(1,370,726)	**1,863,240**
Net gain/(loss) from financial operations	(843)	1,255	48,036	(6,641)	1,370,726	**1,412,533**
Net gain from hedge accounting	–	–	72,507	–	–	**72,507**
Impairment losses on financial assets	(604,127)	(205,337)	–	–	–	**(809,464)**
Gain or loss (–) arising from derecognition of financial assets measured at amortised cost	41,156	–	–	–	–	**41,156**
Other operating income/(expenses)	(1,507,320)	(4,061,290)	(211,500)	55,511	–	**(5,724,600)**
Dividend income	–	–	–	–	30,812	**30,812**
Profit before tax	**1,632,615**	**2,393,016**	**(9,268)**	**159,911**	**–**	**4,176,273**
Income tax	(317,159)	(462,999)	1,800	(32,945)	–	**(811,302)**
Profit after tax	**1,315,456**	**1,930,018**	**(7,468)**	**126,966**	**–**	**3,364,971**
Assets and liabilities:						
Total assets	**124,342,278**	**116,666,197**	**111,224,110**	**10,331,322**	**–**	**362,563,907**
Total liabilities	**100,013,196**	**176,714,603**	**52,268,777**	**4,785,133**	**–**	**333,781,709**

Selected items by segment (2017)

At 31 December 2017 CZK thousand	Corporate entities	Retail customers	Treasury and ALM	Other	Reconciliation to the statement of comprehensive income	Total
Income statement:						
Net interest income	2,200,601	4,341,976	(319,293)	36,231	(75,233)	**6,184,282**
Net fee and commission income	1,353,480	1,935,701	9	368	(1,370,147)	**1,919,411**
Net gain/(loss) from financial operations	22,607	12,747	858,866	(805)	1,370,147	**2,263,562**
Changes in loss allowances	(641,573)	203,933	–	–	–	**(437,640)**
Other operating expenses	(1,524,826)	(4,098,277)	(202,250)	(254,943)	–	**(6,080,296)**
Dividend income	–	–	–	–	75,233	**75,233**
Profit before tax	**1,410,289**	**2,396,080**	**337,332**	**(219,149)**	**–**	**3,924,552**
Income tax	(395,211)	(670,392)	(94,541)	60,250	–	**(1,099,894)**
Profit after tax	**1,015,078**	**1,725,688**	**242,791**	**(158,899)**	**–**	**2,824,658**
Assets and liabilities:						
Total assets	**107,570,323**	**108,120,733**	**113,725,184**	**8,457,908**	**–**	**337,874,148**
Total liabilities	**98,589,051**	**159,405,803**	**45,178,699**	**10,338,263**	**(2,824,658)**	**310,687,158**

Differences between individual lines of the segment analysis and information in the statement of comprehensive income and the statement of financial position

The difference in "*Net interest income*" primarily arises from the different presentation of dividend income.

In "*Net interest income*" in the "*Other*" segment, the Bank reports a positive compensation of capital costs that are allocated to individual client segments.

The difference in "*Net fee and commission income*" arises from the different presentation of income and expenses from commissions from foreign currency transactions.

The difference in "*Net gain/(loss) from financial operations*" arises from the different presentation of income and expenses from foreign currency transactions.

"Other operating expenses" includes "Other operating expenses", "Other operating income", "Personnel expenses", "Depreciation and amortisation of fixed assets" and "*General operating expenses*" presented in the statement of comprehensive income in separate lines.

The difference in liabilities in 2017 arisen from the different presentation of profit for the current year.

The differences referred to above between the segment analysis and the statement of comprehensive income arise from the different classification of selected profit and loss items in the Bank's management accounting.

43. FINANCIAL INSTRUMENTS – MARKET RISK

The Bank is exposed to market risks arising from the open positions of transactions with interest rate, equity and currency instruments that are sensitive to changes in financial market conditions.

(a) Trading

The Bank holds trading positions in certain financial instruments including financial derivatives.

These positions are also held for the purpose of speculation on the expected future development of financial markets and thus represent speculation on this development. The majority of the Bank's trading activities are conducted based on the requirements of the Bank's customers.

The Bank maintains the admission to financial markets through the quoting of bid and ask prices and by trading with other market makers. The Bank's business strategy is thus affected by the speculative expectation and market making and its goal is to maximise net income from trading.

The Bank manages risks associated with its trading activities on the level of individual risks and types of financial instruments. The key risk management tools are the limits for individual transaction volumes and individual position volumes, stop loss limits and value at risk (VaR) limits. The quantitative methods applied to market risk management are described in "Risk management methods" in note 43 (d).

(b) Risk management

The selected risks exposures resulting from the Bank's activities, management of positions arising from these activities and its risk management approach are described below. More detailed policies applied in measuring and managing these risks are included in "Risk management methods" in note 43 (d).

Liquidity risk
Liquidity risk arises from the time mismatch between cash inflows and outflows. It includes both the risk of inability to raise funds to cover the Bank's assets using instruments with appropriate maturity and the Bank's ability to sell assets at a reasonable price within a reasonable time frame. The liquidity position of the Bank is regularly monitored by the Czech National Bank.

The Bank has access to diversified sources of funding, which comprise deposits and other savings, issued securities, loans accepted including subordinated loans, and also the Bank's equity. This diversification makes the Bank flexible and reduces its dependency on one source of funding. The Bank regularly evaluates its liquidity exposures, in particular by monitoring the changes in the structure of financing and comparing these changes with the Bank's liquidity risk management strategy, which has been approved by the Bank's board of directors. As part of its liquidity risk management strategy, the Bank also holds a portion of its assets in highly liquid funds, such as government treasury bills and similar bonds and deposits with the Czech National Bank (repo transactions/deposit facilities). The Bank uses internal statistical models for diversification of the maturity of customer deposits. These models are reassessed on a regular basis.

The following table shows the remaining maturity of contractual cash flows arising from financial liabilities. Contractual cash flows from derivatives are analysed in the tables in notes 40 (b) and 40 (d).

Analysis of financial liabilities according to remaining maturity (undiscounted cash flows)

2018 CZK thousand	Carrying amount	Total contractual liability	0–3 months	3–12 months	1–5 years	Over 5 years
Deposits from banks	**32,135,721**	**32,183,896**	25,431,324	6,752,572	–	–
Deposits from customers	**271,118,509**	**271,232,927**	266,617,024	1,885,948	2,691,214	38,741
Debt securities issued	**19,599,578**	**19,876,585**	110,241	12,713,544	5,772,145	1,280,655
Subordinated liabilities and bonds	**2,577,259**	**3,534,967**	–	108,799	482,787	2,943,381
Other financial liabilities	**2,943,975**	**2,943,975**	2,943,975	–	–	–
Other liabilities	**829,834**	**829,834**	829,834	–	–	–
Off-balance sheet items	**44,958,761**	**44,958,761**	4,866,099	8,779,895	16,080,891	15,231,876

2017 CZK thousand	Carrying amount	Total contractual liability	0–3 months	3–12 months	1–5 years	Over 5 years
Deposits from banks	**27,379,967**	**27,468,297**	18,634,471	4,488,267	4,345,559	–
Deposits from customers	**252,076,227**	**252,302,908**	246,776,498	2,166,460	3,321,372	38,578
Debt securities issued	**19,473,226**	**19,880,511**	141,106	101,906	17,842,822	1,794,677
Subordinated liabilities and bonds	**2,712,697**	**2,716,335**	2,889	126,801	2,586,645	–
Other financial liabilities	**4,052,067**	**4,052,067**	4,052,067	–	–	–
Other liabilities	**826,426**	**826,426**	826,426	–	–	–
Off-balance sheet items	**42,569,309**	**42,569,309**	2,237,261	3,804,551	13,375,395	23,152,102

Off-balance sheet items include all irrevocable credit commitments provided to the Bank's customers, guarantee commitments, and guarantees and letters of credit provided to customers.

Foreign currency risk

The foreign currency risk is the risk arising from currency markets. The source of this risk is the Bank's foreign currency position which arises from the mismatch of the Bank's assets and liabilities, including the currency-sensitive off-balance sheet items. The majority of foreign currency gains or losses is due to changes in foreign currency rates in currency positions of the Bank denominated in EUR and USD. The foreign currency risk is managed by setting trading limits. More detailed policies applied in managing this risk are included in "Risk management methods" in note 43 (d).

Interest rate risk

The Bank is exposed to interest rate risk since the interest-bearing assets and liabilities have different maturity dates, periods of interest rate changes/adjustments and volumes during these periods. In the case of variable interest rates, the Bank is exposed to a basis risk arising from the difference in the mechanism of adjusting individual types of interest rates, such as PRIBOR, announced interest on deposits, etc.

The interest rate risk of the Bank is primarily impacted by the development in interbank interest rates, including the negative rates (the impact of negative interest rates is disclosed in note 5). The Bank's interest rate risk management activities are aimed at optimising the Bank's net interest income in accordance with its strategy approved by the board of directors. In managing the interest rate risk, the Bank uses (as in the case of liquidity management) statistical models for distribution of those items where it is unable to determine the exact moment of repricing of interest rates or liquidity maturity (for example on current accounts).

The Bank mostly uses interest rate derivatives to manage the mismatch between the rate-sensitivity of assets and liabilities. These derivative transactions are entered into in accordance with the asset and liability management strategy as approved by the Bank's board of directors.

Part of the Bank's income is generated through a targeted mismatch between rate-sensitive assets and rate-sensitive liabilities. In managing the interest rate risk, the carrying amounts of these assets and liabilities and the nominal (notional) values of interest rate derivatives are recorded either in the year in which they are due or in which the interest rate changes, whichever occurs first. Due to the anticipated preliminary repayment or undefined maturity dates, certain assets or liabilities are allocated to individual periods based on an expert estimate.

Equity risk
Equity risk is the risk of fluctuations of the prices of equity instruments held in the Bank's portfolio and financial derivatives related to these instruments. As the Bank does not trade shares on its own account, it is exposed to indirect equity risk arising from the shares held by the Bank as collateral for customer loans. Equity risk is managed by trading limits. The equity risk management methods are described in "Risk management methods" in note 43 (d).

(c) Fair values of financial assets and liabilities

The Bank used the following methods and estimates in determining the fair values of financial assets and liabilities.

i) Cash and balances with central banks
The reported amounts of cash and short-term instruments are essentially equivalent to their fair value.

ii) Loans and advances to banks
The reported amounts of loans and advances to banks due within one year are essentially equivalent to their fair values. The fair values of other loans and advances to financial institutions are estimated based on cash flows discounted at standard rates for similar types of investments (market rates adjusted for credit risk). The fair values of delinquent loans to financial institutions are estimated based on discounted cash flows; for loss loans, fair values are equivalent to the amount of the respective collateral.

iii) Loans and advances to customers
For variable-rate loans that are often remeasured or loans with the final maturity within one year, and for which credit risk changes are immaterial, the fair values are essentially equivalent to the reported amounts. The fair values of fixed-rate loans are estimated based on discounted cash flows using the interest rate that is standard for loans with similar conditions and maturity dates and provided to borrowers with a similar risk profile, including the impact of collateral (the discounted rate technique according to IFRS 13). The fair values of delinquent loans are estimated based on discounted cash flows, including proceeds from a collateral foreclosure, if any.

iv) Held-to-maturity securities
The fair values of securities carried in the held-to-maturity portfolio are estimated based on discounted cash flows using the interest rate common as at the reporting date, unless they are traded on an active market.

v) Deposits from banks and customers
The fair values of deposits repayable on demand at the reporting date are equal to the amounts repayable on demand (i.e. their carrying amounts). The carrying amounts of variable-rate term deposits are essentially equivalent to their fair values at the reporting date. The fair values of fixed-rate deposits are estimated based on discounted cash flows using market interest rates and taking into account the Bank's liquidity costs.

vi) Bonds issued
The fair values of bonds issued by the Bank are determined based on current market prices. If market prices are not available, the fair values are the Bank's estimates where the fair value is estimated based on discounted cash flows using market interest rates and taking into account the Bank's liquidity costs.

vii) Subordinated liabilities and bonds
The fair values of subordinated loans are estimated based on discounted cash flows using market interest rates and taking into account the Bank's liquidity costs. The fair values of subordinated bonds issued by the Bank are determined based on current market prices.

The following table summarises the estimated amounts and fair values of financial assets and liabilities that are not recognised at fair value in the statement of financial position:

2018	Level 1	Level 2	Level 3	Fair value	Carrying amount	Difference
Assets						
Cash in hand, balances with central banks and other demand deposits	–	–	12,006,114	12,006,114	12,006,114	–
Loans and advances to banks*	–	–	99,358,402	99,358,402	99,358,402	–
Loans and advances to customers*	–	–	237,514,855	237,514,855	234,091,842	3,423,013
Debt securities at amortised cost*	5,086,500	–	1,796,470	6,882,970	6,864,559	18,411
Liabilities						
Deposits from banks	–	–	32,141,388	32,141,388	32,135,721	5,667
Deposits from customers	–	–	271,209,113	271,209,113	271,118,509	90,604
Debt securities issued	–	–	19,788,579	19,788,579	19,599,578	189,001
Subordinated liabilities and bonds	–	–	2,592,154	2,592,154	2,577,259	14,895
Other financial liabilities	–	–	2,943,975	2,943,975	2,943,975	–

*including loss allowances

2017	Level 1	Level 2	Level 3	Fair value	Carrying amount	Difference
Assets						
Cash in hand, balances with central banks and other demand deposits	–	–	10,190,061	10,190,061	10,190,061	–
Loans and advances to banks*	–	–	103,583,094	103,583,094	103,583,094	–
Loans and advances to customers*	–	–	220,885,144	220,885,144	(214,944,301)	(5,940,843)
Held-to-maturity securities	–	–	–	–	–	–
Liabilities						
Deposits from banks	–	–	27,425,713	27,425,713	27,379,967	45,746
Deposits from customers	–	–	252,234,306	252,234,306	252,076,227	158,079
Debt securities issued	–	–	19,870,076	19,870,076	19,473,226	396,850
Subordinated liabilities and bonds	–	–	2,827,631	2,827,631	2,712,697	114,934
Other financial liabilities	–	–	4,052,067	4,052,067	4,052,067	–

*including loss allowances

Financial instruments at fair value

	Fair value at 31 December 2018			Fair value at 31 December 2017		
CZK thousand	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Positive fair value of trading derivatives	–	1,693,503	–	–	1,574,150	–
Securities held for trading	268,021	–	–	n/a	n/a	n/a
Securities at FVTPL	n/a	n/a	n/a	70,793	–	85,653
Positive fair value of hedging derivatives	–	2,468,917	–	–	2,281,086	–
Financial assets at FVOCI	–	–	628,880	n/a	n/a	n/a
Available-for-sale securities	n/a	n/a	n/a	–	–	603,654
Total	**268,021**	**4,162,420**	**628,880**	**70,793**	**3,855,236**	**689,307**

	Fair value at 31 December 2018			Fair value at 31 December 2017		
CZK thousand	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Negative fair value of trading derivatives	–	1,752,469	–	–	1,730,593	–
Negative fair value of financial derivatives	–	3,204,463	–	–	2,971,340	–
Total	**–**	**4,956,932**	**–**	**–**	**4,701,933**	**–**

Level 1 category is the category of financial instruments measured at fair value determined based on the price quoted on an active market.

Level 2 category is the category of financial instruments measured at fair value determined based on prices derived from market data. For financial derivatives, the fair values are determined based on discounted future cash flows that are estimated according to market interest rate and currency forward curves and contractual interest rates and currency rates according to individual contracts. The discount factor is derived from market rates. For securities at FVTPL, the fair value is calculated on the basis of discounted future cash flows. The discount factor is derived from market rates.

Level 3 category is the category of financial instruments measured at fair value determined using the techniques based on input information not based on data observable on the market.
The reconciliation of financial instruments measured at fair value determined using the techniques based on the input information, not built upon the data observable on the market (Level 3 instruments).

2018

CZK thousand	Financial assets held for trading (debt securities)	Financial assets at FVOCI	Total
Balance at the beginning of the year	**85,653**	**603,654**	**689,307**
Transfer to Level 3			
Purchases	10	–	**10**
Comprehensive income/(loss)		25,226	**25,226**
– in the income statement	(10)	–	**(10)**
– in equity (note 36)		25,226	**25,226**
Sales/settlement	(85,653)	–	**(85,653)**
Transfer from Level 3		–	**–**
Balance at the end of the year	**–**	**628,880**	**628,880**

2017

CZK thousand	Securities at FVTPL	Available-for-sale securities	Total
Balance at the beginning of the year	**201,065**	**593,411**	**794,476**
Transfer to Level 3	–	891	**891**
Purchases	–	–	**–**
Comprehensive income/(loss)	5,068	9,352	**14,420**
– in the income statement	5,068	–	**5,068**
– in equity (note 36)	–	9,352	**9,352**
Sales/settlement	(120,480)	–	**(120,480)**
Transfer from Level 3	–	–	**–**
Balance at the end of the year	**85,653**	**603,654**	**689,307**

The Bank measures financial assets held for trading and financial assets measured at FVOCI (in 2017: securities at fair value through profit or loss and available-for-sale securities) using the technique of discounted future cash flows. This valuation technique adjusts future amounts (i.e. cash flows, income and expense) to the present (discounted) value. The fair value is determined based on the value acquired from the current market expectation of the future value. In respect of securities that fall into the Level 3 category, the Bank uses the discount factor for the calculation that is derived from the internal price for liquidity determined by the Bank and concurrently reflects the credit risk of the security issuer. The price of the Bank for liquidity and credit risk of the security issuer are inputs that are not observable from the data available on the market. The price of the Bank for liquidity determined in the calculation is based on the resolution of the Bank's ALCO Committee and reflects the level of available sources of the Bank's financing and their price. In the event of a negative development of the Bank's liquidity position or changes in the interbank market, the price for liquidity may increase and consequently the price of the financial instrument may decline. The credit risk of the issuer is determined based on the rating of the securities issuer in the Bank's rating scale. If the issuer was attributed a worse rating, the price of the financial instrument could decline by 0–10%.

The amount in Level 3, item "*Financial assets at FVOCI*" primarily comprises an investment in Raiffeisen stavební spořitelna, a.s. of CZK 463,300 thousand (2017: CZK 464,701 thousand) and the Group's membership in Visa Inc. of CZK 164,731 thousand (2017: CZK 138,111 thousand).

(d) Risk management methods

The Bank uses a set of limits for individual positions and portfolios as part of the appropriate methodologies to facilitate effective market risk management. The set of limits is based on limits determined by appropriate regulators which are complemented by the limits set by the parent company in a standardised way for the entire CEE region. In some cases, the set of limits is complemented by other internal limits and methods that reflect the specifications of local markets that the Bank is exposed to.

The Bank monitors both aggregate and individual market risks using the value at risk method. Value at risk represents the potential loss arising from an adverse movement of market rates within a certain time period with a certain confidence level. Value at risk is measured based on a one-day holding period with a 99% confidence level. The calculation reflects mutual correlations of individual risk factors (currency rates, interest rates, market spreads and equity market prices).

CZK thousand	At 31 December 2018	Average 2018	At 31 December 2017	Average 2017
Total market risk VaR	**116,619**	**50,798**	**112,445**	**24,546**

Interest rate risk

The Bank manages interest rate risk of the banking book and the trading book separately, on the level of individual currencies. The interest rate position is monitored based on the sensitivity of the position to the shift in the interest rate curve (BPV). The BPV (basis point value) method involves determining the change in the present value (both in total and individual time periods) of the portfolio when interest rates shift by one basis point (0.01%). This method is complemented by monitoring the interest rate risk using Value at risk.

CZK thousand	At 31 December 2018	Average 2018	At 31 December 2017	Average 2017
Total interest rate position VaR	**23,274**	**9,435**	**3,447**	**9,025**
Interest rate position VaR – banking book	23,250	7,224	7,683	8,850
Interest rate position VaR – trading book	19,627	8,451	5,420	5,001

Foreign currency risk

The Bank uses a set of limits established based on the standards of the Group. The limits are set for individual currencies and for the overall currency position. Internal currency position limits fully respect the limits set by the local regulator. Moreover, these limits are complemented by monitoring foreign currency risk using Value at risk.

CZK thousand	At 31 December 2018	Average 2018	At 31 December 2017	Average 2017
Foreign currency position VaR	**1,214**	**2,663**	**625**	**2,194**

Market spread risk

To determine the risk of change in market spreads for forward exchange contracts (in the trading portfolio) and for its own positions in debt instruments (state and corporate), the Bank also uses the Value at risk method. The significant increase in the amount of market spread VaR arising from currency positions was attributable to the extraordinary increase in the volatility of FX forward rates at the end of 2018.

CZK thousand	At 31 December 2018	Average 2018	At 31 December 2017	Average 2017
Total market spread VaR	**98,003**	**48,748**	**114,229**	**20,992**
Market spread VaR – debt instruments	100,049	36,190	8,009	9,621
Market spread VaR – currency positions	29,785	24,483	113,884	17,859

Equity risk

Market risks arising from the Bank's equity trading activities are managed using the limits of maximum open positions in equity instruments together with the value at risk method. At the end of 2013, the Bank suspended trading with equity instruments in the banking book.

Stress testing

The Bank performs regular stress testing of interest rate risk inherent in the banking and trading portfolios, the foreign currency risk, option risk, market spread risk and liquidity risk. The results of stress tests are submitted to the Assets and Liabilities Committee (ALCO) on a regular basis.

(e) Operational risk

In accordance with the applicable legislation, operational risk is defined as the risk of loss arising from the inappropriateness or failure of internal processes, human errors or failures of systems or the risk of loss arising from external events. The Bank monitors, tracks and assesses these risks on a regular basis and undertakes measures aimed at minimising losses. In respect of the operational risk, the Bank applies the standardised approach to calculating capital adequacy. In the future, it intends to implement the advanced (AMA) approach. At present, changes are being implemented so that the advanced approach could be applied.

The basic principle is the responsibility of each employee for the identification and escalation of the operational risk and for timely and accurate reporting of incidents. The Bank has a central operational risk management function in place, which is responsible for the setting of the methodology, measurements or analyses and which provides methodical support to managers.

Operational risk management primarily draws upon the following:
- event data collection;
- general ledger analysis;
- risk assessment;
- scenario analysis;
- early warning indicators;
- mitigation plans.

The objective of collecting data on the losses arising from operational risk events is not only to accumulate information but predominantly to analyse them. More serious cases are presented to and discussed by the Operational Risk Management Committee. Through the Operational Risk Management Committee, the Bank also presents, discusses and approves measures aimed at minimising or fully eliminating further occurrence of similar events. Specific responsibilities are determined for the implementation of proposed changes and their fulfilment is reviewed by the Operational Risk Management Committee. Other cases are dealt with by the relevant departments.

The general ledger analysis provides reconciliation between the reported loss and its recognition in the books.

The risk assessment is used to raise awareness of operational risks, clarify individual processes and mitigate the operational risks identified. The risk assessment determines the risk of individual processes, organisational units or activities. The risk level is a relevant value for taking measures within qualitative risk management.

The scenario analysis is a process used by the Bank to consider the impact of extreme but probable events on its activities, assess the probability of occurrence and estimate significance of the impact on a scale of possible results. The scenario analysis aims at: (i) providing a potential method to record a specific event that occurred in a specific organisation; (ii) increasing awareness and educating management by providing insight into various types of risks and managing the plan of remedies and investments.

EWIs are used for the ongoing monitoring and reporting of the risk exposure to operational risk. They provide early warning to take possible steps or make changes in the risk profile, which may initiate management measures. The monitored EWIs include for example the number of dismissed employees, the supplier's financial dependence on the Bank, deposit outflows in the retail portfolio, complex projects, major projects exceeding two years, the number of pending litigations or the number of counterfeit notes.

The Bank defines and reviews the Risk Appetite on a regular basis. In using the above-specified instruments, the Bank compares the identified risks with the appetite and prepares mitigation plans for the risks that exceed the appetite.
All instruments are used in a regular annual cycle.

(f) Equity management

In the EU, banking regulation requirements are stipulated by the Basel III regulatory framework through Regulation EU No. 575/2013/EU on prudential requirements for credit institutions and investment firms (CRR – Capital Requirements Regulation) and Directive EU No. 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD IV – Capital Requirements Directive). CRD IV was transposed to the Czech legal system by means of an amendment to the Act on Banks and by adopting the Czech National Bank's Decree No. 163/2014 Coll. The new regulation primarily governs capital indicators, imposing stricter requirements namely in respect of regulatory capital, liquidity and risk-weighted exposure.

Since 2014, CRD IV has made it possible for member states to require that banks create and maintain three types of buffers: capital conservation buffer, systemic risk buffer and countercyclical capital buffer. As for the capital conservation buffer, the CNB has decided to apply it from the very beginning to all institutions in the full amount of 2.5% of the Tier 1 capital. In 2018, the systemic risk buffer was only applied to five institutions, including Raiffeisenbank (set at 1% for Raiffesenbank). As for the countercyclical capital buffer, the CNB decided to set the initial buffer amount to zero at the end of 2014; banks were to apply it over the two subsequent years. In December 2015, the CNB set the countercyclical capital buffer to 0.5% from 1 January 2017 and subsequently to 1.0% from 1 July 2018, to 1.25% from 1 January 2019, to 1.50% from 1 July 2019 and to 1.75% from 1 January 2020.

The Bank manages its capital adequacy with a view to ensuring its sufficient level after the natural growth in the volume of sales has been accounted for, taking into account the potential macroeconomic development and the environment of changing regulatory requirements. The Bank monitors changes in regulatory requirements on an ongoing basis, assessing their impact as part of the capital planning process.

As a local supervisory authority, the CNB monitors whether the Bank complies with capital adequacy on a separate as well as consolidated basis. In 2018, the Bank met all regulatory requirements.

Internal capital Adequacy Assessment Process

In line with Pillar 2 of Basel II, the Bank creates its own internal capital system (hereinafter the "ICS"). The process ensures that the Bank is able to:
- identify, quantify, manage and monitor all risks to a sufficient degree;
- secure and maintain the necessary amount of capital to cover all material risks; and
- set up reliable management of the risks, and develop and perfect it on an ongoing basis.

As part of the ICS, the Bank proceeds in line with the applicable methodology, which is updated on an annual basis following developments in the ICS. The methodology is based on key parameters defined in line with the Bank's general nature, size and risk profile. The key parameters are based on the Bank's target rating, according to which the applied reliability level (99.9%), the time frame for calculating economic capital (1 year) and the planning time frame (3 years) are determined.

The Bank determines the risk appetite, which represents the acceptable level of risk and is one of the basic starting points for the Bank's strategic management. The Bank's risk appetite is defined through internal and regulatory capital adequacy limits and serves as an instrument for ensuring sufficiently high values of the Tier 1 and CET1 capital ratios under both expected and stress conditions.

On a monthly basis, the Bank monitors internal capital adequacy, which is defined as a ratio of aggregated economic capital (EC) and internal capital, whose structure is based on regulatory capital (Pillar 1).

In calculating EC for risks defined under Pillar 1, the Bank applies methods derived from those used in determining capital regulatory requirements. For other risks, the economic capital is calculated using internal methods based on risk significance. In addition, the Bank recognises a "capital mark-up" on total EC.

The risk limit for the risk undertaken (i.e. the amount of economic capital) is determined as 75% of the internal capital. The unallocated portion of internal capital serves as a buffer. If limits defined under the risk appetite are exceeded, the board of directors is immediately notified and corrective measures are taken.

As part of the ICS process, all relevant risks to which the Bank is or may be exposed in the future are assessed and mapped. Based on the resulting assessment, it determines the risks for which it defines the management system, calculates economic capital and performs stress testing as part of Pillar 2 with the aim of verifying the Bank's ability to overcome even highly adverse future developments.

The ICS forms part of financial planning (in the form of risk appetite). The creation of the financial plan is reflected in regular monthly stress tests in the form of capital prediction and development planning. Throughout the year, ICS reports are independently submitted to the board of directors as part of the quarterly report; further the ICS reports are submitted to the Assets and Liabilities Management Committee on a monthly basis. The Bank applies the ICS both on a local (monthly) and a consolidated basis (quarterly).

44. FINANCIAL INSTRUMENTS – CREDIT RISK

The Bank takes on exposure to credit risks resulting from its trading activities, provision of loans, hedging transactions, investment activities and agency services.

Credit risks associated with trading and investment activities are managed using the methods and instruments applied by the Bank in managing its credit risk exposures.

(a) Collateral assessment

Generally, the Bank requires collateral for loans granted to certain debtors prior to the issuance of the loan. The Bank considers the following types of collateral as eligible collateral:

- cash;
- real estate;
- first-class receivables;
- bank guarantees;
- guarantee provided by a reputable third party;
- machinery and equipment – movable assets;
- first-class securities; and
- commodities.

To determine the realisable value of collateral of immovable and movable assets, the Bank refers to estimates of usual prices revised by a specialised department of the Bank or internal assessments prepared by this department of the Bank. In other types of hedging instruments, their value including the recalculated value is determined in line with the internal standards of the Bank. The realisable value of collateral is subsequently determined by discounting the appraised value using a correction coefficient which reflects the Bank's ability to realise the collateral as and when required. The Bank regularly reviews and updates collateral values depending on the type and quality of the collateral, usually no later than on an annual basis.

(b) Credit risk measurement methods

The principal credit risk management methods in retail include in particular rating based on the application and behavioural scoring. The risks are managed on a portfolio level through the portfolio management approach, through the management of the approval process based on the regular monitoring of the portfolio quality development, and prediction of potential future loss development.

In the corporate segment, the Bank measures the credit risk through rating scales (see below) and each rating category is allocated a certain risk rate (probability of default and a coefficient for determining risk weighted assets); the risk measured using this method can be mitigated through collateral according to effective regulations of the Czech National Bank.

(c) Concentration of credit risk

The Bank maintains a system of internal limits for individual countries, sectors and clients (or groups of economically connected clients) in order to be able to manage risks connected with significant concentration of credit risk. As at the reporting date, the Bank recorded no significant credit risk concentration exposure to an individual client or an economically connected group of clients that would exceed the limits set by the Czech National Bank.

The credit risk concentration analysis by sector/industry and concentration by geographical areas is provided in notes 44(m) and 44(m).

(d) Recovery of receivables

The Bank has special functions in place which are responsible for the recovery and administration of distressed receivables. These functions undertake legal steps, perform the restructuring of receivables, communicate with problematic clients, etc. in order to achieve maximum recovery, including collateral recovery, and representing the Bank in creditors' committees under insolvency proceedings.

(e) Expected credit losses – methods effective from 1 January 2018

The measurement of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of the money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

General approach

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and fair value through other comprehensive income is an area that requires the use of complex models and significant assumptions about future economic conditions and payment behaviour. Significant judgements are required in applying the accounting requirements for measuring expected credit losses, inter alia:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit losses;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit losses;
- Establishing groups of similar financial assets for the purposes of measuring expected credit losses.

For the Bank (as defined in the methodology of Raiffeisen Bank International Group (further also "RBI Group"), credit risk comes from the risk of suffering financial loss should any of customers, clients or market counterparties fail to fulfil their contractual obligations. Credit risk arises mainly from interbank, commercial and consumer loans, and loan commitments arising from such lending activities, but can also arise from financial guarantees given, such as, credit guarantees, letters of credit, and acceptances.

The Bank is also exposed to other credit risks arising from investments in debt securities and from its trading activities (trading credit risks) including trade in non-equity trading portfolio assets and derivatives as well as settlement balances with market counterparties and reverse repurchase agreements.

The estimation of the credit risk for risk management purposes is complex and requires the use of models, as the risk varies with changes in market conditions, expected cash flows and the passage of time. The assessment of the credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, the associated default ratios and the default correlations between counterparties. The Bank measures credit risks using the probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD"). This is the predominant approach used for the purposes of measuring expected credit losses under IFRS 9. IFRS 9 prescribes a three-stage model for impairment based on changes in credit quality from the point of initial recognition. Under this model, a financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored. If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired. If the financial instrument is deemed credit-impaired, it is then moved to Stage 3.

Financial instruments in Stage 1 have their expected credit loss measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next twelve months. Instruments in Stages 2 or 3 have their expected credit losses measured based on expected credit losses on a lifetime basis. According to IFRS 9, when measuring expected credit losses it is necessary to consider forward-looking information. Purchased or originated credit-impaired financial assets ("POCI") are those financial assets that are credit-impaired on initial recognition. Their expected credit loss is always measured on a lifetime basis (Stage 3).

Significant increase in credit risk

RBI Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria

RBI Group uses quantitative criteria as the primary indicator of significant increase in credit risk for all material portfolios plus additionally qualitative criteria like 30 days past due or forbearance measures for a particular facility as backstop. For quantitative staging RBI Group compares the lifetime PD curve at reporting date with the forward lifetime PD curve at the date of initial recognition. Given the different nature of products between non-retail and retail, the methods for assessing potential significant increases also slightly differ.

For non-retail risk to make the two curves comparable the PDs are scaled down to annualized PDs. A significant increase in credit risk is considered to have occurred if the PD increase was 250% or greater. For longer maturities the threshold of 250% is reduced to account for a maturity effect.

For retail exposure on the other hand, the remaining cumulative PDs are compared. In general, a significant increase in credit risk is considered to have occurred with a relative increase in the cumulative remaining PD above a certain threshold. The level of the threshold was estimated empirically for each individual portfolio based on the characteristics of the relevant rating model used for the given facility, and it ranges between 150% and up to 300%.

With regard to the threshold at which a financial instrument must be transferred to Stage 2, RBI has decided on the aforementioned thresholds based on the current market practice. However, it is not possible to rule out the possibility that another market practice will become established which provides for a lower threshold for certain markets.

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Qualitative criteria

RBI Group uses qualitative criteria as a secondary indicator of a significant increase in credit risk for all material portfolios. A movement to Stage 2 takes place when the criteria below are met.

For sovereign, bank, corporate and project finance portfolios, if the borrower meets one or more of the following criteria:
- External market indicators
- Changes in contract terms
- Changes to management approach
- Expert judgement.

The assessment of a significant increase in credit risk incorporates forward-looking information and is performed on a quarterly basis at an individual transaction level for all non-retail portfolios – corporates, credit institutions and public sector – held by RBI.

For private individual portfolios, if the borrower meets one or more of the following criteria:
- Forbearance, which the lender permits the borrower for economic or contractual reasons when the borrower is experiencing economic difficulties, but would not otherwise grant,
- Expert judgement.

The assessment of significant increase in credit risk incorporates forward-looking information and is performed on a monthly basis at an individual transaction level for all retail portfolios held by RBI.

Backstop

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days overdue on its contractual payments.

Low Credit Risk Exemption

In selected cases for mostly sovereign debt securities RBI Group makes use of the low credit risk exemption. All securities which are presented as low credit risk have a rating equivalent to investment grade or better i.e. minimum S&P BBB-, Moody's Baa3 or Fitch BBB-. The Bank has not used the low credit risk exemption for any lending business.

Definition of Default and Credit-Impaired Assets

RBI defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on a material credit obligation. No attempt is made to rebut the presumption that financial assets which are more than 90 days past due are to be shown in Stage 3.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty and unlikely to repay any credit obligation in full. The indications of unlikeliness to pay include:

- A credit obligation is put to a non-accrual status due to its deteriorated credit quality;
- A credit obligation is sold at a material economic loss;
- A credit obligation is subject to a distressed restructuring;
- An obligor is bankrupt/insolvent;
- An obligor committed credit fraud;
- An obligor is deceased;
- A credit contract was prematurely terminated due to obligor's non-compliance with contractual obligations.

The criteria above have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout Bank's expected loss calculations.

A credit obligation is considered to no longer be in default after a probation period of minimum 3 months (6 months after a distressed restructuring in retail), where during the probation period the customer demonstrated good payment discipline and no other indication of unlikeliness to pay was observed.

Explanation of inputs, assumptions and estimation techniques

The expected credit loss is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. Expected credit losses are the discounted product of the probability of default (PD), loss given default (LGD), exposure at default (EAD) and discount factor (D)

Probability of Default

The probability of default represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months or over the remaining lifetime of the obligation. In general the lifetime probability of default is calculated using the regulatory 12 month probability of default, stripped of any margin of conservatism, as a starting point. Thereafter various statistical methods are used to generate an estimate of how the default profile will develop from the point of initial recognition throughout the lifetime of the loan or portfolio of loans. The profile is based on historical observed data and parametric functions.

Different models have been used to estimate the default profile of outstanding lending amounts and these can be grouped into the following categories:
- Sovereign, local and regional governments, insurance companies and collective investment undertakings the default profile is generated using a transition matrix approach. Forward looking information is incorporated into the probability of default using the Vasicek one factor model.
- Corporate customers, project finance and financial institutions the default profile is generated using a parametric survival regression (Weibull) approach. Forward looking information is incorporated into the probability of default using the Vasicek one factor model. The default rate calibration is based on Kaplan Maier methodology with withdrawal adjustment.
- Retail mortgages and other retail lending the default profile is generated using parametric survival regression in competing risk frameworks. Forward looking information is incorporated into the probability of default using satellite models.

In the limited circumstances where some inputs are not fully available grouping, averaging and benchmarking of inputs is used for the calculation.

Loss Given Default

Loss given default represents Bank's expectation of the extent of loss on a defaulted exposure. Loss given default varies by type of counterparty and product. Loss given default is expressed as a percentage loss per unit of exposure at the time of default. Loss given default is calculated on a 12-month or lifetime basis, where 12-month loss given default is the percentage of loss expected to be made if the default occurs in the next 12 months and lifetime loss given default is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

Different models have been used to estimate the loss given default of outstanding lending amounts and these can be grouped into the following categories:

- The loss given default for sovereigns is determined by using market implied sources.
- Corporate customers, project finance, financial institutions, local and regional governments, insurance companies the loss given default is generated by discounting cash flows collected during the workout process. Forward looking information is incorporated into the loss given default using the Vasicek model.
- Retail mortgages and other retail lending the loss given default is generated by stripping the downturn adjustments and other margins of conservatism from the regulatory loss given default. Forward looking information is incorporated into the loss given default using various satellite models.
- In the limited circumstances where some inputs are not fully available alternative recovery models, benchmarking of inputs and expert judgement is used for the calculation.

Exposure at Default

Exposure at default is based on the amounts RBI expects to be owed at the time of default, over the next 12 months or over the remaining lifetime. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the bor-rower over a 12month or lifetime basis. Where relevant early repayment/refinance assumptions are also considered in the calculation. For revolving products, the exposure at default is predicted by taking current drawn balance and adding a credit conversion factor which allows for the expected drawdown of the remaining limit by the time of default. The prudential regulatory margins are removed from the credit conversion factor. In the limited circumstances where some inputs are not fully available benchmarking of inputs is used for the calculation.

Discount Factor

In general for on balance sheet exposure which is not leasing or POCI the discount rate used in the expected credit loss calculation is the effective interest rate or an approximation thereof.

Calculation

The expected credit loss is the product of PD, LGD and EAD times the probability not to default prior to the considered time period. The latter is expressed by the survivorship function S. This effectively calculates future values of expected credit losses, which are then discounted back to the reporting date and summed. The calculated values of expected credit losses are then weighted by forward looking scenario.

Different models have been used to estimate the provisions of outstanding lending amounts and these can be grouped into the following categories:

- For sovereign, corporate customers, project finance, financial institutions, local and regional governments, insurance companies and collective investment undertakings, the Stage 3 provisions are calculated in Finevare by workout managers who discount expected cash flows by the appropriate effective interest rate;
- For retail loans, the Stage 3 provision is generated by calculating the statistically best estimate of the expected loss adjusted for indirect costs.

In cases where the quantitative models do not capture and translate the forward-looking information into the expected credit loss parameters adjustments are made to reflect the holistic nature of credit risk analysis. These adjustments result in additional stage 2 provisions. It also includes slightly higher expected defaults on mortgage loans due to higher interest rate clauses of mortgage refixations.

Forward looking information

The assessment of significant increase in credit risk and the calculation of expected credit losses both incorporate forward-looking information. RBI Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the probability of default, loss given default and exposure at default vary by category type. Forecasts of these economic variables (the base economic scenario) are provided by Raiffeisen Research on a quarterly basis and provide the best estimate view of the economy over the next three years. The set of forward looking information also includes the currently assumed state of the credit cycle (in form of the so called 'credit clock') and the derived outlook of the credit cycle development. After three years, to project the economic variables for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long-term average rate or a long-term average growth rate until maturity. The impact of these economic variables on the probability of default, loss given default and exposure at default has been determined by performing statistical regression to understand the impact changes in these variables have had historically on default rates and on the components of loss given default and exposure at default.

In addition to the base economic scenario, Raiffeisen Research also estimates an optimistic and a pessimistic scenario to ensure non-linearities are captured. RBI Group has concluded that three or fewer scenarios appropriately captured non-linearity. Expert judgment on idiosyncratic risks has also been applied in this process on the level of Raiffeisen Research in coordination with RBI Group risk management, resulting in selective adjustments to the to the optimistic and pessimistic scenarios. In case of a potential negative or positive forecast bias of selected macroeconomic indicators a potential bias correction might be performed on a single country level. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The probability-weighted expected credit losses are determined by running each scenario through the relevant expected credit loss (ECL) model and multiplying it by the appropriate scenario weighting.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. RBI Group considers these forecasts to represent its best estimate of the future outcomes and cover any potential non-linearities and asymmetries within RBI Group's different portfolios.

The most significant assumptions used for the expected credit loss estimates at quarter end are shown below:

Real GDP	Scenario	2019	2020	2021
Czech Republic	O Optimistic	4.3%	4.0%	3.4%
	Base	3.0%	2.5%	1.7%
	Pessimistic	1.7%	1.0%	(0.1)%

Unemployment	Scenario	2019	2020	2021
Czech Republic	Optimistic	2.6%	3.0%	4.1%
	Base	3.3%	3.7%	5.0%
	Pessimistic	4.7%	5.2%	6.7%

Lifetime Bond Rate	Scenario	2019	2020	2021
Czech Republic	Optimistic	2.1%	2.2%	2.2%
	Base	2.5%	2.7%	2.8%
	Pessimistic	3.4%	3.6%	3.8%

The weightings assigned to each scenario at quarter end are as follows: 25 per cent optimistic, 50 per cent base and 25 per cent pessimistic scenarios.

Sensitivity analysis

The most significant assumptions affecting the sensitivity of the expected credit loss allowance are as follows:

- Gross domestic product (all portfolios)
- Unemployment rate (all portfolios)
- Long term government bond rate (non-retail portfolios especially)
- Real estate prices (retail portfolios especially)

The table below provides a comparison between the reported accumulated impairment for expected credit losses for financial assets in Stage 1 and 2 (weighted by 25 per cent optimistic, 50 per cent base and 25 per cent pessimistic scenarios) and then each scenario weighted by 100% on their own. The optimistic and pessimistic scenarios do not reflect extreme cases, but the average of the scenarios which are distributed in these cases. This information is provided for illustrative purposes.

2018 – Accumulated impairment (Stage 1 & 2)

CZK thousand	Reported	Optimistic	Base	Pessimistic
Retail exposures	984,217	882,875	918,802	1,278,838
Non-retail exposures	540,503	497,240	525,388	613,995
Total	**1,524,720**	**1,380,115**	**1,444,190**	**1,892,833**

The table below shows the impact of staging on RBI Group's accumulated impairment for financial assets by comparing the reported amounts accumulated for all performing assets subject to impairment with the special case where all accumulated impairment is measured based on 12 month expected losses (Stage 1).

2018 – Accumulated impairment (Stage 1 & 2)

CZK thousand	Reported	All Performing Loans in Stage 1	Impact of Staging
Retail exposures	984,217	289,157	710,646
Non-retail exposures	540,503	400,874	139,629
Total	**1,524,720**	**690,031**	**850,275**

The table below shows the impact of staging on RBI Group's accumulated impairment for financial assets by comparing the reported amounts accumulated for all performing assets subject to impairment with the special case where all accumulated impairment is measured based on lifetime expected losses (Stage 2). This information is provided for illustrative purposes.

2018 – Accumulated impairment (Stage 1 & 2)

CZK thousand	Reported	All Performing Loans in Stage 2	Impact of Staging
Retail exposures	984,217	2,174,589	(1,174,786)
Non-retail exposures	540,503	1,714,460	(1,173,957)
Total	**1,524,720**	**3,889,049**	**(2,348,743)**

Write-Offs

Loans and debt securities are written-off (either partially or fully) where there is no reasonable expectation of recovery. This happens when the borrower does not have income from operations anymore and collateral values cannot generate sufficient cash flows to repay amounts subject to the write-off. For corporate exposures in gone concern cases loans are written down to the value of collateral in case the company has no Cash flows from operations anymore. For retail exposure efficiency and recovery costs are considered and for economically non-viable cases the amounts owed are written-off.

The contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity amounts to CZK 13,974 thousand.

(f) Loss allowance to receivables – methods effective untill 31 December 2017

The Bank determines impairment of individual receivables or the portfolio of receivables with similar characteristics in terms of credit risk.

The Bank applies the portfolio approach in respect of individually assessed receivables where no impairment was noted individually. In this case, the Bank also determines impairment of the portfolio of similar individually unimpaired loans.

Portfolio allowances are calculated pursuant to the anticipated development in the loan portfolio (probability of default, default loss, etc).

The amount of the individual allowance is determined based on the anticipated cash flows. Future cash flows are estimated pursuant to the assessment of all available information, including the estimated collateral value, possibility of the sale of a receivable, proceeds from the bankruptcy and anticipated length of the recovery process.

Problematic receivables from the SME and Corporate segments are dealt with by the Workout division. Significant (in terms of volume) loans are assessed by the Problem Loan Committee.

The value of the future cash flows of retail receivables is estimated on the basis of the historical behaviour of similar receivables and historical success of the recovery process.

(g) Financial assets at amortised cost and provisions for commitments and financial guarantees provided based on the stages of impairment

Financial assets at amortised cost

	31 December 2018				
	Gross carrying amount				
CZK thousand	Stage 1	Stage 2	Stage 3	POCI	Total
Debt securities	**6,867,590**	**–**	**–**	**–**	**6,867,590**
Government institutions	4,669,569	–	–	–	**4,669,569**
Non-financial enterprises	2,198,021	–	–	–	**2,198,021**
Loans and advances to banks	**98,740,558**	**618,122**	**–**	**–**	**99,358,680**
Central banks	98,237,392	–	–	–	**98,237,392**
Credit institutions	503,167	618,122	–	–	**1,121,288**
Loans and advances to customers	**178,483,718**	**55,618,053**	**3,932,204**	**306,856**	**238,340,830**
Government institutions	785,598	615,365	–	–	**1,400,963**
Other financial institutions	22,674,666	2,923,735	1,965	–	**25,600,366**
Non-financial enterprises	85,687,972	8,860,123	1,925,200	–	**96,473,295**
Households	69,335,482	43,218,830	2,005,039	306,856	**114,866,207**
Total	**284,091,866**	**56,236,174**	**3,932,204**	**306,856**	**344,567,100**

Breakdown of loss allowances for financial assets at amortised cost and provisions for commitments and financial guarantees provided based on segments and stages of impairment

	31 December 2018				
CZK thousand	Stage 1	Stage 2	Stage 3	POCI	Total
Debt securities	**(3,032)**	**–**	**–**	**–**	**(3,032)**
Government institutions	(109)	–	–	–	**(109)**
Non-financial enterprises	(2,922)	–	–	–	**(2,922)**
Loans and advances to banks	**(29)**	**(249)**	**–**	**–**	**(278)**
Central banks	–	–	–	–	**0**
Credit institutions	(29)	(249)	–	–	**(278)**
Loans and advances to customers	**(296,333)**	**(1,002,382)**	**(2,917,939)**	**(32,333)**	**(4,248,988)**
Government institutions	(38)	(221)	–	–	**(258)**
Other financial institutions	(14,911)	(3,757)	(1,935)	–	**(20,603)**
Non-financial enterprises	(195,749)	(197,948)	(1,251,079)	–	**(1,644,776)**
Households	(85,635)	(800,456)	(1,664,925)	(32,333)	**(2,583,350)**
Total loss allowances for financial assets at amortised cost	**(299,394)**	**(1,002,631)**	**(2,917,939)**	**(32,333)**	**(4,252,297)**
Total provisions for off-balance sheet items	**(124,419)**	**(98,276)**	**(319,451)**	**(180)**	**(542,326)**
Total	**(423,812)**	**(1,100,908)**	**(3,237,390)**	**(32,513)**	**(4,794,623)**

(h) Changes in gross carrying amount and changes in loss allowances

	31 December2018				
CZK thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2018	**291,438,978**	**26,018,796**	**4,558,623**	**1,176,414**	**323,192,811**
Transfers	(30,150,713)	29,291,951	858,762	–	**–**
Increase due to origination and acquisition	183,933,398	11,757,589	75,639	674,025	**196,440,651**
Decrease due to derecognition	(146,168,712)	(4,248,666)	(625,696)	(296,699)	**(151,339,773)**
Decrease in allowance due to write-offs	–	(4,981)	(180,159)	(785,680)	**(970,820)**
Partial repayment	(15,119,420)	(6,611,771)	(758,786)	(461,204)	**(22,951,181)**
Adjustments by foreign exchange gains/losses	158,335	33,256	3,821	–	**195,412**
Balance at 31 December 2018	**284,091,866**	**56,236,174**	**3,932,204**	**306,856**	**344,567,100**

	31 December 2018				
CZK thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Financial assets at amortised cost					
Balance at 1 January 2018	**(288,594)**	**(864,057)**	**(3,565,545)**	**(128,190)**	**(4,846,386)**
Increase due to origination and acquisition	(40,901)	(3,349)	–	(58,216)	**(102,466)**
Decrease due to derecognition	187,593	8,726	–	58,279	**254,598**
Changes due to the change in credit risk (net)	(158,136)	(149,631)	466,518	(689,886)	**(531,135)**
Decrease in loss allowances due to write-offs	–	4,981	180,159	785,680	**970,820**
Impact of unwind	–	–	(4,663)	–	**(4,663)**
Adjustments by foreign exchange gains/losses	645	698	5,592	–	**6,935**
Balance at 31 December 2018	**(299,394)**	**(1,002,631)**	**(2,917,939)**	**(32,333)**	**(4,252,297)**
Provisions for off-balance sheet items					
Balance at 1 January 2018	**(37,817)**	**(33,198)**	**(151,544)**	**(57)**	**(222,617)**
Increase due to origination and acquisition	–	–	–	–	**–**
Decrease due to derecognition	–	–	–	–	**–**
Changes due to the change in credit risk (net)	(87,039)	(65,555)	(169,199)	(122)	**(321,914)**
Decrease in loss allowances due t o write-offs	–	–	–	–	**–**
Adjustments by foreign exchange gains/losses	437	477	1,292	–	**2,206**
Balance at 31 December 2018	**(124,419)**	**(98,276)**	**(319,451)**	**(180)**	**(542,326)**
Total	**(423,812)**	**(1,100,908)**	**(3,237,390)**	**(32,513)**	**(4,794,623)**

CZK thousand	2017
Customers	
Balance at 1 January 2017	**(6,108,799)**
Additions	(2,646,840)
Release	1,912,006
Use for the write-off and assignment of receivables	1,833 111
Foreign exchange gains/losses from loss allowances denominated in foreign currency	41,513
Balance at 31 December 2017	**(4,969,009)**
Banks	
Balance at 1 January 2017	**–**
Additions	(4,903)
Balance at 31 December 2017	**(4,903)**
Total	**(4,973,912)**

(i) Allocation of financial assets at amortised cost and credit commitments and financial guarantees based on internal rating and stage of impairment

The Bank allocates each exposure to a credit risk grade in conformity with a rating model corresponding with borrower's segment and type of exposure.

Rating models and credit risk grades are defined based on statistical models and techniques. The allocated credit risk grade is a result of a combination of qualitative and quantitative parametres which indicate the probability of default of the credit exposure.

Each credit exposure must be allocated to a credit risk grade. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data:

- Information obtained from a borrower – audited financial statements, management accounts, financial budget and projections, structure of areas of particular focus such as sales revenues, customers, receivables, costs, suppliersand liabilities, intragroup transactions, competitors, management etc,;
- Internally collected data – overdue status, fulfilment of financial covenants, internal monitoring of the credit exposure and periodic review of borrower's files;
- Data from credit reference agencies, press articles, changes in external credit ratings;
- Quoted securites prices for the borrower where available;
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.

The credit risk rating grades for the retail exposures are subject to ongoing monthly monitoring which typically involves use of the available information.

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Rating grades – retail portfolio

Rating	Probability of default (in %)
Excellent	0.0000 – 0.0300
Strong	0.0310 – 0.1878
Good	0.1879 – 1.1735
Satisfactory	1.1736 – 7.3344
Substandard	7.3345 – 99.999
Credit-impaired	100

Rating grades – non-retail portfolio

Rating	S&P Corp
Excellent	AAA až AA-
Strong	A+ až BBB
Good	BBB- až BB
Satisfactory	BB- až B
Substandard	B- až C
Credit-impaired	D

Financial assets measured at amortised costs

CZK thousand	2018					2017
Gross carrying amount	Stage 1	Stage 2	Stage 3	POCI	Total	Total
Excellent	102,906,960	–	–	–	**102,906,960**	**103,148,782**
Strong	31,091,717	2,228,454	–	–	**33,320,171**	**69,429,253**
Good	95,792,820	36,890,263	5,130	–	**132,688,213**	**85,035,809**
Satisfactory	51,957,203	10,468,211	54,337	–	**62,479,751**	**55,100,951**
Substandard	2,343,166	6,649,246	98,620	–	**9,091,032**	**6,501,959**
Credit-impaired	–	–	3,774,117	306,856	**4,080,973**	**5,701,519**
No rating	–	–	–	–	**–**	**151,922**
Total	**284,091,866**	**56,236,174**	**3,932,204**	**306,856**	**344,567,100**	**325,070,195**

Loan commitments and financial guarantees

CZK thousand	2018				
Gross carrying amount	Stage 1	Stage 2	Stage 3	POCI	Total
Excellent	38,880	–	–	–	**38,880**
Strong	27,987,376	2,444,825	–	–	**30,432,202**
Good	38,656,698	12,749,089	157	–	**51,405,944**
Satisfactory	25,622,265	2,229,641	212	–	**27,852,118**
Substandard	799,974	2,115,174	15	–	**2,915,163**
Credit-impaired	–	–	536,645	–	**536,645**
No rating	–	–	–	–	**–**
Total	**93,105,194**	**19,538,729**	**537,029**	**–**	**113,180,952**

(j) Modified contractual cash flows

The following table provides information on financial assets that were modified while they had loss allowances measured at an amount equal to lifetime ECL:

CZK thousand	2018
Financial assets modified during the year	
Amortised cost before the modification of contractual cash flows	308,439
Net modification gain	8,439
Financial assets modified since initial recognition	
Gross carrying amount at the reporting date relating to financial assets for which loss allowance has changed to 12-month ECL during the year	10,192

(k) Qualitative information on collateral for credit-impaired financial assets (Stage 3)

	31 December 2018	
CZK thousand	Gross carrying amount	Collateral
Financial assets at amortised cost (Stage 3)	3,932,204	822,994

The principal type of collateral for credit- impaired financial assets is the pledge of real estate, movable property and company guarantees.

(l) Concentration of credit risk by location

Loans and advances to customers

CZK thousand	2018	2017
Czech Republic	221,083,322	208,891,112
Slovakia	4,686,140	3,799,580
Other EU member countries	8,445,181	3,284,675
Other	4,126,187	3,937,943
Total gross carrying amount	**238,340,830**	**219,913,310**

(m) Analysis of loans and advances to customers by sector and type of collateral

2018	Cash collateral	State guarantees	Bank guarantees	Real estate	Company guarantee	Personal surety and bills of guarantee	Other collateral	Movable assets	Total collateral	Uncollate-ralised	Total
Agriculture, hunting, forestry and fishing	–	–	99,657	601,261	31,077	848,268	76,326	10,077	**1,666,666**	190,039	**1,856,705**
Mining and quarrying	–	–	3,422	–	–	19,208	–	865	**23,495**	130,535	**154,030**
Manufacturing	138,559	–	424,261	4,413,469	3,127,115	9,000,538	512,916	609,204	**18,226,062**	4,303,029	**22,529,091**
Electricity, gas and water supply	41,338	–	5,612	167,952	679,050	608,336	1	2,755,689	**4,257,978**	196,597	**4,454,575**
Construction	12,147	–	242,235	1,582,935	23,150	1,349,963	43,608	42,058	**3,296,096**	1,760,261	**5,056,357**
Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	8,798	–	697,291	3,526,165	993,445	6,422,967	657,646	593,580	**12,899,892**	3,411,393	**16,311,285**
Hotels and restaurants	30,941	–	96,183	2,063,413	30,849	352,938	200	–	**2,574,524**	112,720	**2,687,244**
Transport, storage and communication	270	–	609,527	618,425	19,384	1,809,955	108,692	149,498	**3,315,751**	3,356,203	**6,671,954**
Financial intermediation	11,100	–	2,319,761	609,856	2,830,373	977,272	–	–	**6,748,362**	16,851,457	**23,599,819**
Real estate	244,682	1,556,916	335,084	24,337,884	851,072	4,408,224	284,605	135,169	**32,153,636**	3,259,598	**35,413,234**
Public administration and defence; compulsory social security	–	581,948	251	6,300	23,639	55,058	–	–	**667,196**	30,579	**697,775**
Education	–	–	9,731	16,956	–	20,908	–	–	**47,595**	26,313	**73,908**
Health and social work	1,000	776,182	45,899	327,641	76,245	158,691	2,870	–	**1,388,528**	174,380	**1,562,908**
Other community, social and personal service activities	1,521	–	63,956	307,875	18,461	940,334	28,209	36,297	**1,396,653**	1,009,084	**2,405,737**
Private households with employed persons	–	–	–	92,095,834	–	1,926	177,465	–	**92,275,225**	22,590,983	**114,866,207**
Total	**490,356**	**2,915,046**	**4,952,870**	**130,675,966**	**8,703,860**	**26,974,586**	**1,892,538**	**4,332,437**	**180,937,659**	**57,403,171**	**238,340,830**

For the purposes of reporting loans and advances to customers by sector and type of collateral, the Bank uses the collateral in nominal value.

2017	Cash collateral	State guarantees	Bank guarantees	Real estate	Company guarantee	Personal surety and bills of guarantee	Other collateral	Movable assets	Total collateral	Uncolla-teralised	Total
Agriculture, hunting, forestry and fishing	200	–	104,608	364,787	148,279	1,298,348	30,000	13,128	**1,959,350**	130,217	**2,089,567**
Mining and quarrying	–	–	293	9,348	30,846	19,915	–	3,645	**64,047**	68,300	**132,347**
Manufacturing	166,948	–	224,147	4,359,441	2,295,114	7,777,530	452,706	1,133,859	**16,409,745**	3,923,922	**20,333,667**
Electricity, gas and water supply	68,263	–	2,953	235,154	811,444	498,737	12,342	3,503,977	**5,132,870**	546,112	**5,678,982**
Construction	13,929	–	225,542	1,712,125	54,073	1,656,370	58,811	6,709	**3,727,559**	675,498	**4,403,057**
Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	24,527	–	545,984	3,421,992	1,135,751	7,213,265	197,389	588,675	**13,127,583**	2,495,614	**15,623,197**
Hotels and restaurants	41,172	–	54,171	2,225,729	61,287	224,240	200	–	**2,606,799**	220,654	**2,827,453**
Transport, storage and communication	558	–	565,843	569,234	–	1,469,591	5,859	179,280	**2,790,365**	3,131,817	**5,922,182**
Financial intermediation	11,100	–	550,505	927,093	2,950,149	629,363	259	–	**5,068,469**	12,546,879	**17,615,348**
Real estate	290,264	1,297,898	305,631	24,000,643	2,341,160	5,281,183	381,199	178,688	**34,076,666**	1,382,966	**35,459,632**
Public administration and defence; compulsory social security	–	729,406	251	7,012	29,480	92,444	–	–	**858,593**	106,367	**964,960**
Education	–	–	2,948	16,491	–	24,584	–	–	**44,023**	46,363	**90,386**
Health and social work	1,000	921,742	30,122	300,117	–	162,326	2,500	–	**1,417,807**	246,145	**1,663,952**
Other community, social and personal service activities	1,673	–	69,199	488,826	57,131	1,003,508	900	77,668	**1,698,905**	258,129	**1,957,034**
Private households with employed persons	–	–	–	85,149,600	–	1,916	117,365	–	**85,268,881**	19,882,665	**105,151,546**
Total	**619,634**	**2,949,046**	**2,682,197**	**123,787,592**	**9,914,714**	**27,353,320**	**1,259,530**	**5,685,629**	**174,251,662**	**45,661,648**	**219,913,310**

For the purposes of reporting loans and advances to customers by sector and type of collateral, the Bank uses the collateral in nominal value.

The collateral values presented in the above table do not include the portfolio guarantee under the securitisation transaction of CZK 1,966,580 thousand (refer to note 23 (d)) since it cannot be allocated to individual loans.

(n) Analysis of loans provided to customers by default categories

CZK thousand 2018	Before due date	Less than 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	Over 1 year	Total
Loans and advances to customers							
Stage 1	177,649,079	834,640	–	–	–	–	**178,483,719**
Stage 2	54,093,802	1,282,841	241,409	–	–	–	**55,618,052**
Stage 3	735,617	56,169	380,896	383,025	541,101	1,835,396	**3,932,203**
POCI	147,565	23,591	11,604	8,231	10,480	105,385	**306,856**
Gross	**232,626,063**	**2,197,241**	**633,909**	**391,256**	**551,581**	**1,940,781**	**238,340,830**
Loss allowances	(1,422,188)	(149,360)	(306,255)	(177,868)	(363,821)	(1,829,496)	**(4,248,988)**
Net	**231,203,875**	**2,047,881**	**327,654**	**213,388**	**187,760**	**111,285**	**234,091,842**

CZK thousand 2017	Before due date	Less than 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	Over 1 year	Total
Loans and advances to customers							
– without default	213,865,303	492,089	46,014	–	–	–	**214,403,406**
– with default	1,850,503	31,589	90,256	526,482	451,863	2,559,211	**5,509,904**
Gross	**215,715,806**	**523,678**	**136,270**	**526,482**	**451,863**	**2,559,211**	**219,913,310**
Loss allowances	(1,714,568)	(20,263)	(64,528)	(471,096)	(315,791)	(2,387,666)	**(4,973,912)**
Net	**214,001,238**	**503,415**	**71,742**	**55,386**	**136,072**	**171,545**	**214,939,398**

The proportion of loans and advances with default decreased year-on-year to 1.8% from 2.5% of the total loan portfolio. The coverage by individual loss allowances for loans with default grew to 69.6% in 2018 from 69.4% at the end of 2017.

(o) Forbearance and non-performing exposures

In compliance with the EBA's Implementing Technical Standard (ITS) on supervisory reporting (forbearance and non-performing exposures), the Bank introduced a new definition of forbearance and non-performing exposures in 2014 that do not necessarily represent default under the CNB's regulation.

The key criterion in treating an exposure as forborne is a customer's financial health as at the date on which contractual conditions are adjusted. Receivables are defined as forborne if a customer has financial difficulties at the time of a change in contractual conditions (taking into account the client's internal rating or other circumstances known at that time) and if the adjustment of the contractual conditions is considered a payment relief provided in order to divert the client's unfavourable financial situation. If such an adjustment of contractual conditions results in subsequent forbearance or default exceeding 30 days, the exposure is considered non-performing irrespective of the conditions of the CNB's regulation being met or not.

If a forborne exposure is classified as non-performing (after the forbearance is provided) it remains in this category for a period of at least 12 months. After the lapse of this period, the exposure is reclassified as performing forbearance provided the predefined conditions are met. Subsequently, the exposure is monitored on a regular basis during a probation period of at least 24 months. If the predefined conditions are met after the expiry of the probation period, the exposure ceases to be classified as forborne.

Within the defined processes, the Bank's customers having financial difficulties and being provided with forbearance are assessed, rated and monitored according to specific algorithms in line with the relevant regulations. In practice, this means that all customers with financial difficulties who were provided with forbearance, or for whom forbearance is considered, are at least subject to the early warning system, or in case of default, they are treated by the workout or collection teams. The algorithms applied are in compliance with the parent group's requirements for individual segments of the Bank. The above-specified processes have an impact on the classification of receivables under individual stages according to IFRS 9 (in 2017: into the five sub-categories of credit quality according to the CNB Decree (standard, monitored, non-standard, doubtful and loss)) and, consequently, on the assessment of the amount of individual and portfolio allowances.

Credit risk analysis of loans and advances to forborne customers under IFRS 7

CZK thousand	Loans and advances to forborne customers				
31 December 2018	**Performing exposure**	**Non-performing exposure**	**Total with forbearance**	**Loss allowances**	**Collateral**
Non-financial enterprises	1,411,597	322,310	1,733,907	(163,536)	1,570,371
Households	800,929	881,996	1,682,925	(455,812)	890,425
Total	**2,212,526**	**1,204,306**	**3,416,832**	**(619,348)**	**2,460,796**

CZK thousand	Loans and advances to forborne customers				
31 December 2017	**Performing exposure**	**Non-performing exposure**	**Total with forbearance**	**Loss allowances**	**Collateral**
Other financial instituion	–	1,749	1,749	(154)	1,595
Non-financial enterprises	558,207	1,219,994	1,778,201	(337,014)	1,368,693
Households	865,015	1,161,537	2,026,552	(691,478)	1,116,238
Total	**1,423,222**	**2,383,280**	**3,806,502**	**(1,028,492)**	**2,486,526**

The Bank recognises no forborne loans and advances to banks.

The Bank's interest income includes interest on loans and advances to forborne customers of CZK 105,763 thousand (2017: CZK 155,685 thousand).

Development of loans and advances to forborne customers

CZK thousand 2018	Other financial institutions	Non-financial enterprises	Households	Total
Balance at 1 January	**1,749**	**1,778,201**	**2,026,552**	**3,806,502**
Additions (+)	–	525,879	337,096	**862,975**
Disposals (–)	(1,749)	(158,551)	(281,835)	**(442,136)**
Movements in exposures (+/–)	–	(411,621)	(398,888)	**(810,509)**
Balance at 31 December	**–**	**1,733,907**	**1,682,925**	**3,416,832**

CZK thousand 2017	Other financial institutions	Non-financial enterprises	Households	Total
Balance at 1 January	**–**	**2,830,434**	**2,446,240**	**5,276,674**
Additions (+)	1,749	209,161	216,668	**427,578**
Disposals (–)	–	(85,498)	(273,195)	**(358,693)**
Movements in exposures (+/–)	–	(1,175,896)	(363,161)	**(1,539,057)**
Balance at 31 December	**1,749**	**1,778,201**	**2,026,552**	**3,806,502**

Carrying amount of loans and advances to forborne customers compared to the total loans and advances to customers

CZK thousand 2018	Loans and advances to customers	Loans and advances to forborne customers	Percentage of forborne loans and advances
Government institution	1,400,963	–	**–**
Other financial institutions	25,600,366	–	**–**
Non-financial enterprises	96,473,295	1,733,907	**1.8%**
Households	114,866,207	1,682,925	**1.5%**
Total at 31 December 2018	**238,340,830**	**3,416,832**	**1.4%**

CZK thousand 2017	Loans and advances to customers	Loans and advances to forborne customers	Percentage of forborne loans and advances
Government institution	1,813,322	–	**–**
Other financial institutions	17,616,169	1,749	**–**
Non-financial enterprises	92,978,289	1,778,201	**1.9%**
Households	107,505,530	2,026,552	**1.9%**
Total at 31 December 2017	**219,913,310**	**3,806,502**	**1.7%**

(p) Securitisation

The Bank eliminates the credit risk of its exposures through synthetic securitisation. Securitisation involves merging credit exposure portfolios (loans and advances, guarantees and commitments) with the appropriate level of credit quality where the Bank offers to transfer the credit risk arising from the credit exposures in securitisation to investors. The transactions are principally aimed at the improvement of capital adequacy of the Bank and its parent group. The credit exposures included in the synthetic securitisation performed by the Bank do not meet the conditions for derecognition of assets from the statement of financial position.

For an updated analysis of the Bank's individual securitisation transactions, refer to note 23 (d).

(q) Maximum exposure to credit risk

2018 CZK thousand	On-balance sheet exposure (carrying amount)	Off-balance sheet exposure (carrying amount)	Aggregate exposure (carrying amount)	Allocated collateral – balance sheet	Allocated collateral – off balance sheet	Aggregate allocated collateral
Cash in hand, balances with central banks and other demand deposits	12,006,114	–	12,006,114	–	–	–
Loans and advances to banks*	99,358,402	266,310	99,624,712	1,117,476	–	1,117,476
Loans and advances to customers*	234,091,842	44,150,125	278,241,967	179,023,943	15,803,437	194,827,380
Debt securities*	6,864,559	–	6,864,559	–	–	–
Positive fair value of hedging derivatives	4,162,420	–	4,162,420	286,373	–	286,373
Securities held for trading	268,021	–	268,021	–	–	–
Financial assets at FVOCI	628,880	–	628,880	–	–	–
Other assets	1,136,996	–	1,136,996	–	–	–

*including loss allowances and provisions

2017 CZK thousand	On-balance sheet exposure (carrying amount)	Off-balance sheet exposure (carrying amount)	Aggregate exposure (carrying amount)	Allocated collateral – balance sheet	Allocated collateral – off balance sheet	Aggregate allocated collateral
Cash in hand, balances with central banks and other demand deposits	10,190,061	–	10,190,061	–	–	–
Loans and advances to banks*	103,583,094	393,155	103,976,249	528,569	–	528,569
Loans and advances to customers*	214,944,301	42,996,718	257,941,019	172,838,526	16,426,879	189,265,405
Positive fair value of financial derivatives	3,855,236	–	3,855,236	282,591	–	282,591
Held-to-maturity securities	–	–	–	–	–	–
Securities at FVTPL	156,446	–	156,446	–	–	–
Available-for-sale securities	603,654	–	603,654	–	–	–
Other assets	1,091,896	–	1,091,896	–	–	–

*including loss allowances and provisions

The allocated collateral values presented in the above table do not include the portfolio guarantee under the securitisation transaction of CZK 1,966,580 thousand (see note 23 (d)).

(r) Offsetting financial assets and financial liabilities

The following table shows the impact of master netting agreements on assets and liabilities that are not offset in the statement of financial position.

2018			Related amount not offset in the statement of financial position			
CZK thousand	Amount of an asset/liability recognised in the statement of financial position	Amount of an asset/liability offset in the statement of financial position	Net amount presented in the statement of financial position	Financial instrument	Cash collateral received	Total
Assets						
Positive fair value of trading derivatives	3,740,988	–	3,740,988	3,451,662	286,373	**2,953**
Reverse repo	98,502,573	–	98,502,573	97,958,114	–	**544,459**
Total assets	**102,243,561**	**–**	**102,243,561**	**101,409,776**	**286,373**	**547,412**
Liabilities						
Negative fair value of trading derivatives	4,601,282	–	4,601,282	3,451,662	1,065,053	**84,567**
Repo	1,499,778	–	1,499,778	1,490,000	–	**9,778**
Total liabilities	**6,101,060**	**–**	**6,101,060**	**4,941,662**	**1,065,053**	**94,345**

2017			Related amount not offset in the statement of financial position			
CZK thousand	Amount of an asset/liability recognised in the statement of financial position	Amount of an asset/liability offset in the statement of financial position	Net amount presented in the statement of financial position	Financial instrument	Cash collateral received	Total
Assets						
Positive fair values of financial derivatives	3,504,226	–	3,504,226	3,211,784	282,591	**9,851**
Reverse repo	103,057,882	–	103,057,882	101,649,771	–	**1,408,111**
Total assets	**106,562,108**	**–**	**106,562,108**	**104,861,555**	**282,591**	**1,417,962**
Liabilities						
Negative fair values of financial derivatives	3,865,866	–	3,865,866	3,211,784	457,165	**196,917**
Repo	5,000,250	–	5,000,250	4,931,000	–	**69,250**
Total liabilities	**8,866,116**	**–**	**8,866,116**	**8,142,784**	**457,165**	**266,167**

45. TRANSACTIONS WITH RELATED PARTIES

At 31 December 2018

For related party transaction reporting purposes, the Bank considers Raiffeisen CEE Region Holding GmbH (direct parent company) and Raiffeisen Bank International AG (entity with controlling influence on the Bank exercised indirectly) to be its parent companies. Transactions with related parties are concluded under standard business terms and arm's length prices.

CZK thousand	Parent companies	Companies with significant influence over the Bank	Subsidiaries	Board of directors, supervisory board and other managers	Other related parties	Total
Receivables	1,871,863	-	16,786,585	144,879	15,883	**18,819,210**
Positive fair values of financial derivatives	2,874,146	-	6,213	-	23	**2,880,382**
Liabilities	16,073,379	11,259	602,871	73,957	21,594,033	**38,355,499**
Negative fair values of financial derivatives	3,893,333	-	77,581	-	617	**3,971,531**
Other equity instruments	2,615,354					**2,615,354**
Subordinated liabilities and bonds	1,932,944	-	-	-	644,315	**2,577,259**
Guarantees issued	21,811	-	1,419,800	-	143,496	**1,585,107**
Guarantees received	-	-	-	-	689,924	**689,924**
Nominal values of financial derivatives (off-balance sheet receivables)	392,468,596	-	6,777,144	-	253,169	**399,498,909**
Nominal values of financial derivatives (off-balance sheet liabilities)	392,803,595	-	6,779,243	-	253,745	**399,836,583**
Irrevocable credit commitments provided	-	-	365,383	29,666	-	**395,049**
Interest income	2,286,008	1,812	111,772	2,352	5,188	**2,407,132**
Interest expense	(2,411,312)	(221)	(7)	(247)	(277,436)	**(2,689,223)**
Fee and commission income	21,486	97	11,110	-	30,843	**63,536**
Fee and commission expense	(32,838)	-	(664)	-	(75,029)	**(108,531)**
Net gain or loss from financial operations	1,035,760	-	7,031	19	(53,360)	**989,450**
Net gain or loss from hedge accounting	(45,101)	-	-	-	-	**(45,101)**
General operating expenses	(197,201)	-	(17,921)	(89,077)	(16,623)	**(320,822)**
Other operating income, net	11,298	-	14,205	-	1,405	**26,908**

The receivables are principally composed of the following:

Credit balances on the current account maintained at:
- Raiffeisen Bank International AG (parent company) of CZK 1,871,863 thousand.

Provided loan:
- Raiffeisen Leasing, s.r.o. (subsidiary) of CZK 15,198,508 thousand.
- Raiffeisen FinCorp s.r.o. (subsidiary of Raiffeisen leasing, s.r.o.) of CZK 1,424,499 thousand.
- RDI Czech 4, s.r.o. (subsidiary of Raiffeisen Direct Investments CZ s.r.o.) of CZK 48,875 thousand.
- RDI Czech 6, s.r.o. (subsidiary of Raiffeisen Direct Investments CZ s.r.o.) of CZK 34,954 thousand.

Nominal values of financial derivatives – off-balance sheet receivables:
- Raiffeisen Bank International AG (parent company) of CZK 392,468,596 thousand.
- Raiffeisen Leasing, s.r.o. (subsidiary) of CZK 6,777,144 thousand.
- Raiffeisenbank AO (Russia), (affiliated company) of CZK 229,124 thousand.

The liabilities are principally composed of the following:

Credit balances on the current account of the Bank from:
- Raiffeisen Bank International AG (parent company) of CZK 2,069,460 thousand.
- Raiffeisen Leasing, s.r.o. (subsidiary) of CZK 247,548 thousand.
- Raiffeisen investiční společnost a.s. (subsidiary) of CZK 10,406 thousand.

Term deposits:
- UNIQA Österreich Versicherungen AG (associated company to the parent company Raiffeisen Bank International AG) of CZK 2,160,379 thousand.
- UNIQA pojišťovna, a.s. (associated company to the parent company Raiffeisen Bank International AG) of CZK 461,632 thousand.
- Raiffeisenbank (Bulgaria) EAD (affiliated company) of CZK 1,285,604 thousand.
- Raiffeisen Bank Zrt. (affiliated company) of CZK 7,351,786 thousand.

Repo transactions:
- Tatra Banka, a.s. (affiliated company) of CZK 1,499,778thousand.

Debt securities of the Bank issued:
- Raiffeisenbank Hungary (affiliated company) of CZK 3,943,014 thousand.
- Raiffeisenbank Bulgaria (affiliated company) of CZK 1,770,865 thousand.
- Raiffeisen Bank International AG (parent company) of CZK 9,680,790 thousand.
- Raiffeisen Bank Albania (affiliated company) of CZK 2,322,132 thousand.

Nominal values of financial derivatives – off-balance sheet liabilities:
- Raiffeisen Bank International AG (parent company) of CZK 392,803,595 thousand.
- Raiffeisen Leasing, s.r.o. (dceřiná společnost) of CZK 6,779,243 thousand.

Subordinated debt from:
- Raiffeisen Bank International AG (parent company) of CZK 1,932,944 thousand,
- Raiffeisenlandesbank Oberösterreich AG of CZK 644,315 thousand.

Other equity instruments – subordinated unsecured AT1 capital investment certificates purchased:
- Raiffeisen Bank International AG (parent company) of CZK 2,615,354 thousand.

At 31 December 2017

For related party transaction reporting purposes, the Bank considers Raiffeisen CEE Region Holding GmbH (direct parent company) and Raiffeisen Bank International AG (entity with controlling influence on the Bank exercised indirectly) to be its parent companies. Transactions with related parties are concluded under standard business terms and arm's length prices.

CZK thousand	Parent companies	Companies with significant influence over the Bank	Subsidiaries	Board of directors, supervisory board and other managers	Other related parties	Total
Receivables	881,989	–	12,642,712	147,996	422,371	**14,095,068**
Positive fair values of financial derivatives	2,700,542	–	7,557	–	9,297	**2,717,396**
Liabilities	17,362,330	34,302	634,770	109,696	18,697,643	**36,838,741**
Negative fair values of financial derivatives	3,194,964	–	76,574	–	944	**3,272,482**
Other equity instruments	2,615,354	–	–	–	–	**2,615,354**
Subordinated liabilities and bonds	2,586,645	–	–	–	–	**2,586,645**
Guarantees issued	15,222	–	6,768,100	–	304,250	**7,087,572**
Guarantees received	–	–	–	–	325,000	**325,000**
Nominal values of financial derivatives (off-balance sheet receivables)	309,153,449	–	9,618,923	–	628,524	**319,400,896**
Nominal values of financial derivatives (off-balance sheet liabilities)	309,011,099	–	9,618,923	–	620,250	**319,250,272**
Irrevocable credit commitments provided	–	–	–	(26,777)	–	**26,777**
Interest income	1,108,272	(310)	70,763	2,400	9,259	**1,190,384**
Interest expense	(882,537)	303	(120)	(337)	(207,099)	**(1,089,790)**
Fee and commission income	29,770	303	12,153	–	19,865	**62,091**
Fee and commission expense	(13,389)	–	(189)	–	(66,300)	**(79,878)**
Net gain or loss from financial operations	(3,719,641)	–	(97,693)	–	69,582	**(3,747,752)**
General operating expenses	(158,041)	–	(22,827)	(93,013)	(5,486)	**(279,367)**
Other operating income, net	1,148	–	19,337	–	2,911	**23,996**

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The receivables are principally composed of the following:

Credit balances on the current account maintained at:
- Raiffeisen Bank International AG (parent company) of CZK 881,988 thousand.

Provided loan:
- Raiffeisen Leasing, s.r.o. (subsidiary) of CZK 10,432,055 thousand;
- Raiffeisen FinCorp s.r.o. (subsidiary of Raiffeisen leasing, s.r.o.) of CZK 2,121,879 thousand;
- Flex-Space Plzeň I., spol. s r.o. (under joint control of Czech Real Estate Fund B. V.) of CZK 111,168 thousand;
- RDI Czech 4, s.r.o. (subsidiary of Raiffeisen Direct Investments CZ s.r.o.) of CZK 51,420 thousand;
- RDI Czech 6, s.r.o. (subsidiary of Raiffeisen Direct Investments CZ s.r.o.) of CZK 37,359 thousand.

Nominal values of financial derivatives – off-balance sheet receivables:
- Raiffeisen Bank International AG (parent company) of CZK 309,153,449 thousand;
- Raiffeisen Leasing, s.r.o. (subsidiary) of CZK 9,618,923 thousand;
- Raiffeisen Polbank (affiliated company) of CZK 582,048 thousand.

The liabilities are principally composed of the following:

Credit balances on the current account of the Bank from:
- Raiffeisen Bank International AG (parent company) of CZK 2,749,903 thousand;
- Raiffeisen Leasing, s.r.o. (subsidiary) of CZK 284,369 thousand;
- Raiffeisen investiční společnost a.s. (subsidiary) of CZK 137,051 thousand.

Term deposits:
- UNIQA Österreich Versicherungen AG (associated company to the parent company Raiffeisen Bank International AG) of CZK 2,185,110 thousand;
- UNIQA pojišťovna, a.s. (associated company to the parent company Raiffeisen Bank International AG) of CZK 301,380 thousand;
- Raiffeisenbank (Bulgaria) EAD (affiliated company) of CZK 907,156 thousand;
- Raiffeisen Bank Zrt. (affiliated company) of CZK 7,300,711 thousand.

Repo transactions:
- Raiffeisen Bank International AG (parent company) of CZK 5,000,250 thousand.

Debt securities of the Bank issued:
- Raiffeisenbank Hungary (affiliated company) of CZK 3,913,106 thousand;
- Raiffeisenbank Bulgaria. (affiliated company) of CZK 1,759,168 thousand;
- Raiffeisen Bank International AG (parent company) of CZK 9,612,176 thousand;
- Raiffeisen Bank Albania (affiliated company) of CZK 2,305,794 thousand.

Nominal values of financial derivatives – off-balance sheet liabilities:
- Raiffeisen Bank International AG (parent company) of CZK 309,011,099 thousand;
- Raiffeisen Leasing (subsidiary) of CZK 9,618,923 thousand.

Subordinated debt from:
- Raiffeisen Bank International AG (parent company) of CZK 2,586,645 thousand.

Other equity instruments – subordinated unsecured AT1 capital investment certificates purchased:
- Raiffeisen Bank International AG (parent company) of CZK 2,615,354 thousand.

46. SUBSEQUENT EVENTS

No events occurred subsequent to the reporting date that would have a material impact on the separate financial statements as at 31 December 2018.

Information on internal control and the approach to risks the issuer is or could be exposed to in the process of accounting and the preparation of financial statements

Several tools are identified and described to ensure true and accurate presentation of facts in the financial statements of the Bank. These comprise tools for proper recording of operational and financial accounting, property and liability inventorying, bookkeeping documents circulation, procedures for preparing month-end and year-end financial statements, access to accounting software, creation of new analytical accounts, correction of settled transactions, procedures for assets, liabilities and securities valuation, financial assets impariment, costs capitalisation for intangible assets, procedures for creation of impairments and provisions, accounts reconciliation, backdated revaluation, etc.

The Bank has simultaneously identified and described risks related to these processes. Controls with varied periodicity have been introduced to eliminate these risks. Controls are performed automatically or manually and are integrated into the whole process from entering into the Bank system to the financial statements creation. Setting of the systems, processes and controls is always formally set by the internal regulation. All these processes are revised at least once a year. Further, the Bank performs control testing which eliminates the risks.

For processing of financial statements, the Bank uses an automatic system which uses detail data from core systems and the data warehouse which are reconciled on the general ledger. The Effectiveness of the internal control system is regularly evaluated by an internal auditor. Consolidated and unconsolidated financial statements are subject to control by an external audit.

Significant legal disputes

As of 31 December 2018, the Bank was a party to 27 legal proceedings as a defendant with a total claimed amount of CZK 1,725 million and to 2 legal proceedings as a plaintiff with a total claimed amount of CZK 1 million. Information concerning the provisions created for litigations in which the Bank is a defendant is stated in the Notes to the Separate Financial Statements, Note 39 – "Contingent liabilities". As of 31 December 2018, the Group was a party to 27 legal proceedings as a defendant with a total claimed amount of CZK 1,725 million and to 5 legal proceedings as a plaintiff with a total claimed amount of CZK 14 million. Information concerning the provisions created for litigations in which the Bank is a defendant is stated in the Notes to the Consolidated Financial Statements, Note 42 – "Contingent liabilities".

Information on Capital and Capital requirements

Regulatory Framework

Raiffeisenbank is subject to supervision by the Czech National Bank.

The regulatory requirements in the European Union are established within the Basel III Capital Framework through Regulation No. 575/2016 on prudential supervision of credit institutions and investment firm. (CRR – Capital Requirements Regulation) and by Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD IV – Capital Requirements Directive IV). The directive was transposed into Czech law by an amendment to the Banking Act and publication of Czech National Bank Decree No. 163/2014 Coll. The CRR establishes, above all, the requirements on liquidity, capital structure and regulatory requirements on capital adequacy and exposure. Some parts are further elaborated in implementing regulations.

CRD IV enables to create and maintain three types of buffers – the capital conservation buffer, the systemic risk buffer and the countercyclical capital buffer. As regards the capital conservation buffer, the CNB intended to apply it to all institutions in the full amount of 2.5% of common equity Tier 1 from the start. The systemic risk buffer is applied to only five institutions in 2018, including Raiffeisenbank. In December 2015, the CNB set the countercyclical capital buffer to 0.5% from 1 January 2017 and subsequently to 1.0% from 1 July 2018, to 1.25% from 1 January 2019, to 1.50% from 1 July 2019 and to 1.75% from 1 January 2020.

Consolidated Capital and Risk Weighted Assets

Consolidated regulatory capital for the capital adequacy calculation as at 31 December 2018 amounted to almost CZK 27.6 billion. The consolidated capital adequacy of the Group amounted to16.1%, and consolidated Core Tier 1 ratio amounted to 12.7%. Risk weighted assets of the Group reached as at the end of 2018 CZK 171.5 billion (2017: CZK 139.8 billion). The increase in the assets was mainly caused by an increase in the main clients segments.

Information about capital

Information about Capital and Ratio indicators pursuant to Annex 14 of Decree No. 163/2014 Coll.
Information about Capital and Capital Requirements pursuant to Part Eight of Regulation (EU) 575/2013

	unconsolidated	unconsolidated
CZK thousand	**at 31. 12. 2018**	**at 31. 12. 2017**
Share capital	11,060,800	11,060,800
Retained earnings	10,793,773	9,895,720
Reserve fund	693,561	693,561
Valuation gains or losses	253,739	96,897
Other capital instruments	2,615,354	2,615,354
Profit for the year	3,364,971	2,824,658
Non-controlling interests	–	–
Total shareholders` equity	**28,782,198**	**27,186,990**
Total Adjustments to Common equity tier 1		
Unusable profit	(2,022,689)	(2,824,658)
Intangible fixed assets	(2,691,030)	(2,346,742)
Deferred tax assets	–	(24,890)
Provision shortage for IRB positions	–	(566,843)
Additional valuation adjustment (AVA) according to CRR	(37,498)	(31,778)
Securitization - junior tranche (with 1 250% risk weight)	–	(357,560)
Valuation gains or losses	(253,739)	(96,897)
Retained earnings adjustment	–	–
Reserve fund adjustment	–	–
Non-controlling interests	–	–
Other capital instruments	(2,615,354)	(2,615,354)
Common equity tier 1 (after deductions)	**21,161,888**	**18,322,269**
Other capital instruments	2,615,354	2,615,354
Tier 1 (after deductions)	**23,777,242**	**20,937,623**
Subordinated loans	2,572,500	1,648,724
IRB Excess of provisions over expected losses eligible	559,665	488,032
Aggregate amount of Tier 2 capital	**3,132,165**	**2,136,756**
Total capital	**26,909,407**	**23,074,379**

Information about Capital and Capital Requirements pursuant to Article 438 (c) to (f) of Regulation (EU) 575/2013

	unconsolidated	unconsolidated
CZK thousand	**at 31. 12. 2018**	**at 31. 12. 2017**
Total capital requirement for credit risk	11,162,487	8,925,400
– Internal rating approach (IRB)	10,992,080	8,907,316
– Standardized approach (STA)	162,130	4,693
– credit value adjustment (CVA risk)	8,277	13,391
Total capital requirement related to position, foreign exchange and commodity risks	219,259	241,007
Total capital requirement for operational risk	1,344,805	1,268,462
Total capital requirement	**12,726,551**	**10,434,868**

Risk weighted assets:	unconsolidated	unconsolidated
CZK thousand	**at 31. 12. 2018**	**at 31. 12. 2017**
Internal rating approach (IRB)	**137,400,997**	**111,341,449**
Central governments and central banks exposures	14,066	18,500
Bank exposures	2,713,872	2,132,906
Corporate customer exposures	95,922,564	67,252,458
Retail customer exposures	35,490,813	35,372,067
Equity exposures	3,259,682	3,234,879
Exposures related to securitization	–	1,640,699
Other exposures	–	1,689,941
Standardized approach (STA)	**2,026,630**	**58,664**
Regional governments and municipalities exposures	1,462	1,696
Bank exposures	–	–
Corporate customer exposures	10,757	46,685
Retail customer exposures	–	–
Exposures secured by immovable property	9,174	10,282
Exposures at default	–	–
Equity exposures	–	–
Other exposures	2,005,237	–
Total Risk weighted assets for credit risk	**139,427,627**	**111,400,113**
Credit value adjustment (CVA risk)	**103,468**	**167,386**
Risk weighted assets for position, foreign exchange and commodity risks	2,740,737	3,012,584
Risk weighted assets for the operating risk	16,810,067	15,855,773
Total risk weighted assets:	**159,081,899**	**130,435,856**

Capital ratios	unconsolidated	unconsolidated
	at 31. 12. 2018	**at 31. 12. 2017**
Core Tier 1 capital adequacy ratio	13,30 %	14,05 %
Tier 1 capital adequacy ratio	14,95 %	16,05 %
Total capital adequacy ratio	16,92 %	17,69 %

Ratio indicators	unconsolidated	unconsolidated
	at 31. 12. 2018	**at 31. 12. 2017**
Return of average assets (ROAA)	1,19 %	1,12 %
Return of average Tier 1 capital (ROAE)	15,63 %	13,70 %
Assets per one employee (CZK thousand)	121,993	116,508
General administrative expenses per one employee (CZK thousand)	1,978	2,063
Net profit or loss per one employee (CZK thousand)	1,144	965

CZK thousand	consolidated at 31. 12. 2018	consolidated at 31. 12. 2017
Share capital	11,060,800	11,060,800
Retained earnings	11,451,586	10,345,592
Reserve fund	693,918	693,918
Valuation gains or losses	263,240	105,796
Other capital instruments	2,615,354	2,615,354
Profit for the year	3,815,018	3,083,570
Non-controlling interests	–	–
Total shareholders` equity	**29,899,916**	**27,905,030**
Total Adjustments to Common equity tier 1		
Unusable profit	(2,472,737)	(3,083,570)
Intangible fixed assets	(2,722,332)	(2,369,011)
Deferred tax assets	–	(24,890)
Provision shortage for IRB positions	–	(559,750)
Additional valuation adjustment (AVA) according to CRR	(37,498)	(31,778)
Securitization - junior tranche (with 1 250% risk weight)	–	(357,560)
Valuation gains or losses	(263,240)	(105,796)
Retained earnings adjustment	53,246	(70,998)
Reserve fund adjustment	(357)	(357)
Non-controlling interests	–	–
Other capital instruments	(2,615,354)	(2,615,354)
Common equity tier 1 (after deductions)	**21,841,644**	**18,685,966**
Other capital instruments	2,615,354	2,615,354
Tier 1 (after deductions)	**24,456,998**	**21,301,320**
Subordinated loans	2,572,500	1,648,724
IRB Excess of provisions over expected losses eligible	560,711	488,032
Aggregate amount of Tier 2 capital	**3,133,211**	**2,136,756**
Total capital	**27,590,209**	**23,438,076**

Information about Capital and Capital Requirements pursuant to Article 438 (c) to (f) of Regulation (EU) 575/2013

CZK thousand	consolidated at 31. 12. 2018	consolidated at 31. 12. 2017
Total capital requirement for credit risk	12,040,260	9,578,444
– Internal rating approach (IRB)	10,426,265	8,282,349
– Standardized approach (STA)	1,605,718	1,282,704
– credit value adjustment (CVA risk)	8,277	13,391
Total capital requirement related to position, foreign exchange and commodity risks	219,259	241,007
Total capital requirement for operational risk	1,458,880	1,363,002
Total capital requirement	**13,718,399**	**11,182,453**

Risk weighted assets:	consolidated	consolidated
CZK thousand	**at 31. 12. 2018**	**at 31. 12. 2017**
Internal rating approach (IRB)	**130,328,303**	**103,529,368**
Central governments and central banks exposures	14,066	18,500
Bank exposures	2,713,872	2,132,906
Corporate customer exposures	90,801,192	61,391,698
Retail customer exposures	35,490,813	35,372,067
Equity exposures	1,308,361	1,283,558
Exposures related to securitization	–	1,640,699
Other exposures	–	1,689,941
Standardized approach (STA)	**20,071,478**	**16,033,806**
Regional governments and municipalities exposures	1,462	1,696
Bank exposures	55,612	30,998
Corporate customer exposures	12,437,278	11,241,354
Retail customer exposures	3,451,153	3,034,350
Exposures secured by immovable property	374,833	98,959
Exposures at default	242,656	285,635
Equity exposures	56,074	56,367
Other exposures	3,452,410	1,284,446
Total Risk weighted assets for credit risk	**150,399,781**	**119,563,174**
Credit value adjustment (CVA risk)	**103,468**	**167,386**
Risk weighted assets for position, foreign exchange and commodity risks	2,740,737	3,012,584
Risk weighted assets for the operating risk	18,236,000	17,037,523
Total risk weighted assets:	**171,479,986**	**139,780,667**

Capital ratios	consolidated	consolidated
	at 31. 12. 2018	**at 31. 12. 2017**
Core Tier 1 capital adequacy ratio	12,74 %	13,37 %
Tier 1 capital adequacy ratio	14,26 %	15,24 %
Total capital adequacy ratio	16,09 %	16,77 %

Further details can be found in the regulatory disclosure report in accordance with regulation no. 163/2014, available on the Bank's internet webpage: https://www.rb.cz/o-nas/povinne-uverejnovane-informace

Capital management

The Group manages its capital adequacy to ensure its sufficient level while allowing for organic business growth and for potentially adverse macroeconomic developments. The Group continuously monitors changes in regulatory requirements and evaluates their impact on the capital planning process. The Czech National Bank as a local regulatory body supervises the local supevisory body ensures that the Bank maintains unconsolidated and consolidated capital adequacy. During 2018, the Bank complied with all the regulatory requirements.

The Bank also regularly reports Information on the internal control sytem (Pillar 2) to the Czech National Bank.

Definitions of Alternative Performance Measures Employed

Earnings per share: 'Net profit for the year attributable to the Bank's shareholders' divided by the quantity average number of shares issued minus the average number of own shares in treasury;

Return on average equity before tax (ROAE, in separate statements): 'Profit before tax' divided by the average total equity';

Return on average equity after tax (ROAE, in separate statements): 'Net profit for the year attributable to the Bank's shareholders' divided by average total equity;

Average total equity: Average of monthly balances averages per accounting period;

Average total assets: Sum of monthly balances of total assets as of the year end X-1 until the end of the year X divided by 13;

Return on average assets before tax (ROAA, in separate statements): 'Profit before tax' divided by average total assets;

Return on average assets after tax (ROAA, in separate statements): 'Net profit for the year attributable to the Bank's shareholders' divided by average total assets;

Return on average Tier 1 capital after tax (ROAE, in separate statements): 'Net profit for the year attributable to the Bank's shareholders' divided by average Tier 1 capital;

Average Tier 1 capital: Sum of monthly balances of Tier 1 capital as of the year end X-1 until the end of the year X divided by 13;

Total operating income: Sum of ´Net interest income', ´Net fee and commission income', ´Net gain on financial operations', ´Net gain from hedge accounting', ´Dividend income', ´Gain/(loss) from derecognition of financial assets measured at amortised cost´, ´Other operating income´ and ´Other operating expenses´.

Report on Related Parties

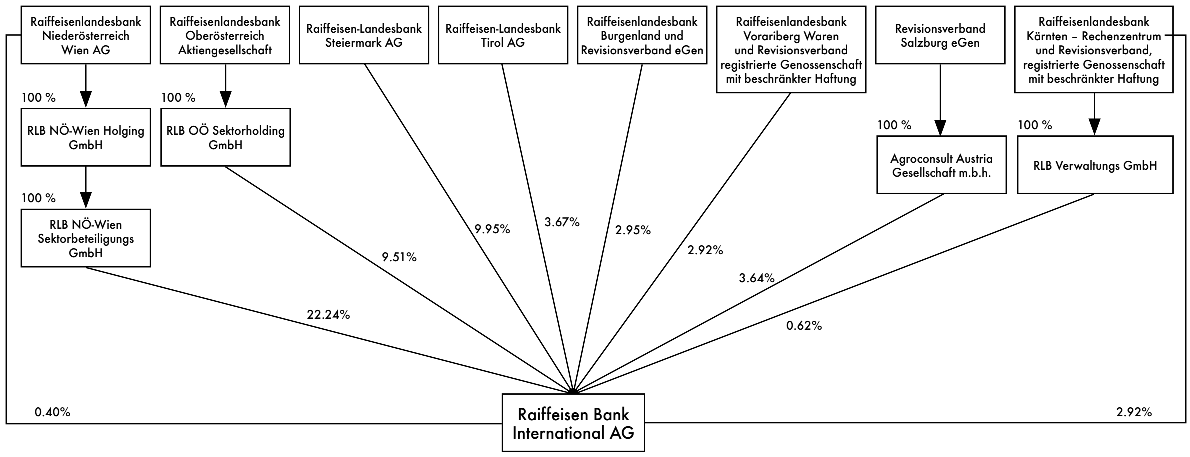
prepared in accordance with Section 82 and the following of Act No. 90/2012 Coll., on commercial companies and cooperatives (the Act on Commercial Corporations), for the reporting period from 1 January 2018 to 31 December 2018

Raiffeisenbank a.s., having its registered office at: Hvězdova 1716/2b, Prague 4, 140 78, corporate ID: 49240901, entered in the Commercial Register maintained by the Municipal Court of Prague on 25 June 1993, Section B, Insert 2051 (hereinafter referred to as the "Bank") is part of the Raiffeisen Bank International AG group, in which relations between the Bank and controlling entities and between the Bank and entities controlled by the same controlling entities (hereinafter referred to as the "related parties") exist.

This report on relations among the below entities was prepared in accordance with the provisions of Section 82 of the Act on Commercial Corporations and with regard to the legal definition of business secret according to Section 504 of Act No. 89/2012 Coll., the Civil Code, as amended.

Contents:

1. CONTROLLING ENTITIES



The indirectly controlling entity is:

RLB NÖ-Wien Sektorbeteiligungs GmbH*, having its registered office at Vienna, Friedrich – Wilhelm – Raiffeisen – Platz 1, 1020, Republic of Austria
RLB NÖ-Wien Holding GmbH*, having its registered office at Vienna, Friedrich – Wilhelm – Raiffeisen – Platz 1, 1020, Republic of Austria
Raiffeisenlandesbank Niederösterreich Wien AG*, having its registered office at Vienna, Friedrich – Wilhelm – Raiffeisen – Platz 1, 1020, Republic of Austria
Raiffeisenlandesbank Oberösterreich Aktiengesellschaft*, having its registered office at Linz, Europaplatz 1a, 4020, Republic of Austria
RLB OÖ Sektorholding GmbH*, having its registered office at Linz, Europaplatz 1a, 4020, Republic of Austria
RLB OÖ Unternehmens-holding GmbH**, having its registered office at Linz, Europaplatz 1a, 4020, Republic of Austria (Note: as part of the simplification of RBI ownership structure, entity ceased to exist during the 3rd quarter of 2018.)
RLB OÖ Unternehmens-beteiligungs GmbH**, having its registered office at Linz, Europaplatz 1a, 4020, Republic of Austria (Note: as part of the simplification of RBI ownership structure, entity ceased to exist during the 3rd quarter of 2018.)
RB Prag Beteiligungs GmbH**, having its registered office at Linz, Europaplatz 1a, 4020, Republic of Austria (Note: Entity ceased to exist by merger with RLB OÖ Sektorholding GmbH on 31/08/2018.)
Raiffeisen-Landesbank Steiermark AG*, having its registered office at Graz, Kaiserfeldgasse 5, 8010, Republic of Austria
KONKRETA Beteiligungsverwaltungs GmbH**, having its registered office at Graz, Kaiserfeldgasse 5, 8010, Republic of Austria (Note: as part of the simplification of RBI ownership structure, entity ceased to exist during the 3rd quarter of 2018.)
HST Beteiligungs GmbH**, having its registered office at Graz, Radetzkystrasse 15-17, 8010, Republic of Austria (Note: as part of the simplification of RBI ownership structure, entity ceased to exist during the 3rd quarter of 2018.)
HSE Beteiligungs GmbH**, having its registered office at Graz, Radetzkystrasse 15-17, 8010, Republic of Austria (Note: as part of the simplification of RBI ownership structure, entity ceased to exist during the 3rd quarter of 2018.)
Raiffeisen-Landesbank Tirol AG*, having its registered office at Innsbruck, Adamgasse 1-7, 6020, Republic of Austria
RLB Tirol Holding Verwaltungs GmbH**, having its registered office at Innsbruck, Adamgasse 1-7, 6020, Republic of Austria (Note: as part of the simplification of RBI ownership structure, entity ceased to exist during the 3rd quarter of 2018.)
Raiffeisenlandesbank Burgenland und Revisionsverband eGen*, having its registered office at Eisenstadt, Friedrich Wilhelm Raiffeisen-Strasse 1, 7000, Republic of Austria
RLB Burgenland Sektorbeteiligungs GmbH**, having its registered office at Eisenstadt, Raiffeisenstrasse 1, 7000, Republic of Austria (Note: as part of the simplification of RBI ownership structure, entity ceased to exist during the 3rd quarter of 2018.)
Raiffeisenlandesbank Vorarlberg Waren- und Revisionsverband registrierte Genossenschaft mit beschränkter Haftung*, having its registered office at Bregenz, Rheinstrasse 11, 6900, Republic of Austria
Raiffeisenverband Salzburg eGen*, having its registered office at Salzburg, Schwarzstrasse 13-15, 5020, Republic of Austria
Agroconsult Austria Gesellschaft m.b.H.*, having its registered office at Salzburg, Schwarzstrasse 13-15, 5020, Republic of Austria
Raiffeisenlandesbank Kärnten - Rechenzentrum und Revisionsverband, registrierte Genossenschaft mit beschränkter Haftung*, having its registered office at Klagenfurt, Raiffeisenplatz 1, 9020, Republic of Austria
RLB Verwaltungs GmbH*, having its registered office at Klagenfurt, Raiffeisenplatz 1, 9020, Republic of Austria
RLB Unternehmens-beteiligungs GmbH**, having its registered office at Klagenfurt, Raiffeisenplatz 1, 9020, Republic of Austria (Note: as part of the simplification of RBI ownership structure, entity ceased to exist during the 3rd quarter of 2018.)
Raiffeisen Bank International AG (hereinafter also "RBI"), having its registered office at Am Stadtpark 9, 1030 Vienna, Republic of Austria.
Raiffeisen RS Beteiligungs GmbH, having its registered office at Am Stadtpark 9, 1030 Vienna, Republic of Austria.

The directly controlling entity (the direct shareholder) is:

Raiffeisen CEE Region Holding GmbH, having its registered office at Am Stadtpark 9, 1030 Vienna, Republic of Austria.

* Referred to as "Landesbanks" – they became indirectly controlling entities based on a declaration of compliance with RBI
** During the third quarter of 2018, the ownership structure of the Raiffeisen Bank International AG Group was further simplified. So-called "Landesbanks" are holding its share in RBI in most cases directly, not through Holding Companies, as it has been so far. This fact will be fully taken into account in the Report on Relations in 2019. The simplification of ownership structure described above did not affect the share of each Landesbank in RBI (or Raiffeisenbank a.s.) and no new entity appeared in the ownership chain of Raiffeisenbank a.s.

2. OTHER RELATED PARTIES

Czech Republic:

Raiffeisen – Leasing, s.r.o. ("RLCZ")	Prague 4, Hvězdova 1716/2b, 140 78
Raiffeisen investiční společnost a.s. ("RIS")	Prague 4, Hvězdova 1716/2b, 140 78
Raiffeisen Property Management, s.r.o. (Entity ceased to exist as at 30 January 2018)	Prague 1, Václavské náměstí 837/11, 110 00
Raiffeisen stavební spořitelna a.s. ("RSTS")	Prague 3, Koněvova 2747/99, 130 45
Raiffeisen Direct Investments CZ s.r.o. (formerly Transaction System Servis s.r.o.) ("RDI")	Prague 4, Hvězdova 1716/2b, 140 78
KONEVOVA s.r.o.	Prague 3, Koněvova 2747/99, 130 45
Raiffeisen FinCorp, s.r.o.	Prague 4, Hvězdova 1716/2b, 140 78

Related parties controlled indirectly through Raiffeisen-Leasing, s.r.o. and Raiffeisen - Leasing Gesellschaft m.b. H.:

ACB Ponava, s.r.o.	Prague 4, Hvězdova 1716/2b, 140 78
Apaté Property, s.r.o.	Prague 4, Hvězdova 1716/2b, 140 78
Appolon Property, s.r.o.	Prague 4, Hvězdova 1716/2b, 140 78
Até Property, s.r.o.	Prague 4, Hvězdova 1716/2b, 140 78
Deimos Property, s.r.o. (14 September 2018)	Prague 4, Hvězdova 1716/2b, 140 78
Eunomia Property, s.r.o. (10 September 2018)	Prague 4, Hvězdova 1716/2b, 140 78
Fobos Property, s.r.o. (25 June 2018)	Prague 4, Hvězdova 1716/2b, 140 78
Forinopa, s.r.o. (Note: renamed to Ferdinand Palace, s.r.o. and sold on 12 December 2018)	Prague 4, Hvězdova 1716/2b, 140 78
Gaia Property, s.r.o.	Prague 4, Hvězdova 1716/2b, 140 78
Heméra Property, s.r.o.	Prague 4, Hvězdova 1716/2b, 140 78
Hermes Property, s.r.o.	Prague 4, Hvězdova 1716/2b, 140 78
Hestia Property s.r.o.	Prague 4, Hvězdova 1716/2b, 140 78
Janus Property, s.r.o.	Prague 4, Hvězdova 1716/2b, 140 78
JFD Real s.r.o. (formerly Polymnia Property, s.r.o.)	Prague 4, Hvězdova 1716/2b, 140 78
Kaliópé Property s.r.o.	Prague 4, Hvězdova 1716/2b, 140 78
Kalypso Property, s.r.o.	Prague 4, Hvězdova 1716/2b, 140 78
Létó Property s.r.o.	Prague 4, Hvězdova 1716/2b, 140 78
Lucius Property, s.r.o.	Prague 4, Hvězdova 1716/2b, 140 78
Luna Property, s.r.o.	Prague 4, Hvězdova 1716/2b, 140 78
Nereus Property, s.r.o.	Prague 4, Hvězdova 1716/2b, 140 78
Nyx Property, s.r.o.	Prague 4, Hvězdova 1716/2b, 140 78
Médea Property, s.r.o.	Prague 4, Hvězdova 1716/2b, 140 78
Orchideus Property, s.r.o.	Prague 4, Hvězdova 1716/2b, 140 78
PZ PROJEKT a.s.	Prague 4, Hvězdova 1716/2b, 140 78
Raiffeisen FinCorp s.r.o.	Prague 4, Hvězdova 1716/2b, 140 78
Raiffeisen - Leasing BOT, s.r.o.	Prague 4, Hvězdova 1716/2b, 140 78
RESIDENCE PARK TŘEBEŠ, s.r.o.	Prague 4, Hvězdova 1716/2b, 140 78
RLRE Carina Property, s.r.o.	Prague 4, Hvězdova 1716/2b, 140 78
Sky Solar Distribuce s.r.o.	Prague 4, Hvězdova 1716/2b, 140 78
Teresa LAVANDE s.r.o. (Hemera Property, s.r.o. acquired 100% share of the entity on 23 April 2018)	Prague 4, Hvězdova 1716/2b, 140 78
Viktor Property, s.r.o.	Prague 4, Hvězdova 1716/2b, 140 78

Entities with a share in voting rights of at least 40% that are not considered to be entities controlled by Raiffeisen – Leasing, s.r.o. under International Financial Reporting Standards (IFRS):
ALT POHLEDY s.r.o., GHERKIN, s.r.o., Ofion Property, s.r.o., CRISTAL PALACE Property s.r.o., Don Giovanni Properties, s.r.o., Iris Property, s.r.o., FORZA SOLE s.r.o., Melpomene Property, s.r.o., UPC Real, s.r.o., Na Stárce, s.r.o., Zátiší Rokytka s.r.o., Neptun Property, s.r.o., GS55 Sazovice s.r.o., FVE Cihelna s.r.o., Palace Holding, s.r.o., Peito Property, s.r.o., Maloja investment SICAV a.s., Kleió Property, s.r.o., RLRE Beta Property s.r.o., RLRE Jota Property, s.r.o., Selene Property, s.r.o., Sirius Property, s.r.o., Zefyros Property, s.r.o., Éós Property, s.r.o., Kappa Estates, s.r.o., Hyperion Property, s.r.o., Photon Energie s.r.o., Boreas Property, s.r.o., Dafné Property, s.r.o., Hypnos Property, s.r.o., Morfeus Property, s.r.o., Holečkova Property, s.r.o., Chronos Property, s.r.o., Credibilis a.s., Strasnicka realitni a.s., Harmonia Property, s.r.o., Exit 90 SPV s.r.o., Onyx Energy projekt II. s.r.o., Onyx Energy s.r.o., Photon SPV 10 s.r.o., Photon SPV 11 s.r.o., Photon SPV 3 s.r.o., Photon SPV 4 s.r.o., Photon SPV 6 s.r.o., Photon SPV 8 s.r.o., Inó Property, s.r.o., Niobé Property, s.r.o., PILSENINVEST SICAV, a.s., Pontos Property, s.r.o., Astra Property, s.r.o., Theia Property, s.r.o., (Urania Property, s.r.o. merged with Theia Property, s.r.o.) Dike Property, s.r.o., KAPMC s.r.o., Erató Property, s.r.o., Rheia Property, s.r.o., Hébé Property, s.r.o., Grainulos s.r.o., RLRE Ypsilon Property, s.r.o., RLRE Eta Property, s.r.o., Euros Property, s.r.o., Melete Property, s.r.o., SeEnergy PT, s.r.o., Nemesis Property, s.r.o., Steffany's Court s.r.o., Polyxo Property, s.r.o. (15.5.2018), SIGMA PLAZA s.r.o. (Polyxo Property, s.r.o. bought 100% shares 29.5.2018), NATUM Alfa, s.r.o., Logisticky areal Hostivar, s.r.o. (13.3.2018), Ambrosia Property, s.r.o. (12.6.2018) (Ambrosia Property, s.r.o. renamed to Landia - Jordanska, s.r.o.),. GRENA REAL s.r.o.

Note: Based on the concluded contracts, Raiffeisen - Leasing, s.r.o. does not have the power to control or manage relevant activities of the entities, with Raiffeisen - Leasing, s.r.o. not exposed to risks related to the entities, for which reason they do not represent controlled entities, jointly controlled entities or associates. These entities have been provided with loans.

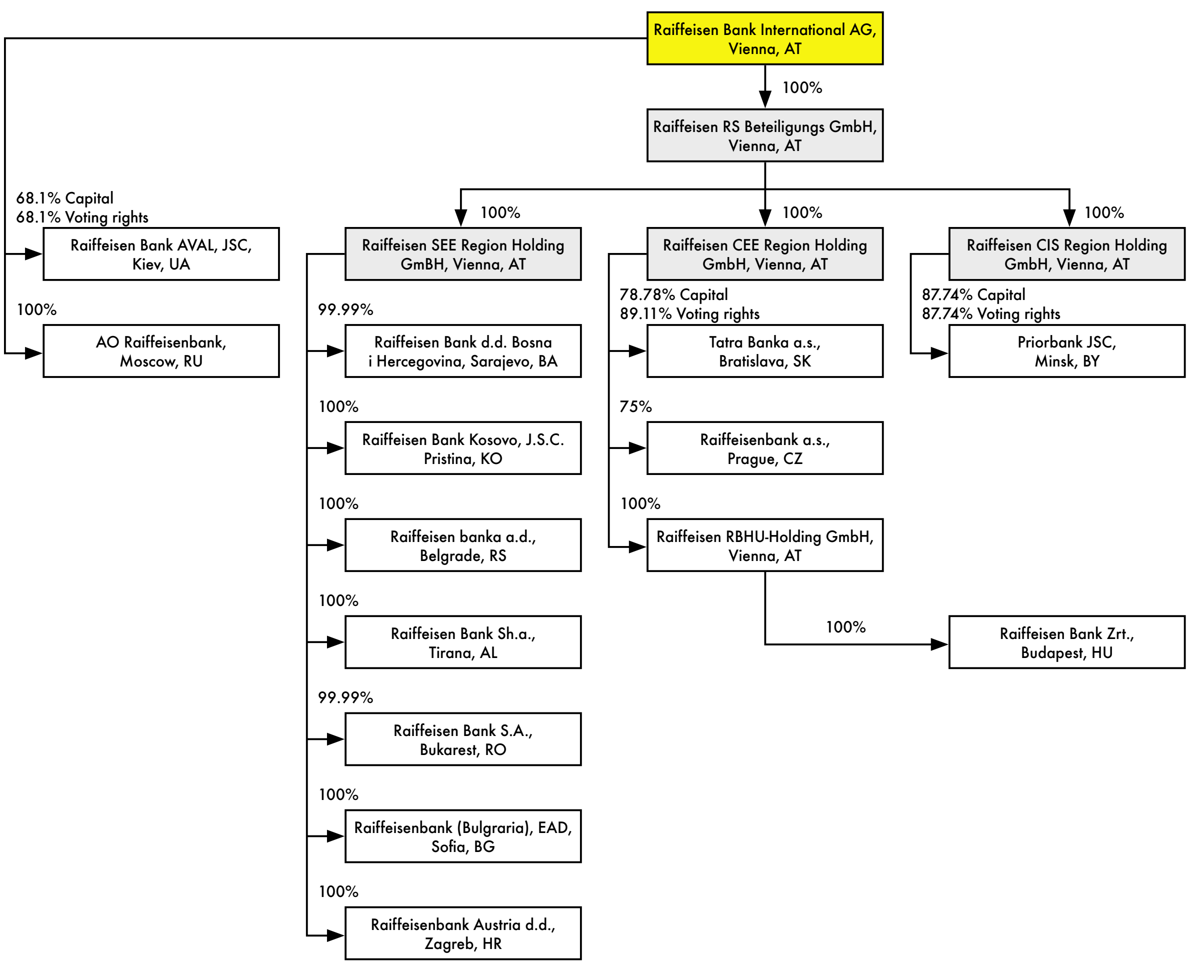
Other countries:

Raiffeisen Bank Zrt.	Akadémia utca 6, Budapest, Hungary
Raiffeisen Bank Polska S.A. (Entity ceased to exist as at 31 October 2018*)	Piekna ulica 20, Warsaw, Poland
Raiffeisen banka a.d.	Dorda Stanojevica 16, Novi Beograd, Serbia
Raiffeisenbank Austria d.d.	Petrinjska 59, Zagreb, Croatia
Tatra Banka, a.s.	Hodžovo námestie 3, 811 06, Bratislava, Slovak Republic
Centralised Raiffeisen International Services and Payments S.R.L.	Dimitre Pompei Bld. No. 9-9A, 020335, Bucharest, Romania
ZUNO GmbH (formerly ZUNO BankAG)**	Am Stadtpark 9, 1030 Vienna, Republic of Austria
Regional Card Processing Centre, s.r.o.	Hodžovo námestie 3, 811 06, Bratislava, Slovak Republic
Raiffeisen Bank S.A.	Sky Tower Building, 246C Calea Floreasca, Bucharest, Romania
Tatra Asset Management, správ. spol., a.s.	Hodžovo námestie 3, 850 05, Bratislava, Slovak Republic
Raiffeisen Centrobank AG	Tegetthoffstrasse I, 1020, Vienna, Republic of Austria
Raiffeisen–Leasing International GmbH	Am Stadtpark 9, 1030, Vienna, Republic of Austria
Raiffeisen-Leasing Finanzierungs GmbH (formerly Raiffeisen-Leasing Bank AG)	Mooslackengasse 12, 1190, Vienna, Republic of Austria
AO Raiffeisenbank (formerly ZAO Raiffeisenbank)	Smolenskaya-Sennaya 28, Moscow, Russian Federation
Raiffeisen Informatik Consulting GmbH	Lillienbrunngasse 7-9, A-1020, Vienna, Republic of Austria
Raiffeisen Kapitalanlage-Gesellschaft m.b.H (Raiffeisen Kag)	Mooslackengasse 12, 1190, Vienna, Republic of Austria
Ukrainian Processing Center	Moskovsky av., 9, Kyiv, 04073, Ukraine
Raiffeisenbank Sh. A	"Rruga e Kavajës", Tiranë, Albania
STRABAG SE	Triglavstrasse 9, 9500 Villach, Republic of Austria
Czech Real Estate Fund (CREF) B.V. ***	Naritaweg 165, Amsterdam, Kingdom of the Netherlands

* Entity was sold to Bank BGZ BNP Paribas S.A. (subsidiary of BNP Paribas S.A.) on 31 October 2018.
** In June 2018, the legal form was changed from a join-stock company to a limited liability company. This company no longer disposes with a banking license.
*** In August 2018, Raiffeisenbank a.s. acquired an 80% stake in Czech Real Estate Fund (CREF) B.V. from NOTIC Finance B.V., thereby becoming a sole shareholder.
Note: The above list only discloses the entities with which the Bank maintains active economic relations. It is not a full list of the entities controlled by the same controlling entity.

3. STRUCTURE OF RELATIONS AMONG RELATED PARTIES

3.1 Description of Relations Between the Controlled Entity and Controlling Parties



Note: The chart only shows what are referred to as "Networkbanks" in Central and Eastern Europe and other selected entities within the Raiffeisen Bank International AG Group. As such, it does not provide a full list of all entities controlled by the same controlling entity.

3.2 Role of the Controlled Entity within the Relationship Structure

The banking group of the parent company Raiffeisen Bank International AG (RBI Group) is a leading banking group operating in the region of Central and Eastern Europe. In the individual states of the region, Raiffeisen Bank International AG renders banking services through a total of 13 individual majority owned legal entities holding a banking licence, so called Networkbank. Raiffeisenbank a.s. is one of these Networkbanks and its role is to provide banking services to both domestic and foreign clients in the Czech Republic in line with the group's strategy.

3.3 Method and Means of Control

The controlling parties exercise their influence by owning a 75% share in the controlled entity's registered capital and voting rights. In addition, members of the Board of Directors of Raiffeisen Bank International AG are also members of the Supervisory Board of Raiffeisenbank a.s.

4. LIST OF CONTRACTS

4.1 List of Contracts with Controlling Entities

In the 2018 reporting period, Raiffeisenbank a.s. had relations with the following controlling entities:

Raiffeisen Bank International AG

Legal act	Counterparty	Date concluded	Performance/Counter-performance
Subordinated Loan Contract	Raiffeisen Bank International AG	15 September 2008	Provision of a subordinated loan / payment of contractual interest
Amendment no. 1 to the Insurance Refund Agreement	Raiffeisen Bank International AG	20 December 2010	Change of contractual terms
Master Agreement on Cooperation in Risk Management and Reporting	Raiffeisen Bank International AG	1 January 2011	Definition of terms of cooperation in Risk Management and Reporting / payment of contractual fees
4 Service Agreements related to the Master Agreement on Cooperation in Risk Management and Reporting	Raiffeisen Bank International AG	1 January 2011	Detailed description of cooperation in the areas
Service Agreement	Raiffeisen Bank International AG	3 January 2011	Agreement on the provision of defined services in selected areas / payment of contractual remuneration
Agreement to Open a Correspondent Loro Account	Raiffeisen Bank International AG	28 March 2011	Opening of a correspondent account / payment of contractual fees
Master IT Cooperation Agreement (note: in 2016, a new agreement relating to the same area was concluded)	Raiffeisen Bank International AG	31 October 2011	Definition of terms of cooperation in IT services / payment of contractual fees
11 Service Descriptions related to the Master IT Cooperation Agreement (in 2016, replaced by new versions)	Raiffeisen Bank International AG	31 October 2011	Detailed description of cooperation in respect of specific IT application
STEP2 Indirect Participation Contract	Raiffeisen Bank International AG	7 November 2011	Definition of the terms of use of STEP2 services
Project Contract	Raiffeisen Bank International AG	11 November 2011	Analysis of the supply of software application / payment of contractual fees
Agreement to Open a Correspondent Loro Account	Raiffeisen Bank International AG	18 November 2011	Opening of a correspondent account / payment of contractual fees
Amendment no. 2 to the Insurance Refund Agreement	Raiffeisen Bank International AG	20 December 2011	Change of contractual terms
Project Contract	Raiffeisen Bank International AG	29 December 2011	Analysis of the supply of software application / payment of contractual remuneration
Service Agreement	Raiffeisen Bank International AG	1 January 2012	Agreement on services provided by the majority shareholder
Master Project and Consultancy Agreement	Raiffeisen Bank International AG	23 March 2012	Consulting in project management / payment of contractual price
Amendment to partial Service Agreement related to the Master Agreement on Cooperation in Risk Management and Reporting of 1January 2011	Raiffeisen Bank International AG	12 June 2012	Stipulation of detailed terms for Rating Model Validation and Methods

Legal act	Counterparty	Date concluded	Performance/Counter-performance
Service Level Agreement	Raiffeisen Bank International AG	25 June 2012	Definition of cooperation within the competence centre in Fixed Income / payment of contractual fees
Amendment to the Master Project and Consultancy Agreement and Service Agreement	Raiffeisen Bank International AG	30 June 2012	Change of contractual terms
Amendment to the Project Contract of 11 November 2011	Raiffeisen Bank International AG	1 July 2012	Change of contractual terms
Implementing Agreement to the Master Project Consultancy Agreement of 23 March 2012	Raiffeisen Bank International AG	27 August 2012	Detailed definition of terms of a payment system project
Master Service Agreement	Raiffeisen Bank International AG	30 September 2012	Agreement to provide defined transaction services / payment of contractual remuneration
Partial Service Agreement related to the Master Agreement on Cooperation in Risk Management and Reporting of 1 January 2011	Raiffeisen Bank International AG	16 October 2012	Definition of detailed contractual terms for Workout
Partial Service Agreement related to the Master Agreement on Cooperation in Risk Management and Reporting of 1 January 2011	Raiffeisen Bank International AG	7 November 2012	Definition of detailed contractual terms for Credit Management Corporate
Service Description RIAH	Raiffeisen Bank International AG	1 January 2013	Provision of RIAH services
Amendment of the Service Agreement of 2012	Raiffeisen Bank International AG	1 January 2013	Change of contractual terms
Service Description RIAH Raiffeisen International Access Hub (documentation replaced in 2016)	Raiffeisen Bank International AG	1 January 2013	New group remote access / payment of contractual fees
Risk Participation Confirmation	Raiffeisen Bank International AG	25 January 2013	Participation in credit risk / payment of contractual fees
Risk Participation Confirmation	Raiffeisen Bank International AG	31 July 2013	Participation in credit risk / payment of contractual fees
Services to Support International Operations in RBI Group	Raiffeisen Bank International AG	1 March 2013	Agreement on mutual support in Operations / payment of contractual remuneration
Agreement for rendering the Project FATCA between RBI and RBCZ"	Raiffeisen Bank International AG	10 April 2013	Agreement on mutual cooperation in the FATCA Project / payment of contractual fees a remuneration
Service Agreement – Building a best fit Operations Target Operating Model	Raiffeisen Bank International AG	29 May 2013	Providing a service supporting international transactions in the RBI Group/ payment of contractual fees
FATCA Support Services	Raiffeisen Bank International AG	20 November 2013	Norkom infrastructure use for FATCA process identification / payment of contractual fees
Transfer Agreement – Subordinate Loan Transfer	Raiffeisen Bank International AG	26 November 2013	Subordinate loan transfer from Raiffeisenbank Malta /payment of contractual interest
ISLA Global Master Securities Lending Agreement - Schedule	Raiffeisen Bank International AG	19 December 2013	Master agreement on lending investment instruments / payment of contractual remuneration

Legal act	Counterparty	Date concluded	Performance/Counter-performance
Amendment to the 2012 Service Agreement	Raiffeisen Bank International AG	1 January 2014	Extension of provided services
Multichannel customer acquisition and Digital CC capability building	Raiffeisen Bank International AG	27 January 2014	Agreement on multichannel customer acquisition and Digital CC capability building / payment of agreed fees
RBCZ Lean Study Stay 2014 Cooperation Agreement	Raiffeisen Bank International AG	24 February 2014	Cooperation between the contractor and client in the Lean Study Stay 2014 training event
Amendment to International Group Marketing Agreement	Raiffeisen Bank International AG	14 March 2014	Amendment to the International Group Marketing Agreement / payment of contractual remuneration
Agreement for Integrated Risk Management Services and Risk Management Balance	Raiffeisen Bank International AG	26 March 2014	Fees to RBI / payment of contractual fees
Share Incentive Program	Raiffeisen Bank International AG	1 April 2014	Board member option scheme
Master Agreement for dealings in fund shares	Raiffeisen Bank International AG	2 April 2014	Dealings in funds managed by RCM / payment of contractual fees
Amendment No. 1 to FATCA Project Agreement	Raiffeisen Bank International AG	7 April 2014	Specification of FATCA implementation support / payment of contractual remuneration
Service Agreement for HO Services	Raiffeisen Bank International AG	15 April 2014	Service agreement for HO services / payment of contractual fees
Amendment No. 1 to Master Agreement on Payment Card Processing	Raiffeisen Bank International AG	9 June 2014	Personal data protection update
One amendment to Service Description RIAH following the Master IT Cooperation Agreement concluded on 31 October 2011 (or 19 April 2016)	Raiffeisen Bank International AG	14 July 2014	Amendment regulates the price for the RIAH service from 2014 on
Agreement (ASLA) - Operations Center Model	Raiffeisen Bank International AG	27 August 2014	Operations Center Model agreement / payment of contractual fees
Service Level Agreement (Running Target Operating Model)	Raiffeisen Bank International AG	14 November 2014	Rules and conditions for some kinds of transactions in the name of RBI
RDL032 Project Agreement	Raiffeisen Bank International AG	2 December 2014	Audit findings - Treasury Limits - BN-497 / payment of agreed fees
Investment Certificates 2014	Raiffeisen Bank International AG	15 December 2014	Investment certificates 2014 / payment of agreed commissions
Amendment to the 2012 Service Agreement	Raiffeisen Bank International AG	1 January 2015	Adjustment for 2015, partial changes in the field of provided services
Service Agreement for Risk Methods & Analytics	Raiffeisen Bank International AG	1 January 2015	Cooperation with RBI in the field of Risk Methods & Analytics
Service Agreement for Credit Risk Control	Raiffeisen Bank International AG	1 January 2015	Cooperation with RBI in the field of Credit Risk Control
New Limit Approval – overdraft limit	Raiffeisen Bank International AG	12 January 2015	New limit approval – overdraft limit / payment of contractual fees
Non-Disclosure Agreement	Raiffeisen Bank International AG	30 January 2015	Non-Disclosure Agreement
Market Data Distribution Agreement	Raiffeisen Bank International AG	2 March 2015	Agreement on the provision of services within Market Data / / payment of contractual fees

Legal act	Counterparty	Date concluded	Performance/Counter-performance
Reimbursement Agreement	Raiffeisen Bank International AG	7 April 2015	"Rotation" programme within RBI
Agreement for rendering the Project Brain 2 (Kamakura)	Raiffeisen Bank International AG	21 April 2015	Services offered by RBI to our bank as part of the implementation of the Kamakura system / payment of contractual remuneration
Raiffeisen Bank International AG limit approval – extending the maturity of the bank guarantee	Raiffeisen Bank International AG	6 May 2015	Raiffeisen Bank International AG limit approval – extending the maturity of the bank guarantee
Amendment to Market Data Distribution Agreement	Raiffeisen Bank International AG	16 June 2015	Change of yearly fees / payment of contractual fees
Project Collateral Fields Changes	Raiffeisen Bank International AG	28 July 2015	Addition of attributes for reconciliations of Notes / payment of contractual fees
Participation Certificate	Raiffeisen Bank International AG	28 August 2015	Risk participation / payment of contractual fees
Agreement for rendering the Project CPA rollout on Nearshored OFSAA Hub	Raiffeisen Bank International AG	9 September 2015	New Pricing Engine for Corp Division on RBI/ payment of contractual fees
Limit approval – non-funded participation	Raiffeisen Bank International AG	16 September 2015	Limit approval – non-funded participation / payment of contractual fees
Participation Certificate	Raiffeisen Bank International AG	28 September 2015	Risk participation / payment of contractual fees
Midas Core Banking System Agreement	Raiffeisen Bank International AG	30 September 2015	Sublicensing agreement on the provision of Midas Core Banking/ payment of contractual fees
Agreement on the termination of the contract about automatic balance transfers	Raiffeisen Bank International AG	16 October 2015	Agreement on the termination of the contract about automatic balance transfers from 20 May 2011
Limit approval –settlement limit increase	Raiffeisen Bank International AG	19 October 2015	Limit approval –settlement limit increase / payment of contractual fees
Micro Contract	Raiffeisen Bank International AG	12 November 2015	Agreement about the reimbursement of expenses related to marketing research data analysis / payment of contractual fees
FWR Contract	Raiffeisen Bank International AG	12 November 2015	Agreement about the reimbursement of expenses related to marketing research data analysis / payment of contractual fees
Limit approval –settlement limit increase	Raiffeisen Bank International AG	26 November 2015	Limit approval – settlement limit increase / payment of contractual fees
Agreement on automatic balance transfers	Raiffeisen Bank International AG	10 December 2015	Changes to mutual rights and obligations when making automatic balance between accounts administered by Raiffeisenbank a.s.
Agreement for rendering the CRS Group Program	Raiffeisen Bank International AG	16 December 2015	Mutual provision of services in the project Common Reporting Standard/payment of contractual fees
Cross Border Merchant Services Visa and Master Card Consolidated Settlement Agreement	Raiffeisen Bank International AG	1 January 2016	Service provided by the card accounting department in Olomouc for RBI
Amendment to the 2012 Service Agreement	Raiffeisen Bank International AG	1 January 2016	Update of amendments, change in supplies in the individual fields

Legal act	Counterparty	Date concluded	Performance/Counter-performance
Service Agreement for Credit Risk Control	Raiffeisen Bank International AG	1 January 2016	Update (specification) of the subject of provided services
New limit approval	Raiffeisen Bank International AG	19 January 2016	Overdraft limit
Extension of the maturity limit	Raiffeisen Bank International AG	9 February 2016	Non-funded participation (guarantee)
Participation Certificate (Lasselsberger GmbH)	Raiffeisen Bank International AG	21 March 2016	Risk participation
Limit approval	Raiffeisen Bank International AG	29 March 2016	New limit on the guarantee issued
Master IT Cooperation Agreement	Raiffeisen Bank International AG	19 April 2016	Setting IT cooperation conditions/ payment of contractual fees
Limit approval	Raiffeisen Bank International AG	10 May 2016	Increase of the settlement limit
Amendment No. 1 to the Participation Certificate (Lasselsberger GmbH)	Raiffeisen Bank International AG	25 May 2016	Amendment of terms and conditions
Participation Certificate (Globus)	Raiffeisen Bank International AG	18 July 2016	Risk participation
Agreement for rendering the Project MAD II STOR	Raiffeisen Bank International AG	8 August 2016	Implementation of a group solution for the MADII/MAR project
Service Agreement - Provision of Program Management Services (Compliance)	Raiffeisen Bank International AG	18 August 2016	Compliance advisory and information support
Service Agreement (HR Services, S/2016/00437)	Raiffeisen Bank International AG	5 September 2016	Provision of Talent Management and Succession Planning services
Service Description Fraud Propensity Tool	Raiffeisen Bank International AG	20 September 2016	Fraud Propensity Tool service provided
Service Desription Lotus Notes International Domino Hub	Raiffeisen Bank International AG	20 September 2016	Lotus Notes International Domino Hub service provided
Service Description TIGER Operating	Raiffeisen Bank International AG	20 September 2016	Tiger platform provided
Agreement FWR (research in the Czech Republic)	Raiffeisen Bank International AG	22 September 2016	Reimbursement of costs for processing analyses of research in the Czech Republic
Amendment No. 2 to the Participation Certificate (Lasselsberger GmbH)	Raiffeisen Bank International AG	23 September 2016	Amendment of terms and conditions
Service Description Midas Maintenance	Raiffeisen Bank International AG	27 September 2016	Midas Maintenance service provided
Amendment No. 1 to Project CRS (Agreement for rendering the CRS Group Program)	Raiffeisen Bank International AG	5 October 2016	Support for the CRS project from RBI
Agreement for rendering the Project "MiFID II – KIDs for PRIIPs"	Raiffeisen Bank International AG	31 August 2016	Implementation and integration regarding the group solution for the PRIIPS project
Agreement for rendering the Project MiFID II	Raiffeisen Bank International AG	20 December 2016	Implementation of a group solution for the MiFID II project
11 Service Descriptions related to the Master IT Cooperation Agreement	Raiffeisen Bank International AG	8 November 2016	Detailed description of cooperation in respect of specific IT applications
Amendment No. 3 to the Participation Certificate (Lasselsberger GmbH)	Raiffeisen Bank International AG	9 November 2016	Amendment of terms and conditions

Legal act	Counterparty	Date concluded	Performance/Counter-performance
Amendment No. 4 to the Participation Certificate (Lasselsberger GmbH)	Raiffeisen Bank International AG	16 November 2016	Amendment of terms and conditions
Agreement for rendering the Project RAP NWU Rollout	Raiffeisen Bank International AG	13 December 2016	Participation in the "Roll out Research Application" RBI group project
Participation Certificate (Steinhoff Möbel Holding Alpha GmbH)	Raiffeisen Bank International AG	16 December 2016	Risk participation
Service Level Agreement (AMA Service Level Agreement)	Raiffeisen Bank International AG	22 December 2016	Provision of services described in the agreement/payment of contractual fees
Amendment to the 2012 Service Agreement	Raiffeisen Bank International AG	16 February 2017	Adjustment of contractual fees
Service Description MIS Support and Maintenance	Raiffeisen Bank International AG	20 February 2017	Definition of more detailed terms of cooperation as part of the administration of and support for the MIS system
Amendment of RBCZ-2014-IT Benchmarking Study-01	Raiffeisen Bank International AG	28 February 2017	Change of contractual terms
Amendment No. 5 to the Participation Certificate (Lasselsberger GmbH)	Raiffeisen Bank International AG	13 March 2017	Change of risk participation terms
Service agreement for Integrated Risk Management	Raiffeisen Bank International AG	8 May 2017	Amendment of the existing SLA with RBI/ payment of contractual fees
Amendment to the International Group Marketing Agreement	Raiffeisen Bank International AG	9 May 2017	Amendment to the International Group Marketing Agreement/ payment of the contractual fee
Amendment No. 6 to the Participation Certificate (Lasselsberger GmbH)	Raiffeisen Bank International AG	26 June 2017	Change of risk participation terms
Appendix to the Amendment of the 2012 Service Agreement	Raiffeisen Bank International AG	17 August 2017	Amendment to the Service Agreement, inclusion of a service from Tatra Asset Management
Amendment of Service Description CNI Maintenance	Raiffeisen Bank International AG	22 August 2017	Amendment to the valid CNI IT service agreement adjusting the annual service fee
Amendment of Service Description GCPP Solution	Raiffeisen Bank International AG	22 August 2017	Amendment to the valid GCPP IT service agreement adjusting the annual service fee from 1 January 2017 onwards
Gartner for Technical Professional Usage Agreement	Raiffeisen Bank International AG	22 August 2017	The agreement extends the use of the service from RBI for another two years until 28 February 2019
Service Description Cyber Threat Intelligence Service	Raiffeisen Bank International AG	22 August 2017	A new version of the agreement, in which the allocation key for price calculation was amended (refer to Section 9.1 of the new version).
Service Description External Vulnerability Scan	Raiffeisen Bank International AG	22 August 2017	A new IT service sub-agreement falling under the valid Master Agreement S/2011/02204. The subject of the agreement includes regular vulnerability scans of systems available on-line and annual web application vulnerability scans.
Amendment of Service Description Midas Maintenance	Raiffeisen Bank International AG	22 August 2017	Amendment to the valid MIDAS Maintenance IT service agreement governing the annual service fee.

Legal act	Counterparty	Date concluded	Performance/Counter-performance
Service Description MIS Support and Maintenance	Raiffeisen Bank International AG	22 August 2017	A new version of the agreement, in which the service was extended and the annual service fee for MIS support adjusted.
Service Description Online Banking Security Service	Raiffeisen Bank International AG	22 August 2017	A new version of the agreement, in which the allocation key for price calculation was amended.
Service Description RIAH Raiffeisen International Access Hub	Raiffeisen Bank International AG	22 August 2017	Definition of the more detailed terms of cooperation as part of the administration of and support for the RIAH system
Amendment of Service Description TIGER Operating	Raiffeisen Bank International AG	22 August 2017	Amendment to the valid TIGER IT service agreement governing the annual service fee from 1 January 2017 onwards.
Agreement for rendering the Project "4AML" – Implementation of the 4th EU Anti-Money Laundering Directive	Raiffeisen Bank International AG	25 August 2017	Supplies from RBI as part of the group project Implementation of the 4th EU AML Directive/payment of contractual fees.
Amendment No. 2 to Project CRS (amendment to Agreement No. 5/2015/00444)	Raiffeisen Bank International AG	29 August 2017	Implementation of the group CRS solution
Amendment No. 1 to the Service Agreement (S/2016/00437)	Raiffeisen Bank International AG	31 August 2017	Change of contractual terms
Amendment of Service Description Fraud Propensity Tool	Raiffeisen Bank International AG	13 September 2017	Amendment to the FPT IT service agreement, adjusting the annual fee
Cost Sharing Agreement	Raiffeisen Bank International AG	16 October 2017	Processing of the satisfaction survey in the FWR segment
FX Raiffeisen	Raiffeisen Bank International AG	13 October 2017	Agreement on the provision of an electronic trading platform/cost sharing
Amendment of Service Description Lotus Notes International Domino HUB service	Raiffeisen Bank International AG	19 October 2017	Amendment to the valid LN IT service agreement, adjusting the annual fee
Amendment of the 2012 Service Agreement	Raiffeisen Bank International AG	5 December 2017	Amendment of the services supplied in Raiffeisen Research/payment of contractual fees
Amendment No. 7 to the Participation Certificate (Lasselsberger GmbH)	Raiffeisen Bank International AG	12 December 2017	Change of contractual terms
Custody Agreement NO. S/2017/00380	Raiffeisen Bank International AG	10 January 2018	Custody contract
Banknote/precious metal trading agreement	Raiffeisen Bank International AG	1 February 2018	Adjustment of trading with banknotes and precious metals. Specification of transport responsibilities.
Statement of Work No. RBI-2018-Biometrics and Cryptography Consultancy-01	Raiffeisen Bank International AG	16 February 2018	Provision of Crypto & Biometric Competence Center Services
INTERNATIONAL GROUP Marketing AGREEMENT	Raiffeisen Bank International AG	11 April 2018	Adjustment of marketing expenses
Letter of intent	Raiffeisen Bank International AG	18 April 2018	Participation in the joint project BCBS 239
Amendment of service agreement	Raiffeisen Bank International AG	10 June 2018	Provision of services under a service agreement
Service Level Agreement (GPS Operations) A Appendix 2 - Individual Agreement	Raiffeisen Bank International AG	26 June 2018	SLA - GPS operations and related GDPR Data processing agreement - Appendix 2

Legal act	Counterparty	Date concluded	Performance/Counter-performance
Amendment of service agreement	Raiffeisen Bank International AG	23 July 2018	Addition of RAP maintenance and change of allocation key
Master service agreement In the Area of Information Technology S/2018/00280	Raiffeisen Bank International AG	27 July 2018	Master agreement for the provision of IT services
Statement of Work	Raiffeisen Bank International AG	31 July 2018	SOW - project delivery to RBI group
Amendment to IT Service Description MIS Support and Maintenance	Raiffeisen Bank International AG	27 August 2018	Amendment to the current IT service contract - annual price increase
Amendment to IT Service Description Fraud Propensity Tool	Raiffeisen Bank International AG	27 August 2018	Amendment to the current IT service contract - annual price decrease
Amendment to IT Service Description Market Data Distribution	Raiffeisen Bank International AG	27 August 2018	Amendment to the current IT service contract - annual price decrease
Amendment to IT Service Description TIGER Operating	Raiffeisen Bank International AG	27 August 2018	Amendment to the current IT service contract - annual price increase
Amendment to IT Service Description GCPP Solution	Raiffeisen Bank International AG	27 August 2018	Amendment to the current IT service contract - annual price decrease
Service Level Agreement - Group Risk Controlling	Raiffeisen Bank International AG	29 August 2018	Provision of services / payment of contractual fees
Appointment of agent to accept service of process in England and Wales + Schedule 1	Raiffeisen Bank International AG	31 August 2018	Meeting the Intercontinental Exchange requirements for membership
IT Service Description: RBI/RBCZ-2018-Digital Services	Raiffeisen Bank International AG	26 September 2018	Provision of PSD2 services / payment of contractual fees
Master Participation Agreement	Raiffeisen Bank International AG	1 October 2018	Master agreement on setting mutual conditions
IT Service Description PGP Tool	Raiffeisen Bank International AG	7 November 2018	Master agreement for the provision of IT services - PGP Tool
IT Service Description Corporate Network International (CNI)	Raiffeisen Bank International AG	8 November 2018	Master agreement for the provision of IT services - CNI
Amendment of IT Service Description Midas Maintenance	Raiffeisen Bank International AG	8 November 2018	Amendment to the current IT service contract - MIDAS Maintenance, adjusting annual service price.
Security Service Usage Agreement	Raiffeisen Bank International AG	4 December 2018	Contract consolidates / replaces valid IT security contracts (Online Banking Security Service+ External Vulnerability Scan +Cyber Threat Intelligence Service)
IT Statement of Work No. RBCZ-2018-RAP Centralized Research Distribution-01	Raiffeisen Bank International AG	28 December 2018	Implementation of Standardized Templates ("Economic update" & "Interest rate outlook") in Raiffeisen Research Application (RAP)

Raiffeisenlandesbank Oberösterreich Aktiengesellschaft

Legal act	Counterparty	Date concluded	Performance/Counter-performance
Agreement on the terms of the temporary secondment of employees for the purpose of performing work	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	3 January 1994	Secondment of experts for the temporary performance of work in order to strengthen cooperation
Contract for the provision of consulting services	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	4 January 2002	Contract for the provision of consulting services /payment of contractual fees
Amendment No. 1 to the Agreement on the terms of the temporary secondment of employees for the purpose of performing work	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	5 January 2004	Change of contractual terms
Amendment No.1 to the Contract for the provision of consulting services	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	3 January 2005	Change of contractual terms (fee)
Amendment No.2 to the Contract for the provision of consulting services	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	4 January 2006	Change of contractual terms (fee)
Amendment No.3 to the Contract for the provision of consulting services	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	3 January 2007	Change of contractual terms (fee)
Intercreditor Agreement	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	18 May 2010	Intercreditor Agreement – Biocel Paskov, a.s.
Shareholders' undertaking	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	18 May 2010	Shareholders' undertaking - Biocel Paskov, a.s.
MultiCash Transfer Service Level Agreement	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	16 October 2010	Communication between RBCZ and RLBOOE through the MultiCash system – receipt of client payment orders
Bank guarantee – VOG, s.r.o.	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	10 August 2012	Bank guarantee
Participation Certificate No. NDP/0004/NCRAM/01/24313246	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	29 July 2016	Agrovation Kněžmost k.s. - risk participation
Agreement on the agreement on the terms of the temporary secondment of employees for the purpose of performing work	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	7 November 2016	Agreement on the temporary secondment of a specific employees – Large Corp, extension for a year
Amendment No. 16 to Bank Guarantee No. 501.569 (efko cz s. r.o.)	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	1 December 2017	100% bank guarantee for an operating loan
Collateral Guarantee – BPS Bicycle Industrial s.r.o.	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	25 January 2017	Collateral Guarantee
Amendment No. 11 to Bank Guarantee No. 906.408 (ARMA BAU s.r.o.)	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	22 February 2017	100% bank guarantee for an operating loan
Amendment No. 11 to Participation Certificate No. 021006/2009 (HABAU CZ s.r.o.)	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	30 March 2017	100% risk participation

Legal act	Counterparty	Date concluded	Performance/Counter-performance
Amendment No. 16 to Participation Certificate No. 020950/2007 (Intersport ČR s.r.o.)	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	30 May 2017	100% risk participation
Amendment No. 14 to Participation Certificate No. 10 (PERAPLAS ČESKO s.r.o.)	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	8 June 2017	100% risk participation
Amendment No. 1 to NDP/0004/ NCRAM/01/24313246	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	30 June 2017	Amendment No. 1 regarding Agrovation Kněžmost k.s. - risk participation
Agreement on Conditions for Temporary Posting of Workers for Work Purposes	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	9 October 2017	Secondment of temporary work professionals to enhance cooperation

RB Prag Beteiligungs GmbH

Legal act	Counterparty	Date concluded	Performance/Counter-performance
Agreement on the opening and maintenance of a current investment account in CZK	RB Prag Beteiligungs GmbH	25 January 2017	Maintenance of a current investment account in CZK/payment of contractual fees
Agreement on the opening and maintenance of a current investment account in EUR	RB Prag Beteiligungs GmbH	25 January 2017	Maintenance of a current investment account in EUR/payment of contractual fees

Raiffeisenlandesbank Vorarlberg Waren – und Revisionsverband GmbH

Legal act	Counterparty	Date concluded	Performance/Counter-performance
Beteiligungsrahmenvertrag	Raiffeisenlandesbank Vorarlberg Waren – und Revisionsverband GmbH	5 October 2007	50% participation with RLV (Market Invest CZ s.r.o.)

In addition to the contracts referred to above, the Bank and the controlling entities entered into other bank transactions in the course of 2018, predominantly loans and borrowings in the money market, guarantees and counter-guarantees, and fixed-term transactions, under which the Bank received or paid interest and fees.

In the reporting period, the controlled entity received or provided no other performance or counter-performance in the interest or at the instigation of the controlling entity or entities controlled by the controlling entity outside the scope of performance or counter-performance, which is customary within the controlled entity's relations with the controlling entity as the shareholder of the controlled entity.

4.2 List of Contracts with Other Related Parties

In the 2018 reporting period, Raiffeisenbank a.s. had relations with the following related parties:

Raiffeisen stavební spořitelna a.s.

Legal act	Counterparty	Date concluded	Performance/Counter-performance
Account opening request	Raiffeisen stavební spořitelna a.s.	15 December 1993	Opening a current account
Current account opening and maintenance contract	Raiffeisen stavební spořitelna a.s.	13 June 2000	Establishment and maintenance of current account
Current Investment Account Agreement	Raiffeisen stavební spořitelna a.s.	2 October 2001	Establishment of investment account
Cooperation Contract	Raiffeisen stavební spořitelna a.s.	31 May 2002	Mediation of the sale of building saving schemes / payment of contractual commissions
Amendment No. 1 to the Cooperation Agreement No. S / 2010/1817	Raiffeisen stavební spořitelna a.s.	30 April 2003	Change of contractual terms
Amendment No. 2 to the Cooperation Agreement No. S / 2010/1817	Raiffeisen stavební spořitelna a.s.	1 April 2004	Change of contractual terms
Amendment No. 3 to the Cooperation Agreement No. S / 2010/1817	Raiffeisen stavební spořitelna a.s.	31 December 2004	Change of contractual terms
Contract for the Provision of Call Centre Services	Raiffeisen stavební spořitelna a.s.	23 June 2005	Provision of call centre services to Raiffeisen stavební spořitelna / contractual fee
Amendment No. 4 to the Cooperation Agreement No. S / 2010/1817	Raiffeisen stavební spořitelna a.s.	8 November 2005	Change of contractual terms
Contract for the Purchase or Sale of Securities, Securities Settlement and Securities Management + Annexes 1-5	Raiffeisen stavební spořitelna a.s.	10 April 2007	Purchase or sale of securities, settlement of securities transactions, custody
Amendment No. 5 to the Cooperation Contract of 31 May 2002	Raiffeisen stavební spořitelna a.s.	27 March 2009	Change of conditions of cooperation in mutual offering of products
Amendment No. 6 to the Cooperation Contract of 31 May 2002	Raiffeisen stavební spořitelna a.s.	23 December 2009	Change of conditions of cooperation in mutual offering of products
Treasury Master Agreement	Raiffeisen stavební spořitelna a.s.	29 February 2012	Agreement on rights and obligations related to transactions in the financial market
Personal Data Processing and Confidentiality Agreement	Raiffeisen stavební spořitelna a.s.	5 April 2012	Agreement on the processing of personal data and confidentiality as part of mutual business cooperation
Agreement on Further Terms of Cooperation	Raiffeisen stavební spořitelna a.s.	16 April 2012	Agreement on further cooperation in mutual offering of products to clients (according to the Cooperation Agreement of 31 May 2002)
FTP Access Agreement	Raiffeisen stavební spořitelna a.s.	15 February 2013	Agreement on mutual data exchange using an FTP server (see Agreement on Further Terms of Cooperation of 16 April 2012)
Amendment No. 7 to the Cooperation Contract of 31 May 2002	Raiffeisen stavební spořitelna a.s.	24 July 2013	Definition of activities of RBCZ for Raiffeisen stavební spořitelna a.s. concerning online client service

Legal act	Counterparty	Date concluded	Performance/Counter-performance
Amendment No. 1 to the Agreement to Buy or Sell Securities, Securities Settlement and Administration, dated 10 April 2007	Raiffeisen stavební spořitelna a.s.	25 September 2013	Change of contractual terms
Direct Banking Service Agreement	Raiffeisen stavební spořitelna a.s.	15 November 2013	Agreement on direct banking services / payment of contractual fees
Agreement to Provide X-business Internet Banking Services	Raiffeisen stavební spořitelna a.s.	3 February 2015	X-business internet banking / payment of contractual fees
Annex No. 4 Authorized Persons, Signature Specimens and Contact details of the Client to the Contract for the Purchase or Sale of Securities, Securities Settlement and Administration, dated 10 April 2007	Raiffeisen stavební spořitelna a.s	12 January 2016	Change of contractual terms
Agreement to issue a debit card	Raiffeisen stavební spořitelna a.s.	31 May 2018	Debit card issue
Termination of the Debit Card Contract on 31 May 2018	Raiffeisen stavební spořitelna a.s.	3 August 2018	Debit card cancellation
Commercial representation agreement	Raiffeisen stavební spořitelna a.s.	24 September 2018	Dealership agreement
Annex No. 1 "Product Specification and Specific Conditions for its Offering - Personal Account" to Commercial representation agreement dated 24 September 2018	Raiffeisen stavební spořitelna a.s.	24 September 2018	Change of contractual terms
Tip Mediation Agreement	Raiffeisen stavební spořitelna a.s.	10 October 2018	Mediation agreement
Insurance Accession Agreement	Raiffeisen stavební spořitelna a.s.	8 November 2018	Accession to the insurance
Call Center Service Agreement	Raiffeisen stavební spořitelna a.s.	12 November 2018	Provision of call center services
Debit Card Agreement	Raiffeisen stavební spořitelna a.s.	26 November 2018	Debit card issue request

KONEVOVA s.r.o.

Legal act	Counterparty	Date concluded	Performance/Counter-performance
Agreement on the opening and maintenance of a current account	KONEVOVA s.r.o.	3 December 1996	Maintenance of a current account in CZK/ payment of contractual fees

In 2015, Raiffeisanbank a.s. connected accounts to the X-business installation for the following companies: KONEVOVA s.r.o. and Raiffeisen stavební spořitelna a.s. No changes were made in 2018.

Raiffeisen – Leasing, s.r.o.

Legal Act	Counterparty	Date concluded	Performance/Counter-Performance
Contract for the Sublease of Non-Residential Premises	Raiffeisen – Leasing, s.r.o.	28 August 2008	Sublease of non-residential premises / payment of the rent
Amendment no. 1 to the Contract on the Sublease of Non-Residential Premises from 28 August 2008	Raiffeisen – Leasing, s.r.o.	15 June 2009	Change of contractual terms
Amendment no. 2 to the Contract on the Sublease of Non-Residential Premises from 28 August 2008	Raiffeisen – Leasing, s.r.o.	1 December 2009	Change of contractual terms
Cooperation Agreement	Raiffeisen – Leasing, s.r.o.	13 December 2010	Definition of mutual cooperation in the provision of payment cards / payment of contractual commission
Amendment no. 3 to the Contract on the Sublease of Non-Residential Premises from 28 August 2008	Raiffeisen – Leasing, s.r.o.	28 March 2011	Change of contractual terms
Loan Contract	Raiffeisen – Leasing, s.r.o.	28 March 2011	Provision of a loan facility / payment of contractual interest
Cash Pooling Agreement	Raiffeisen – Leasing, s.r.o.	28 April 2011	Automatic transfers of account balances
Risk Management Cooperation Contract	Raiffeisen – Leasing, s.r.o.	11 July 2011	Provision of credit risk analyses / payment of fees and costs according to the contract
Agreement on Accounts	Raiffeisen – Leasing, s.r.o.	21 July 2011	Agreement to open special accounts for clients of Raiffeisen-Leasing, s.r.o.
Agreement on Accounts	Raiffeisen – Leasing, s.r.o.	8 August 2011	Agreement to open special accounts for clients of Raiffeisen-Leasing, s.r.o.
Agreement on Accounts	Raiffeisen – Leasing, s.r.o.	11 July 2011	Agreement to open special accounts for clients of Raiffeisen-Leasing, s.r.o.
Treasury Master Agreement	Raiffeisen – Leasing, s.r.o.	20 February 2012	Agreement on rights and obligations related to transactions in the financial market
Personal Data Processing and Confidentiality Agreement	Raiffeisen – Leasing, s.r.o.	1 March 2012	Agreement on the processing of personal data and confidentiality as part of mutual business cooperation
Amendment No. 1 to the Risk Management Cooperation Contract of 11 July 2011	Raiffeisen – Leasing, s.r.o.	13 April 2012	Change of contractual terms
Amendment no. 4 to the Contract on the Sublease of Non-Residential Premises from 28 August 2008	Raiffeisen – Leasing, s.r.o.	29 June 2012	Change of contractual terms
Agreement on Cooperation in Client Data Exchange	Raiffeisen – Leasing, s.r.o.	6 August 2012	Stipulation of rights and obligations in exchanging data for the purpose of business cooperation
FTP Access Agreement	Raiffeisen – Leasing, s.r.o.	6 August 2012	Agreement on the use of a server for mutual exchange of data
Loan Contract No. 110157/2012/01	Raiffeisen – Leasing, s.r.o.	27 September 2012	Provision of a credit limit / payment of contractual interest
Amendment No. 1 to Loan Contract No. 110157/2012/01 of 27 September 2012	Raiffeisen – Leasing, s.r.o.	16 November 2012	Change of contractual terms

Legal Act	Counterparty	Date concluded	Performance/Counter-Performance
Amendment No. 1 to the Agreement on Cooperation in Client Data Exchange S/2012/02973	Raiffeisen – Leasing, s.r.o.	27 March 2013	Stipulation of rights and obligations of contracting parties in exchanging information
Agreement on Non-Exclusive Sales Representation	Raiffeisen – Leasing, s.r.o.	18 April 2013	Stipulation of rights and obligations under non-exclusive sales representation / payment of contractual commissions
Amendment no. 5 to the Contract on the Sublease of Non-Residential Premises	Raiffeisen – Leasing, s.r.o.	28 June 2013	Change of contractual terms / payment of rent
Agreement on Cooperation and Provision of Information Systems and Technology Services	Raiffeisen – Leasing, s.r.o.	14 February 2014	Provision of information systems and technology services / payment of agreed remuneration
Amendment no. 6 to the Contract on the Sublease of Non-Residential Premises	Raiffeisen – Leasing, s.r.o.	11 February 2014	Amendment no. 6 to the Contract on the Sublease of Non-Residential Premises
Amendment no. 7 to the Contract on the Sublease of Non-Residential Premises	Raiffeisen – Leasing, s.r.o.	24 November 2014	Amendment no. 7 to the Contract on the Sublease of Non-Residential Premises
Master Service Agreement	Raiffeisen - Leasing, s.r.o.	14 January 2015	Provision of payroll accounting and registry services / payment of contractual fees
Amendment no. 12 to the Loan Contract no.110157/2012/01 of 27 September 2012	Raiffeisen - Leasing, s.r.o.	21 April 2015	Provision of credit limit / payment of contractual interest
Agreement on risk participation and the provision of a special-purpose loan	Raiffeisen - Leasing, s.r.o.	15 May 2015	Agreement on risk participation and the provision of a special-purpose loan / payment / payment of instalments and the participation share
Amendment no. 13 to the Loan Contract no.110157/2012/01	Raiffeisen - Leasing, s.r.o.	22 June 2015	Provision of credit limit / payment of contractual interest
Escrow Account Contract	Raiffeisen - Leasing, s.r.o.	24 June 2015	Opening and administration of an escrow account
Amendment no. 1 to Escrow Account Contract	Raiffeisen - Leasing, s.r.o.	14 July 2015	Opening and administration of an escrow account
Limit approval – review of the loan and treasury line including its extension and increase	Raiffeisen - Leasing, s.r.o.	27 July 2015	Limit approval – review of the loan and treasury line including its extension and increase
Amendment no. 15 to the Loan Contract no. 110157/2012/01	Raiffeisen - Leasing, s.r.o.	29 July 2015	Provision of credit limit / payment of contractual interest
Amendment no. 14 to the Loan Contract no. 110157/2012/01	Raiffeisen - Leasing, s.r.o.	31 July 2015	Provision of credit limit / payment of contractual interest
Amendment no. 16 to the Loan Contract no. 110157/2012/01	Raiffeisen - Leasing, s.r.o.	17 August 2015	Provision of credit limit / payment of contractual interest
Contract on the opening and administration of account no. 5170012066 (EUR)	Raiffeisen - Leasing, s.r.o.	24 August 2015	Account opening and administration
Master Agreement – RB car fleet management	Raiffeisen - Leasing, s.r.o.	30 September 2015	RB car fleet management / payment of contractual fees
Amendment no. 17 to the Loan Contract no. 110157/2012/01	Raiffeisen - Leasing, s.r.o.	30 September 2015	Provision of credit limit / payment of contractual interest

Legal Act	Counterparty	Date concluded	Performance/Counter-Performance
Amendment no. 1 to the Non-Exclusive Sales Representation Contract	Raiffeisen - Leasing, s.r.o.	29 October 2015	Sales representation / payment of contractual provisions
Contract on the opening and administration of account no. 5170012293 (EUR)	Raiffeisen - Leasing, s.r.o.	26 November 2015	Account opening and administration
Master agreement on risk participation and the provision of special-purpose loans	Raiffeisen - Leasing, s.r.o.	30 November 2015	Risk participation
Agreement on Cooperation in Compliance, Fraud Risk Management, Information Security and Physical Security	Raiffeisen - Leasing, s.r.o.	28 December 2015	Cooperation in the area of Compliance & Security / Payment of contractual remuneration
Liability participation agreement S/2016/00211	Raiffeisen - Leasing, s.r.o.	4 January 2016	Participation in the liability of CEEC Research, s.r.o. / payment of the contractual amount
Agreement on Communication via the JIRA Application	Raiffeisen – Leasing, s.r.o.	21 March 2016	Inserting comments on audit tasks in the Follow Up Internal Audit Application in JIRA
Agreement on Confidentiality and Protection of Personal Information	Raiffeisen – Leasing, s.r.o.	25 November 2016	Agreement on personal data processing, confidentiality and some other provisions
Agreement on risk participation and the provision of a special-purpose loan (VAL – Linter EKO s.r.o.)	Raiffeisen - Leasing, s.r.o.	20 April 2016	Risk participation/payment of contractual interest
Amendment No. 18 to Loan Contract No. 110157/2012/01	Raiffeisen - Leasing, s.r.o.	29 April 2016	Provision of a credit facility/payment of contractual interest
Amendment No. 19 to Loan Contract No. 110157/2012/01	Raiffeisen - Leasing, s.r.o.	6 June 2016	Provision of a credit facility/payment of contractual interest
Amendment No. 20 to Loan Contract No. 110157/2012/01	Raiffeisen - Leasing, s.r.o.	17 June 2016	Provision of a credit facility/payment of contractual interest
Amendment No. 21 to Loan Contract No. 110157/2012/01	Raiffeisen - Leasing, s.r.o.	29 July 2016	Provision of a credit facility/payment of contractual interest
Risk Participation Agreement Ref. No. PD/61467863/01/2016	Raiffeisen - Leasing, s.r.o.	23 June 2016	Risk participation/payment of contractual interest
Lease Contract No. 5019000614 – 5019000626	Raiffeisen - Leasing, s.r.o.	1 March 2016	Provision of a lease/payment of contractual interest
Lease Contract No. 5019000631 – 5019000646	Raiffeisen - Leasing, s.r.o.	1 March 2016	Provision of a lease/payment of contractual interest
Lease Contract No. 5019000533	Raiffeisen - Leasing, s.r.o.	1 March 2016	Provision of a lease/payment of contractual interest
Lease Contract No. 5019000500	Raiffeisen - Leasing, s.r.o.	1 March 2016	Provision of a lease/payment of contractual interest
Lease Contract No. 5019000613	Raiffeisen - Leasing, s.r.o.	13 April 2016	Provision of a lease/payment of contractual interest
Lease Contract No. 5019000612	Raiffeisen - Leasing, s.r.o.	14 April 2016	Provision of a lease/payment of contractual interest
Lease Contract No. 5019000627 – 5019000630	Raiffeisen - Leasing, s.r.o.	15 April 2016	Provision of a lease/payment of contractual interest

Legal Act	Counterparty	Date concluded	Performance/Counter-Performance
Lease Contract No. 5019001268 – 5019001269	Raiffeisen - Leasing, s.r.o.	30 August 2016	Provision of a lease/payment of contractual interest
Lease Contract No. 5019001265 – 5019001267	Raiffeisen - Leasing, s.r.o.	17 October 2016	Provision of a lease/payment of contractual interest
Lease Contract No. 5019001272 – 5019001273	Raiffeisen - Leasing, s.r.o.	17 October 2016	Provision of a lease/payment of contractual interest
Lease Contract No. 5019001256 – 5019001264	Raiffeisen - Leasing, s.r.o.	23 September 2016	Provision of a lease/payment of contractual interest
Lease Contract No. 5019001270 – 5019001271	Raiffeisen - Leasing, s.r.o.	23 September 2016	Provision of a lease/payment of contractual interest
Lease Contract No. 5019001274	Raiffeisen - Leasing, s.r.o.	23 September 2016	Provision of a lease/payment of contractual interest
Sub-licence agreement	Raiffeisen - Leasing, s.r.o.	9 September 2016	Definition of the right to registered trademarks / payment of a contractual fee
Amendment No.1 to the Liability Participation Agreement	Raiffeisen - Leasing, s.r.o.	7 November 2016	Extension of the contractual relation to 2017
Amendment No. 8 to the Contract for the Sublease of Non-Residential Premises	Raiffeisen - Leasing, s.r.o.	16 December 2016	Change of the subject of the sublease/ change of rental
Amendment No. 2 to the Risk Management Cooperation Contract of 11 July 2011	Raiffeisen - Leasing, s.r.o.	22 December 2016	Amendment to Appendix No. 1 to the Contract
Confidentiality Agreement in Czech/ English	Raiffeisen - Leasing, s.r.o.	31 January 2017	Rules governing the disclosure, use and protection of confidential information
Amendment no. 2 to the Non-Exclusive Sales Representation Contract	Raiffeisen - Leasing, s.r.o.	15 February 2017	Sales representation/payment of a contractual commission
Contract for the provision of internal audit outsourcing services	Raiffeisen - Leasing, s.r.o.	23 February 2017	Provision of the internal audit function for a subsidiary/payment of a contractual fee
Agreement on risk participation and the provision of a special-purpose loan (SEVEROTISK, s.r.o.)	Raiffeisen - Leasing, s.r.o.	11 August 2017	Risk participation/payment of contractual interest
Agreement on risk participation and the provision of a special-purpose loan no. NDP/0001//01/29058481	Raiffeisen - Leasing, s.r.o.	17 August 2017	Lease participation of the client – FRAIKIN ČESKÁ REPUBLIKA, S.R.O./ payment of contractual interest
Electronic Banking Agreement	Raiffeisen - Leasing, s.r.o.	25 August 2017	Installation of the international e-Banking system (MultiCash 3.2) / payment of contractual fees
Amendment No. 2 to the Liability Participation Agreement	Raiffeisen - Leasing, s.r.o.	1 December 2017	Extension of the contractual relation to 2018
Amendment No. 1 to the Master agreement on risk participation and the provision of special-purpose loans	Raiffeisen - Leasing, s.r.o.	12 December 2017	Change of contractual terms
Leasing Contract No. 5019002624	Raiffeisen - Leasing, s.r.o.	20 December 2017	Provision of a lease/payment of contractual interest
Leasing Contract No. 5019002625	Raiffeisen - Leasing, s.r.o.	20 December 2017	Provision of a lease/payment of contractual interest
Leasing Contract No. 5019002626	Raiffeisen - Leasing, s.r.o.	20 December 2017	Provision of a lease/payment of contractual interest

Legal Act	Counterparty	Date concluded	Performance/Counter-Performance
Agreement on risk participation and the provision of a special-purpose loan (BENTELER Automotive Klášťěrec, s.r.o.)	Raiffeisen - Leasing, s.r.o.	28 December 2017	Risk participation/payment of contractual interest
Amendment No. 1 to the Risk Participation contract and Provision of Special-purpose Loan	Raiffeisen - Leasing, s.r.o.	25 January 2018	Change of contractual terms
Leasing Contract No. 5019002659	Raiffeisen - Leasing, s.r.o.	25 January 2018	Provision of a lease/payment of contractual interest
Leasing Contract No. 5019002660	Raiffeisen - Leasing, s.r.o.	25 January 2018	Provision of a lease/payment of contractual interest
Leasing Contract No. 5019002661	Raiffeisen - Leasing, s.r.o.	25 January 2018	Provision of a lease/payment of contractual interest
Leasing Contract No. 5019002662	Raiffeisen - Leasing, s.r.o.	25 January 2018	Provision of a lease/payment of contractual interest
Leasing Contract No. 5019002663	Raiffeisen - Leasing, s.r.o.	25 January 2018	Provision of a lease/payment of contractual interest
Risk Participation contract and Provision of Special-purpose Loan	Raiffeisen - Leasing, s.r.o.	1 February 2018	Risk participation/payment of contractual interest
Leasing Contract No. 5019002668	Raiffeisen - Leasing, s.r.o.	1 March 2018	Provision of a lease/payment of contractual interest
Risk Participation contract and Provision of Special-purpose Loan	Raiffeisen - Leasing, s.r.o.	27 March 2018	Risk participation/payment of contractual interest
Master Service Agreement and Annexes 1-9	Raiffeisen - Leasing, s.r.o.	28 March 2018	Outsourcing some RLCZ services to RBCZ
Leasing Contract No. 5019002667	Raiffeisen - Leasing, s.r.o.	29 March 2018	Provision of a lease/payment of contractual interest
Amendment No. 3 to the Non-Exclusive Representation Agreement	Raiffeisen - Leasing, s.r.o.	3 April 2018	Change of contractual terms
Leasing Contract No. 5019002671	Raiffeisen - Leasing, s.r.o.	30 April 2018	Provision of a lease/payment of contractual interest
Leasing Contract No. 5019002672	Raiffeisen - Leasing, s.r.o.	30 April 2018	Provision of a lease/payment of contractual interest
Leasing Contract No. 5019002706	Raiffeisen - Leasing, s.r.o.	30 April 2018	Provision of a lease/payment of contractual interest
Leasing Contract No. 5019002666	Raiffeisen - Leasing, s.r.o.	30 April 2018	Provision of a lease/payment of contractual interest
Leasing Contract No. 5019002955	Raiffeisen - Leasing, s.r.o.	11 May 2018	Provision of a lease/payment of contractual interest
Leasing Contract No. 5019003006	Raiffeisen - Leasing, s.r.o.	15 May 2018	Provision of a lease/payment of contractual interest
Leasing Contract No. 5019002669	Raiffeisen - Leasing, s.r.o.	15 May 2018	Provision of a lease/payment of contractual interest
Leasing Contract No. 5019002907	Raiffeisen - Leasing, s.r.o.	29 May 2018	Provision of a lease/payment of contractual interest
Amendment No. 9 to the Agreement on Sublease of Non-Residential Premises (Contract as of 28 August 2008)	Raiffeisen – Leasing, s.r.o.	1 July 2018	Sublease of non-residential premises
Risk Participation Agreement and Provision of Special Purpose Loan No. 7108001799	Raiffeisen - Leasing, s.r.o.	11 July 2018	Risk participation/payment of contractual interest

Legal Act	Counterparty	Date concluded	Performance/Counter-Performance
Risk Participation Agreement and Provision of Special Purpose Loan No. 7108001800	Raiffeisen - Leasing, s.r.o.	11 July 2018	Risk participation/payment of contractual interest
Risk Participation Agreement and Provision of Special Purpose Loan No. 7108001801	Raiffeisen - Leasing, s.r.o.	12 July 2018	Risk participation/payment of contractual interest
Leasing Contract No. 5019002952	Raiffeisen - Leasing, s.r.o.	20 July 2018	Provision of a lease/payment of contractual interest
Amendment No. 1 to the Risk Participation Agreement and Provision of Special Purpose Loan No. 7108001800	Raiffeisen - Leasing, s.r.o.	27 July 2018	Change of contractual terms
Leasing Contract No. 5019003260	Raiffeisen - Leasing, s.r.o.	28 August 2018	Provision of a lease/payment of contractual interest
Leasing Contract No. 5019003355	Raiffeisen - Leasing, s.r.o.	28 August 2018	Provision of a lease/payment of contractual interest
Leasing Contract No. 5019003354	Raiffeisen - Leasing, s.r.o.	28 August 2018	Provision of a lease/payment of contractual interest
Leasing Contract No. 5019003352	Raiffeisen - Leasing, s.r.o.	28 August 2018	Provision of a lease/payment of contractual interest
Leasing Contract No. 5019003351	Raiffeisen - Leasing, s.r.o.	28 August 2018	Provision of a lease/payment of contractual interest
Leasing Contract No. 5019002900	Raiffeisen - Leasing, s.r.o.	28 August 2018	Provision of a lease/payment of contractual interest
Amendment No. 2 to the Risk Participation Agreement and Provision of Special Purpose Loan	Raiffeisen - Leasing, s.r.o.	19 September 2018	Change of contractual terms
Amendment No. 4 to the Non-Exclusive Representation Agreement	Raiffeisen - Leasing, s.r.o.	1 October 2018	Change of contractual terms
Leasing Contract No. 5019003393	Raiffeisen - Leasing, s.r.o.	1 October 2018	Provision of a lease/payment of contractual interest
Leasing Contract No. 5019003394	Raiffeisen - Leasing, s.r.o.	1 October 2018	Provision of a lease/payment of contractual interest
Amendment 25 to Credit Contract No. 110157/2012/01	Raiffeisen - Leasing, s.r.o.	18 October 2018	Provision of a credit facility / payment of contractual interest
Leasing Contract No. 5019003395	Raiffeisen - Leasing, s.r.o.	1 November 2018	Provision of a lease/payment of contractual interest
Leasing Contract No. 5019003396	Raiffeisen - Leasing, s.r.o.	1 November 2018	Provision of a lease/payment of contractual interest
Leasing Contract No. 5019003259	Raiffeisen - Leasing, s.r.o.	1 November 2018	Provision of a lease/payment of contractual interest
Amendment 26 to Credit Contract No. 110157/2012/01	Raiffeisen - Leasing, s.r.o.	5 November 2018	Provision of a credit facility / payment of contractual interest
Amendment No. 2 to the Risk Participation Agreement and Provision of Special Purpose Loan No. 7108001800	Raiffeisen - Leasing, s.r.o.	21 November 2018	Change of contractual terms
Annex No. 10 to the Master Agreement on the Provision of Services	Raiffeisen - Leasing, s.r.o.	7 December 2018	Treasury services

Legal Act	Counterparty	Date concluded	Performance/Counter-Performance
Leasing Contract No. 5019003613	Raiffeisen - Leasing, s.r.o.	11 December 2018	Provision of a lease/payment of contractual interest
Leasing Contract No. 5019003618	Raiffeisen - Leasing, s.r.o.	12 December 2018	Provision of a lease/payment of contractual interest
Leasing Contract No. 5019003586	Raiffeisen - Leasing, s.r.o.	13 December 2018	Provision of a lease/payment of contractual interest
Personal Data Processing Agreement	Raiffeisen - Leasing, s.r.o.	14 December 2018	Personal Data Processing Agreement
Personal Data Processing Agreement	Raiffeisen - Leasing, s.r.o.	14 December 2018	Personal Data Processing Agreement
Amendment 27 to Credit Agreement No. 110157/2012/01	Raiffeisen - Leasing, s.r.o.	17 December 2018	Provision of a credit facility / payment of contractual interest

In 2018, Raiffeisenbank a.s. was related to a total of 101 companies (see the list in Chapter 2) indirectly through Raiffeisen-Leasing, s.r.o. and Raiffeisen - Leasing Gesellschaft m.b. H., with which it concluded contracts for the opening and maintenance of a current account, based on which it received standard contractual fees from and paid standard contractual interest to the above companies. Also, Raiffeisenbank a.s. concluded contracts for the use of electronic banking, or authorisation to use electronic banking, with these companies, based on which it received standard contractual fees from the above companies. The Bank has also concluded loan/ lease contracts with some of the above companies, based on which it received current interest. Furthermore, Raiffeisenbank a.s. has several Treasury Master Agreements with the above companies, the subject-matter of which is the provision of trades concluded on the money and capital markets / payment of contractual fees.

In 2016 and 2017, Raiffeisenbank a.s. connected accounts to the Multicash installation for the following companies:

Onyx Energy s.r.o., Appolon Property, s.r.o., Lysithea a.s., Palace Holding s.r.o., Michalka – Sun s.r.o., Urania Property, s.r.o., Euterpé Property, s.r.o., Grainulos s.r.o., Tritón Property, s.r.o., Hypnos Property, s.r.o., Morfeus Property, s.r.o., FORZA SOLE s.r.o., Peitó Property, s.r.o., Melpomené Propert, s.r.o., Meleté Property, s.r.o., Strašnická realitní a.s., Gherkin, s.r.o., Hyperion Property, s.r.o., Kleió Property, s.r.o.

In 2018, Raiffeisenbank a.s. connected accounts to the Multicash installation for the following companies:

GRENA REAL, s.r.o., REF HP1, s.r.o., Nereus Property, s.r.o., Nyx Property, s.r.o., Eunomia Property, s.r.o., Deimos Property, s.r.o., Apaté Property, s.r.o., Fobos Property, s.r.o., NATUM Alfa, s.r.o., Ambrosia Property, s.r.o., Rezidence pod Skálou, s.r.o., CRISTAL PALACE Property, s.r.o., Terasa LAVANDE, s.r.o., SIGMA PLAZA, s.r.o., Polyxo Property, s.r.o., Logistický areál Hostivař, s.r.o., RLRE Carina Property, s.r.o., Hémerá Property, s.r.o., Raiffeisen FinCorp, s.r.o., Credibilis a.s., VB Real Estate Services Czechia, s.r.o., SeEnergy PT, s.r.o., Ferdinand Palace, s.r.o.,

Raiffeisen FinCorp, s.r.o.

Legal Act	Counterparty	Date concluded	Performance/Counter-Performance
Master Treasury Agreement	Raiffeisen FinCorp, s.r.o.	26 February 2015	Agreement on rights and obligations related to transaction on the financial market
Amendment to the Master Treasury Agreement	Raiffeisen FinCorp, s.r.o.	26 February 2015	Agreement on rights and obligations related to transaction on the financial market
Amendment no. 2 to the Master Agreement on loan banking products	Raiffeisen FinCorp, s.r.o.	31 March 2015	Provision of credit limit / payment of contractual interest
Guarantor's Statement	Raiffeisen FinCorp, s.r.o.	11 May 2015	Security to a liability
Amendment no. 3 to the Master Agreement on loan banking products	Raiffeisen FinCorp, s.r.o.	22 June 2015	Provision of credit limit / payment of contractual interest
Amendment no. 1 to the Guarantor's Statement	Raiffeisen FinCorp, s.r.o.	22 June 2015	Security to a liability
Amendment no. 4 to the Master Agreement on loan banking products	Raiffeisen FinCorp, s.r.o.	31 July 2015	Provision of credit limit / payment of contractual interest
Amendment no. 5 to the Master Agreement on loan banking products	Raiffeisen FinCorp, s.r.o.	17 August 2015	Change in the wording of Appendix 2 to the Agreement
Amendment no. 6 to the Master Agreement on loan banking products	Raiffeisen FinCorp, s.r.o.	29 April 2016	Change in Article VIII, Paragraph 5 of the Agreement
Amendment no. 7 to the Master Agreement on loan banking products	Raiffeisen FinCorp, s.r.o.	31 May 2016	Change in Article I, Paragraph 6 of the Agreement
Amendment no. 8 to the Master Agreement on loan banking products	Raiffeisen FinCorp, s.r.o.	29 July 2016	Provision of a credit limit of up to CZK 4,000,000,000
Amendment no. 2 to the Guarantor's Statement	Raiffeisen FinCorp, s.r.o.	29 July 2016	Change of terms and conditions of the contract
Limit approval	Raiffeisen FinCorp, s.r.o.	16 February 2016	Credit and treasury line revision incl. prolongation and increase
Limit approval for Raiffeisen FinCorp and Raiffeisen-Leasing	Raiffeisen FinCorp, s.r.o.	26 July 2016	Credit and treasury line revision incl. prolongation and increase
Master agreement for the service contract	Raiffeisen FinCorp, s.r.o.	28 March 2018	Outsourcing of some services to RBCZ
Amendment No.10 to the Master Agreement on loan banking products	Raiffeisen FinCorp, s.r.o.	18 October 2018	provision of a credit facility / payment of contractual interest
Amendment No.11 to the Master Agreement on loan banking products	Raiffeisen FinCorp, s.r.o.	17 December 2018	Amendment to Article III, paragraph 3., 4., 5., of the Treaty

As of 31 December 2018, Raiffeisenbank a.s. concluded Agreements to Open and Administer Current Accounts with Raiffeisen FinCorp, s.r.o. Based on these agreements it accepted regular contractual fees from the above company and paid regular contractual interest.

Raiffeisen Direct Investments CZ s.r.o. (formerly Transaction System Servis s.r.o.)

Legal Act	Counterparty	Date concluded	Performance/Counter-Performance
Agreement to Open and Maintain a Current Account	Transaction System Servis s.r.o.	17 December 2008	Opening and maintenance of a current account / payment of contractual fees
Agreement on Direct Banking	Transaction System Servis s.r.o.	1 December 2010	Setting up direct banking services
Agreement on Cooperation in Preparation of VAT-Tax Returns for the Group	Raiffeisen Direct Investments CZ s.r.o.	29 August 2016	Obligations of Group members regarding the preparation of tax returns and supplementary VAT-tax returns
Contract for the provision of an equity surcharge outside of the registered capital	Raiffeisen Direct Investments CZ s.r.o.	19 September 2016	Provision of registered capital
Insurance Accession Agreement	Raiffeisen Direct Investments CZ s.r.o.	8 November 2018	Providing an international insurance system

In 2016, Raiffeisen Direct Investments CZ s.r.o. acquired a 100% investment in the following companies:
RDI Czech 1 s.r.o. (former CREF CZ 1 s.r.o.);
RDI Management s.r.o. (former CREF CZ 2 s.r.o.);
RDI Czech 3 s.r.o. (former CREF CZ 3 s.r.o.);
RDI Czech 4 s.r.o. (former CREF CZ 4 s.r.o.);
RDI Czech 5 s.r.o. (former CREF CZ 5 s.r.o.); and
RDI Czech 6 s.r.o. (former PRK Sigma 06 s.r.o.).

During 2018, the Bank had the following contracts and agreements in place with the aforementioned companies: contracts for the maintenance of a current account (based on which it received standard contractual fees), and lease and loan agreements (including hedging documentation) for the purpose of financing the acquisition of fixed assets.

Raiffeisen investiční společnost a.s.

Legal Act	Counterparty	Date concluded	Performance/Counter-Performance
Master Agreement on RIS Services	Raiffeisen investiční společnost a.s.	1 January 2013	Provision of RIS services / payment of contractual remunerations and fees
Agreement on the opening and maintenance of a current account 5170010300/5500	Raiffeisen investiční společnost a.s.	23 January 2013	Administration of current bank account 5170010300/5500
Agreement on Cooperation in Preparation of Tax Returns for VAT Group	Raiffeisen investiční společnost a.s.	14 February 2013	Stipulation of mutual rights and obligations of VAT group members
Agreement on the Sublease of Non-Residential Premises	Raiffeisen investiční společnost a.s.	29 March 2013	Agreement on the Sublease of Non-Residential Premises / payment of rent
Confidentiality Agreement	Raiffeisen investiční společnost a.s.	17 June 2013	Confidentiality agreement
Amendment No. 1 to Agreement on the Sublease of Non-Residential Premises	Raiffeisen investiční společnost a.s.	1 January 2014	Amendment to the Agreement on the sublease of non-residential premises / payment of rent
Agreement to Open and Maintain a Current Account	Raiffeisen investiční společnost a.s.	27 February 2014	Agreement to Open and Maintain a Current Account 5170010677-5500
Amendment No. 1 to Agreement on Cooperation in Preparation of Tax Returns for VAT Group	Raiffeisen investiční společnost a.s.	13 May 2014	Contact information update
Agreement on Certain Issues Related to Management of Qualifying Investors' Fund	Raiffeisen investiční společnost a.s.	18 July 2014	Cooperation, compulsory disclosure in management of Leonardo, open-end mutual fund

Legal Act	Counterparty	Date concluded	Performance/Counter-Performance
Investment Instrument Brokerage Agreement	Raiffeisen investiční společnost a.s.	5 December 2014	Brokerage of purchases/sales of investment instruments / payment of contractual remuneration
Agreement on the Use of Electronic Banking	Raiffeisen investiční společnost a.s.	17 December 2014	Agreement to provide international electronic banking
Amendment no.1 to Master Service Agreement S/2013/00482	Raiffeisen investiční společnost a.s.	16 March 2015	Amendment supplements the existing Appendix no. 2, part 1/ payment of contractual remuneration
Amendment no.1 to Agreement on the Use of Electronic Banking	Raiffeisen investiční společnost a.s.	21 April 2015	Amendment changes point 6.8. of the contract
Agreement to Provide Outsourcing Services in RIS Risk Management	Raiffeisen investiční společnost a.s.	30 July 2015	Agreement to Provide Outsourcing Services in RIS Risk Management / payment of contractual remuneration
Cooperation Agreement in the Area of Compliance	Raiffeisen investiční společnost a.s.	3 December 2015	Stipulation of the conditions of the cooperation of RB in the area of compliance and FRM / payment of contractual remuneration
Amendment no. 2 to Master Service Agreement S/2013/00482	Raiffeisen investiční společnost a.s.	1 January 2016	Amendment updates Appendices 1 to 8 to the contract
Amendment no. 2 to Agreement on Cooperation in Preparation of Tax Returns for VAT Group	Raiffeisen investiční společnost a.s.	11 May 2016	Added obligation to file in data for Local Purchases and Sales List
Confidentiality Agreement	Raiffeisen investiční společnost a.s.	19 May 2016	Subject of the Agreement are rights and obligations of RB and RIS
Sub-Licence Agreement S/2016/00440	Raiffeisen investiční společnost a.s.	1 September 2016	Sub-License agreement on registered trademarks
Agreement on the Provision of Outsourcing Services in the Field of Internal Audit of Raiffeisen investiční společnost a.s.	Raiffeisen investiční společnost a.s.	22 September 2016	Outsourcing internal audit services
Amendment no. 2 to the Agreement on the Sublease of Non-Residential Premises	Raiffeisen investiční společnost a.s.	11 November 2016	Change in the lease subject/ change in the lease
Amendment no. 3 to Master Service Agreement S/2013/00482	Raiffeisen investiční společnost a.s.	1 January 017	The amendment updates Amendment No. 2
Amendment no. 3 to the Agreement on the Sublease of Non-Residential Premises	Raiffeisen investiční společnost a.s.	1 January 017	Amendment to the Agreement on the Sublease of Non-Residential Premises /payment of rental
Sub-licence Agreement S/2016/00665	Raiffeisen investiční společnost a.s.	9 January 017	Licence for using the rights to the ASPI system service / payment of the contractual fee
Master agreement on trading on the financial market	Raiffeisen investiční společnost a.s.	28 February 2017	Agreement on the rights and obligations regarding transactions on the financial market / payment of the contractual fee
Amendment No. 1 to Cooperation Agreement in the Area of Compliance S/2015/3649	Raiffeisen investiční společnost a.s.	20 June 2017	The amendments adds other services provided by RB to RIS and amends the authorised parties
Contract for the provision of services in the area of information systems and technologies S / 2017/00499	Raiffeisen investiční společnost a.s.	18 January 2018	Contract for the provision of IT services for RIS / payment of contractual remuneration

Legal Act	Counterparty	Date concluded	Performance/Counter-Performance
Contract on the Registration and Settlement of Trades S / 2017/00492	Raiffeisen investiční společnost a.s.	22 January 2018	The contract governs the rights and obligations of the parties relating to / related to the settlement of units with RBCZ and RIS
Undertaking Agreement 5170013237/5500	Raiffeisen investiční společnost a.s.	7 March 2018	Expiry of account 5170013237/5500 as of 16.3.2018
Distribution Agreement S / 2017/00476	Raiffeisen investiční společnost a.s.	13 March 2018	New RIS Distribution Agreement
Personal Data Processing and Transmission Agreement (Administrator-Administrator)	Raiffeisen investiční společnost a.s	25 May 2018	Collaboration and Personal Data Transfer between Administrators (RB / RIS)
Outsourcing Services Contract for Risk Management RIS Appendix 1	Raiffeisen investiční společnost a.s	25 May 2018	Amendment to the outsourcing service contract for RIS risk management
Confidentiality Agreement Appendix 1	Raiffeisen investiční společnost a.s	25 May 2018	Supplement to the Confidentiality Agreement
Personal Data Processing Agreement S / 2018/3808	Raiffeisen investiční společnost a.s	25 May 2018	Personal Data Processing Agreement
Amendment to the Contract for the Provision of Trading in Investment Instruments	Raiffeisen investiční společnost a.s	29 May 2018	Change of fee for acceptance of Order
Amendment No. 1 to Distribution Agreement S / 2017/00476	Raiffeisen investiční společnost a.s	1 June 2018	Distribution Contract Supplement
Outsourcing Services Agreement for Internal Audit RIS Appendix 1	Raiffeisen investiční společnost a.s	5 June 2018	Amendment to the Internal Audit Outsourcing Services Agreement
Amendment No. 4 to the Agreement on Sublease of Non-Residential Premises	Raiffeisen investiční společnost a.s.	29 June 2018	Amendment to rent change

Raiffeisen Property Management, s.r.o.

Legal Act	Counterparty	Date concluded	Performance/Counter-Performance
Agreement to Open and Maintain a Current Account	Raiffeisen Property Management, s.r.o. (previously Raiffeisen Property Invest, s.r.o.)	12 May 1997	Current Account maintenance / payment of contractual fees
Agreement to Open and Maintain a Current Account	Raiffeisen Property Management, s.r.o. (previously Raiffeisen Property Invest, s.r.o.)	16 December 2008	Current Account maintenance / payment of contractual fees

Raiffeisen Bank Zrt.

Legal Act	Counterparty	Date concluded	Performance/Counter-Performance
Agreement to Open a Nostro Account	Raiffeisen Bank Zrt.	2 August 2001	Maintenance of a nostro account / payment of contractual fees
Agreement to Open and Maintain a Securities Account	Raiffeisen Bank Zrt.	11 July 2005	Definition of conditions of maintenance of RBCZ's securities account in Hungary / payment of contractual fees
ISDA Master Agreement	Raiffeisen Bank Zrt.	29 April 2011	Master Agreement stipulating mutual terms and conditions of money market trading
Amendment - Schedule to the ISDA Master Agreement	Raiffeisen Bank Zrt.	29 April 2011	Definition of detailed terms and conditions of money market trading
Approval of a new Money Market limit	Raiffeisen Bank Zrt.	22 March 2016	Approval of a new limit

Raiffeisen banka a.d.

Legal Act	Counterparty	Date concluded	Performance/Counter-Performance
Loan Contract	Raiffeisen banka a.d.	21 December 2004	Provision of credit a loan facility / payment of contractual interest
Amendment no. 1 to the Loan Contract from 21 December 2004	Raiffeisen banka a.d.	30 March 2005	Change of contractual relationships until 30 April 2005
Loan Contract	Raiffeisen banka a.d.	14 June 2005	Provision of credit a loan facility / payment of contractual interest

Raiffeisenbank Austria d.d.

Legal Act	Counterparty	Date concluded	Performance/Counter-Performance
Agreement to Open a Nostro Account	Raiffeisenbank Austria d.d.	21 May 2001	Maintenance of a nostro account / payment of contractual fees
ISDA Master Agreement	Raiffeisenbank Austria d.d.	8 June 2011	Master Agreement stipulating mutual terms and conditions of money market trading
Amendment - Schedule to the ISDA Master Agreement"	Raiffeisenbank Austria d.d.	8 June 2011	Definition of detailed terms and conditions of money market trading
Agreement to open a correspondent account	Raiffeisenbank Austria d.d.	18 May 2011	Maintenance of a correspondent account / payment of contractual fees
Ovedraft nostro limit increase	Raiffeisenbank Austria d.d.	30 September 2015	Overdraft nostro limit increase / payment of contractual fees

Tatra Banka, a.s.

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Risk Participation Agreement	Tatra Banka, a.s.	18 May 2005	Credit risk participation / payment of contractual fees
Risk Participation Agreement	Tatra Banka, a.s.	18 August 2005	Credit risk participation / payment of contractual fees
Risk Participation Agreement	Tatra Banka, a.s.	16 November 2005	Credit risk participation / payment of contractual fees
Contract for Pledge on Government Bonds	Tatra Banka, a.s.	19 May 2005	Establishment of pledge on bonds

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Amendment No. 1 to the Contract for Pledge on Bonds of 19 May 2005	Tatra Banka, a.s.	16 November 2005	Adjustment of rights and obligations
Syndicated Investment Facility Agreement	Tatra Banka, a.s.	12 December 2005	Provision of credit a loan facility / payment of contractual interest
Risk Participation Confirmation	Tatra Banka, a.s.	30 October 2006	Credit risk participation / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	30 October 2006	Credit risk participation / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	30 October 2006	Credit risk participation / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	7 December 2006	Credit risk participation / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	18 December 2006	Credit risk participation / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	21 December 2006	Credit risk participation / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	21 December 2006	Credit risk participation / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	30 October 2007	Credit risk participation / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	22 November 2007	Credit risk participation / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	27 February 2008	Credit risk participation / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	8 December 2008	Credit risk participation / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	19 December 2008	Credit risk participation / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	19 December 2008	Credit risk participation / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	26 August 2008	Credit risk participation / payment of contractual fees
Amendment No. 5 to the Agreement on Shared Use of Banker's Almanac On-line of 15 June 2004	Tatra Banka, a.s.	8 June 2009	Prolongation of the agreement
Amendment No. 6 to the Agreement on Shared Use of Banker's Almanac On-line of 15 June 2004	Tatra Banka, a.s.	16 December 2009	Agreement on joint order
Confidentiality Agreement	Tatra Banka, a.s.	4 May 2010	Agreement on confidentiality as part of potential mutual cooperation
Cooperation Agreement	Tatra Banka, a.s.	1 August 2010	Agreement on conditions for transfer of information and access to premises
JIRA Application Communication Agreement	Tatra Banka, a.s.	6 October 2010	Agreement to allow for mutual communication through a shared application.
ISDA Master Agreement	Tatra Banka, a.s.	5 October 2011	Master Agreement stipulating mutual terms and conditions of money market trading

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Amendment - Schedule to the ISDA Master Agreement	Tatra Banka, a.s.	5 October 2011	Definition of detailed terms and conditions of money market trading
Risk Participation Confirmation	Tatra Banka, a.s	5 February 2013	Credit risk participation / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s	26 September 2013	Credit risk participation / payment of contractual fees
Amendment No.7 to the Agreement on Shared Use of Banker's Almanac On-line of 15 June 2004	Tatra Banka, a.s	19 December 2013	Amendment No.7 to the Agreement on Shared Use of Banker´s Almanac / payment of contractual remuneration
Risk Participation Confirmation	Tatra Banka, a.s	20 December 2013	Credit risk participation / payment of contractual fees
Amendment No.8 to the Agreement on Shared Use of Banker's Almanac On-line	Tatra Banka, a.s	29 April 2014	Amendment No.8 to the Agreement on Shared Use of Banker's Almanac On-line / payment of contractual remuneration
Amendment No.9 to the Agreement on Shared Use of Banker's Almanac On-line	Tatra Banka, a.s	25 July 2014	Amendment No.8 to the Agreement on Shared Use of Banker's Almanac On-line
Agreement to Provide Information Technology Services	Tatra Banka, a.s	1 May 2015	Provision of IT Services / payment of contractual remuneration
Agreement to Provide Confidential Information	Tatra Banka, a.s	21 May 2015	Provision of confidential information
Agreement on Communication through the Citrix Application	Tatra Banka, a.s	3 June 2015	Communication agreement
Agreement on Communication through the Sharepoint Application	Tatra Banka, a.s	3 June 2015	Communication agreement
Sublicensing Agreement on the Use of Finance Planning for Premium Banking Programs	Tatra Banka, a.s	30 September 2015	Use of premium banking programs / Payment of contractual remuneration
Limit increase – funded participation	Tatra Banka, a.s	19 October 2015	Limit increase – funded participation / payment of contractual fees
Limit increase – non-funded participation	Tatra Banka, a.s	9 December 2015	Limit increase – non-funded participation / payment of contractual fees
Amendment No. 10 to the Agreement on Shared Use of Banker's Almanac On-line	Tatra Banka, a.s	15 December 2015	Amendment No. 10 to the Agreement on Shared Use of Banker's Almanac On-line
Master agreement (employee rotation between RBCZ and TBSK)	Tatra Banka, a.s	20 July 2016	Conditions of the so called Rotation Programme between RBCZ and TBSK
Agreement on Cooperation in Mergers & Acquisitions	Tatra Banka, a.s	29 September 2016	Mergers & Acquisitions services / payment of contractual fees
IT Service Agreement between Raiffeisenbank a.s. and Tatra banka, a.s.	Tatra Banka, a.s	31 October 2016	Provision of services of a SOC supervision centre
Participation Certificate (Penta - VLM)	Tatra Banka, a.s.	13 January 2016	Risk participation
Amendment No. 11 to the Agreement on Shared Use of Banker's Almanac On-line	Tatra Banka, a.s	21 August 2017	Amendment No. 11 to the Agreement on Shared Use of Banker's Almanac On-line

Legal Act	Counterparty	Date concluded	Performance/ Counter-Performance
Amendment No. 1 to the Agreement on Cooperation in Mergers & Acquisitions	Tatra Banka, a.s	27 September 2017	Change of terms – extension of the contract validity
Contract for the provision of the AS400 platform administration services	Tatra Banka, a.s	23 October 2017	AS400 platform administration and provision of services/payment of contractual fees
Amendment No. 12 to the Agreement on Shared Use of Banker's Almanac On-line	Tatra Banka, a.s	31 January 2018	Amendment No. 12 to the Agreement on Shared Use of Banker's Almanac On-line
Confidential Information Agreement	Tatra Banka, a.s	22 August 2018	Confidential Information Agreement
Amendment No. 13 to the Agreement on Shared Use of Banker's Almanac On-line	Tatra Banka, a.s	11 December 2018	Amendment No. 13 to the Agreement on Shared Use of Banker's Almanac On-line

Tatra Asset Management, správ. spol., a.s.

Legal Act	Counterparty	Date concluded	Performance/Counter-Performance
Agreement on Communication via Sharepoint Portal	Tatra Asset Management, správ. spol., a.s.	15 July 2012	Agreement on enabling mutual communication via a shared application

Regional Card Processing Centre, s.r.o.

Legal Act	Counterparty	Date concluded	Performance/Counter-Performance
Master Agreement on Payment Card Processing	Regional Card Processing Centre, s.r.o.	1 January 2011	Provision of payment card processing / payment of contractual fee
Amendment No. 1 to Master Agreement on Payment Card Processing of 2011	Regional Card Processing Centre, s.r.o.	9 June 2014	Amendment to the Agreement, modification of the data processing and storing method
Statement of Work	Regional Card Processing Centre, s.r.o.	12 November 2015	Contract defining the extent of work, schedule, price and acceptance criteria of RPC deliveries for a project
Agreement on Communication via the JIRA Application	Regional Card Processing Centre, s.r.o.	9 May 2016	JIRA contract on application access
Statement of Work	Regional Card Processing Centre, s.r.o.	30 November 2016	New interface between Wincor Nixdorf and RPC for the authorisation of ONUS transactions
Amendment 2 to the Framework Agreement on Payment Card Processing Serv. Dated 2011 S / 2009/00199	Regional Card Processing Centre, s.r.o.	2 March 2018	Change of contractual terms
Amendment 3 to the Framework Agreement on Payment Card Processing Serv. Dated 2011 S / 2009/00199	Regional Card Processing Centre, s.r.o.	30 May 2018	Change of contractual terms
Agreement on order processing in accordance with article 28 GDPR	Regional Card Processing Centre, s.r.o.	5 June 2018	Agreement on data processing in accordance with GDPR

Raiffeisen Bank Polska S.A.*

Legal Act	Counterparty	Date concluded	Performance/Counter-Performance
Contract for the Establishment of Pledge on Receivables from Deposits	Raiffeisen Bank Polska S.A./ OFO Polska Sp. Z o.o.	25 August 2005	Establishment of pledge on receivables from deposits
Risk Participation Confirmation	Raiffeisen Bank Polska S.A.	22 December 2006	Credit risk participation / payment of contractual fees
ISDA Master Agreement	Raiffeisen Bank Polska S.A.	27 May 2011	Master Agreement stipulating mutual terms and conditions of money market trading
Amendment - Schedule to the ISDA Master Agreement	Raiffeisen Bank Polska S.A.	27 May 2011	Definition of detailed terms and conditions of money market trading
Mutual Confidentiality Agreement – EVO (2 June 2017)	Raiffeisen Bank Polska S.A.	2 June 2014	Confidentiality agreement between Raiffeisenbank a.s., Raiffeisen Bank Polska, and Evo Payments International for a project
Mutual Confidentiality Agreement -Equens SE (2 June 2017)	Raiffeisen Bank Polska S.A.	2 June 2014	Confidentiality agreement between Raiffeisenbank a.s., Raiffeisen Bank Polska, and Equens SE for a project
Mutual Confidentiality Agreement - ATOS Worldline (26 June 2017)	Raiffeisen Bank Polska S.A.	26 June 2014	Confidentiality agreement between Raiffeisenbank a.s., Raiffeisen Bank Polska, and ATOS Worldline for a project
Mutual Confidentiality Agreement - Six Payment Services	Raiffeisen Bank Polska S.A.	3 July 2014	Confidentiality agreement between Raiffeisenbank a.s., Raiffeisen Bank Polska, and Six Payment Services for a project
Mutual Confidentiality Agreement - Elavon Financial Service	Raiffeisen Bank Polska S.A.	3 July 2014	Confidentiality agreement between Raiffeisenbank a.s., Raiffeisen Bank Polska, and Elavon Financial Service for a project
Mutual Confidentiality Agreement - First Data	Raiffeisen Bank Polska S.A.	15 July 2014	Confidentiality agreement between Raiffeisenbank a.s., Raiffeisen Bank Polska, and First Data for a project
Mutual Confidentiality Agreement - Global Payments Inc	Raiffeisen Bank Polska S.A.	1 October 2014	Confidentiality agreement between Raiffeisenbank a.s., Raiffeisen Bank Polska, and Global Payments Inc. for
Mutual Confidentiality Agreement - Provus	Raiffeisen Bank Polska S.A.	1 October 2014	Confidentiality agreement between Raiffeisenbank a.s., Raiffeisen Bank Polska, and Provus for a project
Limit approval – bank guarantee maturity extension	Raiffeisen Bank Polska S.A.	16 September 2015	Limit approval – bank guarantee maturity extension
Limit approval – bank guarantee	Raiffeisen Bank Polska S.A.	9 December 2015	Limit prolongation / payment of contractual fees
Limit approval	Raiffeisen Bank Polska S.A.	10 May 2016	Bank guarantees, maturity extensions
Sub-custody agreement for the safekeeping of part of the assets of an closed-ended investment fund	Raiffeisen Bank Polska S.A.	16 August 2018	Sub-custody service for Raiffeisen Bank Polska S.A.

*Note: Raiffeisen Bank Posla S.A. ceased to exist as at 31 October 2018.

Raiffeisen Bank S.A.

Legal Act	Counterparty	Date concluded	Counter-Performance
Agreement to Open a Nostro Account	Raiffeisen Bank S.A.	19 August 2005	Maintenance of a nostro account / payment of contractual fees

Raiffeisen Centrobank AG

Legal Act	Counterparty	Date concluded	Performance/Counter-Performance
Agreement to Open and Maintain a Current / Correspondent Account	Raiffeisen Centrobank AG	23 October 2007	Opening and maintenance of a current/correspondent account / payment of contractual fees
Distribution Agreement	Raiffeisen Centrobank AG	27 June 2012	Agreement on joint distribution of structured products / payment of contractual commission
Amendment No. 1 to the Distribution Agreement of 27 June 2012	Raiffeisen Centrobank AG	9 October 2012	Change of contractual terms
Amendment No. 1 to the Distribution Agreement	Raiffeisen Centrobank AG	9 October 2012	Change of contractual terms
Cost Sharing Agreement	Raiffeisen Centrobank AG	9 October 2012	Agreement on sharing costs of joint distribution
ISDA 2002 Master Agreement	Raiffeisen Centrobank AG	23 April 2014	ISDA Master Agreement (International Swaps and Derivatives Association)
ISDA Schedule to the 2002 Master Agreement	Raiffeisen Centrobank AG	23 April 2014	ISDA Master Agreement plan
ISDA Credit Support Annex to the Schedule to the 2002 Master Agreement	Raiffeisen Centrobank AG	23 April 2014	Amendment to the ISDA Master Agreement
New limit approval	Raiffeisen Centrobank AG	29 March 2016	Money Market limit for treasury operations

Raiffeisen – Leasing International GmbH

Legal Act	Counterparty	Date concluded	Performance/Counter-Performance
Creditor Agreement	Raiffeisen – Leasing International GmbH	10 March 2005	Agreement on joint steps towards debtors
Syndicate Agreement	Raiffeisen – Leasing International GmbH	3 May 2004	Agreement on cooperation in corporate governance
Amendment to the Creditor Agreement of 10 March 2005	Raiffeisen-Leasing International GmbH/RLRE Kappa Property, s.r.o./ RLRE Lambda Property s.r.o.	24 June 2005	Amendment to the contractual relationships
Agreement on Joint Refinancing	Raiffeisen-Leasing International GmbH/RLRE Kappa Property, s.r.o./ RLRE Lambda Property s.r.o.	21 October 2005	Agreement on participation in loan refinancing
Escrow Account Agreement	Raiffeisen-Leasing International GmbH/RLRE Kappa Property, s.r.o./ RLRE Lambda Property s.r.o.	24 October 2005	Opening of an account with specific conditions of disposal of funds
Creditor Agreement	Raiffeisen-Leasing International GmbH/RLRE Kappa Property, s.r.o./ RLRE Lambda Property, s.r.o.	29 December 2004	Agreement on joint future steps
Escrow Account Agreement	Raiffeisen-Leasing International GmbH/RLRE Kappa Property, s.r.o./ RLRE Lambda Property s.r.o.	29 December 2004	Opening of an account with specific conditions of disposal of funds
Agreement on the Transfer of an Equity Investment	Raiffeisen – Leasing InternationalGmbH	3 October 2017	Transfer of a 50% equity investment in Raiffeisen – Leasing, s.r.o./payment of the purchase price

Raiffeisen – Leasing Finanzirungs GmbH (dříve Raiffeisen – Leasing Bank AG)

Legal Act	Counterparty	Date concluded	Performance/Counter-Performance
Contract for the Establishment of Pledge on Receivables from Deposits	Raiffeisen-Leasing Bank AG	27 January 2005	Establishment of pledge on receivables from deposits

Centralised Raiffeisen International Services and Payments S.R.L.

Legal Act	Counterparty	Date concluded	Performance/Counter-Performance
Cooperation Framework Agreement	Centralised Raiffeisen International Services and Payments S.R.L.	18 June 2007	SWIFT access settings / payment of contractual fees
Agreement on Data Processing and Protection	Centralised Raiffeisen International Services and Payments S.R.L.	18 June 2007	Agreement on the handling and protection of data
Annex No. 3 to Cooperation Framework Agreement	Centralised Raiffeisen International Services and Payments S.R.L.	8 February 2008	Cooperation in the FiSa group programme determining fees for scanning of transactions to sanctioned parties

Legal Act	Counterparty	Date concluded	Performance/Counter-Performance
Annex No. 4a to Cooperation Framework Agreement	Centralised Raiffeisen International Services and Payments S.R.L.	12 August 2009	Specification of services for the use of a common platform for international payments
Confidentiality Agreement	Centralised Raiffeisen International Services and Payments S.R.L.	20 January 2010	Agreement on confidentiality as part of potential mutual cooperation
Annex No. 5 to Cooperation Framework Agreement	Centralised Raiffeisen International Services and Payments S.R.L.	27 August 2010	Specification of services for the use of a common platform for international payments
Annex No. 4 to Cooperation Framework Agreement	Centralised Raiffeisen International Services and Payments S.R.L.	12 November 2010	Specification of services for the use of a common platform for international payments
Annex No. 1 to Amendment No. 4 to Cooperation Framework Agreement	Centralised Raiffeisen International Services and Payments S.R.L.	6 December 2012	Specification of services for the use of a common platform for international payments
Amendment No. 2 to Annex No. 4 to Framework Agreement	Centralised Raiffeisen International Services and Payments S.R.L.	18 August 2014	Amendment to the Framework Agreement, stipulating times guaranteed by CRISP for cases of SWIFT service downtime
Amendment No. 2 to Annex No. 2 to Framework Agreement	Centralised Raiffeisen International Services and Payments S.R.L	18 August 2014	Amendment to the Framework Agreement, stipulating times guaranteed by CRISP for cases of SWIFT service downtime
Appendix no. 6 to the Cooperation Agreement	Centralised Raiffeisen International Services and Payments S.R.L	8 January 2015	iReg hosting and support – Fatca Reporting Support Services
Section11 Appendix no. 6 to the Cooperation Agreement	Centralised Raiffeisen International Services and Payments S.R.L	8 January 2015	iReg hosting and support – Fatca Reporting Support Services
Appendix no. 7 to the Framework Agreement	Centralised Raiffeisen International Services and Payments S.R.L	2 December 2016	Provision of services in the field of MAD II/MAR
Service Decription, Enclosure No. 8 CRS Reporting Support Services	Centralised Raiffeisen International Services and Payments S.R.L	27 February 2017	Service agreement on a group solution for creating a file for the multilateral exchange of CRS information - iReg
Appendix No. 8 to the Framework Agreement	Centralised Raiffeisen International Services and Payments S.R.L	27 February 2017	More detailed description of CRS Reporting and Security measures.
Section 10 of Appendix No. 8 to the Framework Agreement	Centralised Raiffeisen International Services and Payments S.R.L	27 February 2017	More detailed description of CRS Reporting and Security measures.
Agreement on order processing in accordance with article 28 GDPR	Centralised Raiffeisen International Services and Payments S.R.L	14 June 2018	
Addendum No. 2 to Frame Service Level Agreement Dated 18.6.2007	Centralised Raiffeisen International Services and Payments S.R.L	29 June 2018	Addendum to Framework Service Level Agreement
Addendum 1 to Enclosure No. 7 Compliance Cockpit Support Services	Centralised Raiffeisen International Services and Payments S.R.L	6 September 2018	Addendum to Compliance Cockpit Support Services

ZUNO GmbH (former ZUNO BANK AG)

Legal Act	Counterparty	Date concluded	Performance/Counter-Performance
Master Agreement Business Transfer	ZUNO BANK AG	2 May 2017	Agreement on the transfer of a part of the business/purchase price
Business Transfer Agreement	ZUNO BANK AG	1 June 2017	Agreement on the transfer of a part of the business/purchase price

AO Raiffeisenbank (former ZAO Raiffeisenbank)

Legal Act	Counterparty	Date concluded	Performance/Counter-Performance
Correspondent Account Agreement	AO Raiffeisenbank	3 September 2008	Maintenance of a correspondent account / payment of contractual fees
ISDA Master Agreement	AO Raiffeisenbank	8 September 2011	Master Agreement stipulating mutual terms and conditions of money market trading
Amendment - Schedule to the ISDA Master Agreement	AO Raiffeisenbank	8 September 2011	Definition of detailed terms and conditions of money market trading

Raiffeisen Informatik Consulting GmbH

Legal Act	Counterparty	Date concluded	Performance/Counter-Performance
Purchase Agreement for Oracle Cap-Limit Licence and Maintenance Services	Raiffeisen Informatik Consulting GmbH	8 September 2010	Provision of licenses / payment of contractual fees
Amendment No. 1 to the Purchase Agreement for Oracle Cap-Limit Licence and Maintenance Services	Raiffeisen Informatik Consulting GmbH	1 June 2011	Change of contractual obligations
Agreement on the Implementation, Operation and Support of ITSM Box	Raiffeisen Informatik Consulting GmbH	10 April 2015	Agreement on the Implementation, Operation and Support of ITSM Box / payment of contractual fees
Offer ITSM changes pricing	Raiffeisen Informatik Consulting GmbH	10 October 2016	change requirements for the ITSM box application
Letter of Intent Contract and SLA Signing Confirmation Service Title: Nearshored OFSAA Hub (NOAH) infrastructure service	Raiffeisen Informatik Consulting GmbH	5 January 2017	Billing of the NOAH Platform CZ service
Offer RI553703-2016 V1.0 RBCZ, CR17 - Manage SLA in CMDB	Raiffeisen Informatik Consulting GmbH	11 May 2017	Change requests for the ITSM Box application
Offer RI551313CZ-2016 V3.2 - NOAH - OFSA Platform CZ	Raiffeisen Informatik Consulting GmbH	31 October 2017	Provision of the NOAH Platform CZ service/ payment of contractual fees

RB International Finance (USA) LLC

Legal Act	Counterparty	Date concluded	Performance/Counter-Performance
Risk Participation Confirmation	RB International Finance (USA) LLC	26 February 2013	Credit risk participation / payment of contractual fees
Limit approval – maturity extension	RB International Finance (USA) LLC	30 September 2015	Limit approval – maturity extension / payment of contractual fees

Raiffeisen Kapitalanlage-Gesellschaft m.b.H (Raiffeisen Kag)

Legal Act	Counterparty	Date concluded	Performance/Counter-Performance
Amendment to the Distribution Agreement	Raiffeisen Kapitalanlage-Gesellschaft m.b.H	20 April 2011	Changes in Appendix 3
Management Agreement (Raiffeisen Czech Click Fund II)	Raiffeisen Kapitalanlage-Gesellschaft m.b.H	24 November 2011	Agreement to appoint an investment manager and to stipulate rights and obligations in management of the fund in question
Amendment to the Distribution Agreement	Raiffeisen Kapitalanlage-Gesellschaft m.b.H	1 July 2013	Changes to Appendix 3
Amendment to the Distribution Agreement	Raiffeisen Kapitalanlage-Gesellschaft m.b.H	1 January 2016	Transfer of non-registered funds to a separate category

Ukrainian Processing Center

Legal Act	Counterparty	Date concluded	Performance/Counter-Performance
Master Agreement - 3D Secure Payment Cards	Ukrainian Processing Center	26 March 2014	Master agreement – 3D Secure payment cards / payment of contractual fees
Price sheet	Ukrainian Processing Center	29 April 2014	Price sheet to the Master Agreement / payment of contractual fees
Appendix 5 to the Master Agreement	Ukrainian Processing Center	7 May 2014	Appendix 5 to the Master agreement, definition of contractual terms
Amendment to Appendix 5 to the Master Agreement	Ukrainian Processing Center	13 May 2014	Amendment to Appendix 5 to the Master Agreement, definition of contractual terms
Appendix 2 to the Master Agreement	Ukrainian Processing Center	9 August 2017	Change of contractual terms
Amendment to Appendix 5 to the Master Agreement	Ukrainian Processing Center	28 August 2017	Amendment to Appendix 5 to the Master Agreement, definition of contractual terms
Appendix 3 to the Master Agreement	Ukrainian Processing Center	14 June 2018	Change of contractual terms

Raiffeisenbank Sh. A

Legal Act	Counterparty	Date concluded	Performance/Counter-Performance
Limit Approval	Raiffeisenbank Sh. A	9 December 2015	Limit approval / payment of contractual interest

STRABAG SE

Legal Act	Counterparty	Date concluded	Performance/Counter-Performance
Agreement on the Arrangement for Services Related to Keeping Records on Investment Instruments no. HS/0001/01/FN88983h	STRABAG SE	7 September 2016	CDCP services mediation/ remuneration according to the pricelist in Appendix no. 4 to this Agreement

Czech Real Estate Fund (CREF) B.V.

Legal Act	Counterparty	Date concluded	Performance/Counter-Performance
Agreement on the opening and maintenance of a current account	Czech Real Estate Fund (CREF) B.V.	5 June 2007	Maintenance of a current account in CZK/ payment of contractual fees

In addition to contracts concluded in 2018 referred to above, the Bank and other related parties entered into other transactions in the reporting period, particularly loans and borrowings in the money market and fixed-term transactions, under which the Bank received or paid interest and fees.

5. LIST OF OTHER LEGAL ACTS

5.1 List of Other Legal Acts with Controlling Entities

Raiffeisen CEE Region Holding GmbH

Legal Act	Counterparty	Date concluded	Performance/Counter-Performance
Resolution of Regular General Meeting of Raiffeisenbank a.s. – Payment of Dividends for 2017	Raiffeisen CEE Region Holding GmbH	24 April 2018	Payment of dividends based on a resolution of the regular General Meeting

5.2. List of Other Legal Acts with Other Related Parties

Raiffeisen stavební spořitelna a.s.

Legal Act	Counterparty	Date concluded	Performance/Counter-Performance
Resolution of Regular General Meeting of Raiffeisen stavební spořitelna a.s. – Payment of Dividends for 2017	Raiffeisenbank a.s.	25 April 2018	Acceptance of dividends based on a resolution of the General Meeting

5.3 Overview of actions made at the initiative or in the interest of the controlling party or entities controlled by it, if such actions applied to assets exceeding 10% of the controlled entity's equity.

None.

6. LIST OF OTHER FACTUAL MEASURES

6.1 List of Measures Adopted at the Initiative of Controlling Parties

None.

General Limits

The Bank has approved general limits for transactions with related parties that apply to current and term deposits, loans, repurchase transactions, treasury shares, letters of credit, provided and received guarantees at request or to the benefit of the controlling party or other parties controlled by the same controlling entity.

6.2 List of Measures Adopted in the Interest of Other Related Parties

None.

7. CLOSING STATEMENT OF THE BOARD OF DIRECTORS OF RAIFFEISENBANK a.s.

We hereby represent that to our best knowledge, the Report on Related Parties of Raiffeisenbank a.s. prepared in accordance with Section 82 of the Act on Commercial Corporations for the reporting period from 1 January 2018 to 31 December 2018 includes all of the below, concluded or effected in the reporting period and known to us as at the date of signing of this report:

- Contracts between related parties;
- Performance and counter-performance provided to related parties;
- Other legal acts made in the interest of these parties; and
- All other factual measures adopted or made in the interest or at the initiative of these parties.

In identifying other related parties, the Board of Directors of Raiffeisenbank a.s. used information provided by Raiffeisen Zentralbank Österreich AG, Raiffeisen Bank International AG and other controlling parties.

Furthermore, we represent that we are not aware of any detriment to assets caused as a result of contracts, other legal acts and other factual measures concluded, made or adopted by the Bank in the reporting period from 1 January 2018 to 31 December 2018.

The Board of Directors of Raiffeisenbank a.s. represents that as part of evaluation of the benefits and detriments, the Board is not aware of any material detriments arising out of the relations among the related parties, and in the Board's opinion, benefits arising out of these relations prevail, in particular benefits arising out of common synergies within the group, such as in sharing knowledge and capacities (technical, staff) during major regulatory projects, and benefits related to the knowledge of the group's background and the use of the same systems, processes etc. Furthermore, the Board of Directors of Raiffeisenbank a.s. represents that it is not aware of any material risks ensuing for Raiffeisenbank a.s. as the controlled entity.

In Prague on 31 March 2019

Igor Vida	Jan Pudil
Chairman of the Board of Directors	Member of the Board of Directors

Persons Reponsible for the Annual Report

We hereby declare that, to the best of our knowledge, the annual report and the consolidated annual report provide a true and accurate picture of the financial situation, business activities, and financial results of the issuer and its consolidated group for the previous accounting period and of the outlook for the future development of the financial position, business activities and financial results.

In Prague, on 26 April 2019

Igor Vida Chairman of the Board of Directors and CEO Raiffeisenbank a.s.	Tomáš Jelínek Executive Director and Head of the Finance Divison Raiffeisenbank a.s.

Raiffeisen Bank International at a Glance

Raiffeisen Bank International AG regards Austria, where it is a leading corporate and investment bank, as well as Central and Eastern Europe (CEE) as its home market. Subsidiary banks cover 13 markets across the CEE region. In addition, the Group includes numerous other financial service providers active in areas such as leasing, asset management and M&A.

In total, nearly 47,000 employees serve RBI's 16.1 million customers in more than 2,100 business outlets, primarily in CEE. RBI AG shares have been listed on the Vienna Stock Exchange since 2005.

At year-end 2018, RBI's total assets stood at € 140 billion. The regional Raiffeisen banks hold approximately 58.8 per cent of RBI shares, with the remaining approximately 41.2 per cent in free float.

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Raiffeisen Financial Group in the Czech Republic

Raiffeisen INVESTIČNÍ SPOLEČNOST

Raiffeisen investiční společnost (RIS) commenced its operations in mid-2013 upon listing its first two funds on the capital market. During 2018, RIS issued mutual funds for approximately CZK 6 billion, and by 31 December 2018, it had 17 Czech crown denominated funds in its management for a total value of CZK 18.7 billion.

RIS funds now offer a full range of investment opportunities for all types of investors depending on their risk profile. The most popular funds of 2018 were its three strategy funds for the three most common types of clients, the bond stability fund, and the real estate fund. Unit holders invested more than 60% of the total volume into these funds.

Raiffeisen investiční společnost a.s.
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The company has registered capital of CZK 40 million, which is divided into 40 book-entry registered shares with a nominal value of CZK 1,000,000 each. RIS's 100% shareholder is Raiffeisenbank a.s.

Raiffeisen STAVEBNÍ SPOŘITELNA

Raiffeisen stavební spořitelna (RSTS) was founded in 1993 as the first building society in the Czech Republic. It arranges for its clients favourable building savings, housing loans, and comprehensive financial advice. In 1998, the company became a part of the strong Raiffeisen financial group. A milestone in the history of the company occurred in 2008 when it merged with HYPO stavební spořitelna. During the same year, the ownership structure of RSTS was changed for both shareholders, and currently, Raiffeisen Bausparkassen Holding GmbH owns a 90% share and Raiffeisenbank a.s. holds the remaining 10%. Raiffeisen stavební spořitelna is a traditional but modern bank operating throughout the Czech Republic. In more than 200 consultancy locations and also through its business partners, RSTS offers its clients comprehensive solutions for quality housing, as well as securing families, assets, and retirement.

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In September, Raiffeisen stavební spořitelna celebrated its 25-year anniversary on the Czech market. Many marketing activities accompanied this important anniversary, including a large competition for gold bars. A roadshow with the title Better Living Festival took place in the regions for the third time. In addition, the company participated for the first time in the event Open House Praha, during which it opened its doors to the public for one weekend. The chair of RSTS, Jan Jeníček, achieved great success when he took over the leadership of the Association of Czech Building Societies on 1 January 2018.

In 2018, Raiffeisen stavební spořitelna received two important awards. It was awarded third place in one of the most prestigious competitions in the area of effective marketing and communication campaigns in the Czech Republic, the Effie Awards. RSTS was also awarded for its roadshow Better Living Festival. In addition, RSTS won first place for the fifth time for the best bank website in the WebTop100 competition. The professional panel of judges awarded the company for the improved design of its web pages.

UNIQA pojišťovna, a.s. commenced its operations on the Czech insurance market in 1993, originally under the name Česko-rakouská pojišťovna. The company changed its name to UNIQA pojišťovna in 2001 as a part of the international strategy of the parent concern to integrate the company's identity under the UNIQA brand name. The international concern UNIQA Insurance Group has its headquarters in Vienna and is an important Austrian insurance company with more than one fifth of the market. With its 40 subsidiary companies, UNIQA operates in 18 countries throughout Europe and serves 10 million clients.

The sole shareholder of the Czech UNIQA pojišťovna is UNIQA International Versicherungs-Holding AG. The insurance company's registered capital is CZK 500 million.

UNIQA pojišťovna holds a universal insurance licence allowing the company to carry out business in the area of both life and non-life insurance. Currently, UNIQA offers all types of insurance products covering the insurance needs of all private and corporate clients.

UNIQA is currently the eighth largest insurance company on the Czech market. It provides its services at 135 business locations throughout the Czech Republic. Its portfolio includes more than 900,000 insurance policies. Prescribed premiums in 2018 reached CZK 7 billion.

UNIQA pojišťovna has closely cooperated with the Raiffeisen group for many years. This cooperation has also successfully expanded in other European countries where both brands are active on the financial market. Insurance is an integral part of financial services, and hence UNIQA pojišťovna has prepared optimal products for this purpose, such as leasing, credit, and mortgage transactions.

Last year, UNIQA continued the successful sale of life insurance at the Raiffeisenbank branch offices under the brand DOMINO. In 2018, bankers concluded 2,701 life insurance policies with their clients, and total annual premiums reached close to CZK 20.8 million. The growth trend in the number of property insurance policies continued, especially in connection with the mortgage segment: in 2018, a new record was reached with 8,970 new UNIQA insurance policies with premiums amounting to CZK 28.4 million for the product VARIANT, which accentuates the actual trends in housing and the needs of clients. Prescribed premiums relating to property insurance for households and buildings has come close to a historical record of CZK 100 million. UNIQA profited from the unique mortgage boom on the market, which, despite various predictions of a slowdown, weakened for the first time only at the end of the year.

Another important product relating to bank insurance is casualty insurance offered with the eKonto bank account, which is an interesting product for sufficient risk coverage thanks to the simplified process and a favourable price. 120,000 Raiffeisenbank clients have already arranged casualty insurance as a supplementary product for their bank accounts. Very solid results were also achieved in the sale of insurance with payment cards issued by Raiffeisenbank. Clients may select with their payment cards travel insurance, purchasing insurance, or insurance for financial damage incurred by the misuse of payment cards. These products as a whole in 2018 generated prescribed premiums for all valid insurance policies of around CZK 85 million.

For four years now, two additional insurance products have been offered at Raiffeisenbank: mortgage payment insurance and a comprehensive insurance package for small and medium-size enterprises with the eKonto bank account. In 2018, the overall prescribed premiums for new insurance policies reached CZK 22.3 million.

Total prescribed premiums for all valid insurance policies for the entire period of collaboration relating to the sale of insurance products at Raiffeisenbank in 2018 amounted to approximately CZK 415 million.

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Raiffeisen
LEASING

Raiffeisen-Leasing, s.r.o. offers its clients a unique spectrum of financing for fixed assets, such as real estate and developer financing, financing of machinery, equipment, technology, freight vehicles and tractors, locomotives, boats and aircraft, as well as the financing and fleet management of private and commercial vehicles.

Raiffeisen-Leasing is a member of the Czech Leasing and Financial Association, the Czech-German Chamber of Industry and Commerce, and the American Chamber of Commerce in the Czech Republic. Its sole shareholder is Raiffeisenbank a.s.

In 2018, Raiffeisen – Leasing Group* financed in new commercial transactions commodities and real estate for a total purchase-price volume of CZK 12.2 billon, which is a year-on-year increase of 18%. Consolidated profit after taxes in 2018 according to the IFRS was a total of CZK 245 million. As at 31 December 2018, the total value of the company's consolidated assets was CZK 21.7 billion.

According to the ratings of the Czech Leasing and Financial Association, Raiffeisen-Leasing has held on to its long-term 1st place position in the non-bank financing of real estate with a market share of more than 60%. Raiffeisen-Leasing is among the TOP 5 leasing companies in the financing of heavy transport technology, aircraft, rail technology, IT, and healthcare technology on the Czech market. The company is especially strong in the segment of small and medium-size enterprises. Corporate clientele are also well-represented in its portfolio, and the share of consumers is increasing as well.

Raiffeisen – Leasing, s.r.o.
Hvězdova 1716/2b
140 78 Prague 4
Phone: 221 511 611
Fax: 221 511 666
E-mail: rl@rl.cz
www.rl.cz

*The Raiffeisen – Leasing Group includes the companies Raiffeisen –Leasing, s.r.o., Raiffeisen FinCorp, s.r.o., and Viktor Property, s.r.o.

The financing of real estate has been one of Raiffeisen-Leasing's most successful business activities for many years. The company has contributed to many important projects. Among other things, as a part of its own development activities, it successfully completed the construction of the first phase of the residential project Bydlení Studentská in Plzen. The next phase of this project is currently being prepared.

Raiffeisen-Leasing has successfully cooperated with Raiffeisenbank a.s. for many years. Hence, as a part of cross-selling, the bank's clients may easily take advantage of RL's leasing products. For several years now, the clients from the segment of small firms and enterprises have at their disposal automobile financing through the bank's branch network. In 2018, the bank's network started offering car loans to non-business private individuals as well.

In 2019, Raiffeisen-Leasing plans to strengthen further its market position in the financing of private and commercial vehicles and agricultural technology. It will continue to reinforce its long-term strong position in the financing of real estate, machinery and equipment, healthcare and handling technology, and transport technology. It will further support its acquisition and retention programme and will continue with its successful cooperation with Raiffeisenbank a.s. A high priority is streamlining its processes. A top priority is to continue improving products and services so that the experiences of Raiffeisen-Leasing's clients are as pleasant as possible.

Raiffeisenbank's branches

Branch Office	Address	Phone
Beroun	Husovo náměstí 45, 266 01, Beroun	+420 311 600 027
Blansko	Rožmitálova 12, 678 01, Blansko	+420 515 209 854
Brandýs nad Labem, Masarykovo nám.	Masarykovo nám. čp. 22/13 , 250 01, Brandýs nad Labem	+420 311 699 199
Brno – Campus Netroufalky	Netroufalky 770, 625 00, Brno	+420 518 700 711
Brno – Česká	Česká 12, 602 00, Brno	+420 517 545 001
Brno – Lidická	Lidická 26, 602 00, Brno	+420 532 195 610
Brno – Masarykova	Masarykova 30, 602 00, Brno	+420 532 196 811
Brno – Hradecká Globus	Hradecká 408/40, 621 00, Brno - Ivanovice	+420 549 122 411
Brno – Jánská	Jánská 1/3, 602 00, Brno	+420 542 221 370
Brno – Królovo Pole	Palackého třída 76, 612 00, Brno	+420 581 853 475
Brno – Olympia	Olympia U Dálnice 777, 664 42, Brno	+420 547 243 868
Brno – Vídeňská	Vídeňská 281/77, Brno-Štýřice, 639 00, Brno	+420 542 424 811
Břeclav	Jana Palacha 2921/3 , 690 02, Břeclav	+420 518 306 836
Česká Lípa	Náměstí T.G.M 193, 470 01, Česká Lípa	+420 487 881 811
České Budějovice – Milady Horákové	M.Horákové 1498, 370 05, České Budějovice	+420 385 790 111
České Budějovice – Nám. Přemysla Otakara	Náměstí Přemysla Otakara II. 13, 370 63, České Budějovice	+420 386 707 411
České Budějovice – Pražská, IGY	Pražská 1247/24, OC IGY, 370 01, České Budějovice	+420 383 709 091
Český Krumlov	Náměstí Svornosti 15, 381 01, Český Krumlov	+420 380 712 705
Děčín	Myslbekova 80/3, 405 01, Děčín	+420 412 432 085
Domažlice	Msgre.B.Staška 68, 344 01, Domažlice	+420 379 775 917
Frýdek – Místek – J.V.Sládka	J.V.Sládka 84, 738 01, Frýdek-Místek	+420 558 440 910
Havířov	Hlavní třída 438/73, 736 01, Havířov - Město	+420 596 808 311
Havlíčkův Brod	Havlíčkovo nám. čp.175, 580 01, Havlíčkův Brod	+420 565 300 666
Hodonín	Národní třída 18a, 695 01, Hodonín	+420 518 399 811
Hradec Králové – Rašínova, Tesco	Rašínova třída 1669, 500 02, Hradec Králové	+420 498 511 011
Hradec Králové – S.K.Neumanna	S.K.Neumanna 487, 500 02, Hradec Králové	+420 493 334 111
Hradec Králové – V Kopečku	V Kopečku 75, 500 03, Hradec Králové	+420 495 069 666
Cheb	Májová 16, 350 02, Cheb	+420 354 433 629
Chomutov	Žižkovo nám. 120, 430 01, Chomutov	+420 474 930 900
Jablonec nad Nisou	Komenského 8, 466 01, Jablonec nad Nisou	+420 483 737 141
Jihlava – Masarykovo náměstí	Masarykovo náměstí 35, 586 01, Jihlava	+420 567 578 911
Jindřichův Hradec	náměstí Míru čp. 166, 377 01, Jindřichův Hradec	+420 380 300 590
Karlovy Vary – Krále Jiřího	Krále Jiřího 39, 360 01, Karlovy Vary	+420 353 167 770
Karviná – Masarykovo nám.	Masarykovo nám. 28/15, 733 01, Karviná	+420 597 497 711
Kladno	Osvobozených politických vězňů 656, 272 01, Kladno	+420 312 709 413
Klatovy, Náměstí Míru	Náměstí Míru168/1, 339 01, Klatovy	+420 376 541 811
Kolín	Kutnohorská 43, 280 02, Kolín	+420 321 338 982
Krnov, Hlavní náměstí	Hlavní náměstí 97/36, 794 01, Krnov	+420 554 601 111
Kroměříž, Vodní	Vodní 59, 767 01, Kroměříž	+420 573 301 811
Liberec – České Mládeže, OC NISA	České mládeže 456, OC NISA, 463 12 , Liberec	+420 482 711 730
Liberec – Na Rybníčku	Na Rybníčku 1, 460 01, Liberec 3	+420 488 100 011
Liberec – Pražská	Pražská 6/133, 460 01, Liberec 2	+420 483 519 080

Branch Office	Address	Phone
Litoměřice	Mírové náměstí čp, 9/1, 412 01, Litoměřice	+420 412 359 630
Mělník, náměstí Karla IV.	náměstí Karla IV. 183/17, 27601, Mělník	+420 315 650 139
Mladá Boleslav – Bondy centrum	Bondy Centrum, tř. Václava Klementa č.p. 1459, , 293 01, Mladá Boleslav	+420 326 509 611
Mladá Boleslav – TGM	T.G.Masaryka 1009, 293 01, Mladá Boleslav	+420 326 700 981
Most	Budovatelů 1996/4, 434 01, Most	+420 476 140 216
Náchod, Karlovo náměstí	Karlovo náměstí 84, 547 01, Náchod	+420 491 405 757
Nový Jičín	5. května čp. 20, 741 01, Nový Jičín	+420 553 608 171
Olomouc – Horní lán	Horní lán 1328/6, 779 00, Olomouc	+420 582 800 901
Olomouc – Nám. Národních Hrdinů	nám. Národních hrdinů 1, 779 00, Olomouc	+420 585 206 911
Olomouc – Národní dům	8. května 464/21, 779 00, Olomouc	+420 582 800 400
Opava – Horní náměstí	Horní náměstí 32, 746 01, Opava	+420 553 759 311
Ostrava – Nová Karolina	Jantarová 3344/4, Forum Nová Karolina, 702 00, Ostrava	+420 596 664 171
Ostrava – Poruba	Opavská 6230/29a, 708 00, Ostrava - Poruba	+420 596 945 126
Ostrava – Výškovická	Výškovická 2637/114, 700 30, Ostrava - Zábřeh	+420 596 797 011
Ostrava – 28. října, Nová Karolina PARK	28.října 3348/65, 702 00, Ostrava	+420 597 011 541
Ostrava Dlouhá	Dlouhá 3, 702 00, Ostrava	+420 596 111 863
Ostrava Tesco	TESCO, Sjízdná 5554, 722 00, Ostrava	+420 596 966 432
Ostrava, Rudná, Avion Shopping Park	Rudná 114/3114 - Avion Shopping Park, 700 30, Ostrava	+420 558 944 011
Pardubice – třída Míru	třída Míru 420, 530 02, Pardubice	+420 466 610 016
Pardubice – K Polabinám	K Polabinám 1893-4, 530 02, Pardubice	+420 466 512 197
Písek	Velké náměstí 116, 397 01, Písek	+420 382 759 111
Plzeň – Americká 1	Americká 1, 301 00, Plzeň	+420 377 236 582
Plzeň – Americká 66	Americká 66, 306 29, Plzeň	+420 377 279 411 – 18
Plzeň – Bedřicha Smetany	Bedřicha Smetany 11, 301 00, Plzeň	+420 374 334 800
Plzeň – Olympia	Olympia, Písecká 972/1, 326 00, Plzeň Černice	+420 377 222 156
Praha – Anděl	Zlatý Anděl, Nádražní 23, 150 00, Praha 5	+420 251 510 444
Praha – Bělehradská	Bělehradská 100/18, 120 00, Praha 2	+420 221 511 281
Praha – Bělohorská	Bělohorská 71, 169 00, Praha 6	+420 233 356 840
Praha – Budějovická	Olbrachtova 2006/9, 140 21, Praha 4	+420 234 401 026
Praha – City Tower (Hvězdova)	Hvězdova 1716/2B, 140 78, Praha 4	+420 234 405 130
Praha – Dejvická	Dejvická 11, 160 00, Praha 6	+420 233 089 711
Praha – Eden Vršovická	OC Eden, Vršovická 1527/68b, 100 00, Praha 10	+420 225 282 911
Praha – Evropská	Evropská 136, 136 00, Praha 6	+420 234 715 115
Praha – Flora	Chrudimská 7, 130 00, Praha 3	+420 225 376 611
Praha – Háje	Arkalycká 877, 149 00, Praha 4	+420 272 653 815
Praha – Chlumecká	Chlumecká 765/6, 198 00, Praha 9	+420 281 008 111
Praha – Jalta	Václavské náměstí 43, 110 00, Praha 1	+420 222 115 590
Praha – Jandova (OSN)	Jandova 135/2, 190 00, Praha 9	+420 225 545 511
Praha – Jugoslávská	Jugoslávská 320/21, 120 00, Praha 2	+420 222 517 800
Praha – Karlovo náměstí	Karlovo náměstí 10, 120 00, Praha 2	+420 224 900 711
Praha – Komunardů	Komunardů 21/1045, 170 00, Praha 7	+420 225 020 380
Praha – Ládví	Kyselova 1658, 182 00, Praha 8 - Ládví	+420 283 880 342
Praha – Lidická	Lidická 42, 150 00, Praha 5 - Smíchov	+420 251 010 811
Praha – Milady Horákové	Milady Horákové 10, 170 00, Praha 7	+420 233 028 022
Praha – Moskevská	Moskevská 43, 101 00, Praha 10	+420 271 078 815
Praha – Na Pankráci Gemini	Na Pankráci 1724, 140 78, Praha 4	+420 234 261 211

Branch Office	Address	Phone
Praha – Europark	Nákupní 389/3, 102 00, Praha 10	+420 234 093 011
Praha – náměstí bří Synků	Bratří Synků 300/15, 140 00, Praha 4	+420 234 700 911
Praha – Národní	Národní 9/1010, 110 00, Praha 1	+420 221 411 922
Praha – Nitranská	Nitranská 988/19, vstup z ulice Vinohradská, 130 00, Praha 3	+420 296 338 011
Praha – Novodvorská	Novoplaza Novodvorská 1800/136, 142 00, Praha 4	+420 241 406 914
Praha – Palladium	náměstí Republiky 1, 110 00, Praha 1	+420 225 376 503
Praha – Park Hostivař	Interspar Švehlova 32/1392, 102 00, Praha 10	+420 272 656 215
Praha – Petržílkova	Petržílkova 2706/30, 158 00, Praha 5	+420 296 334 011
Praha – Prosecká	Prosecká 851/64, ProsekPoint, 190 00, Praha 9	+420 225 983 600
Praha – Seifertova	Seifertova 995/29, 130 00, Praha 3	+420 225 282 611
Praha – Thámova	Thámova 118/17, 186 00, Praha 8	+420 234 720 911
Praha – Václavské náměstí, Astra	Václavské náměstí 773/4, 110 00, Praha 1	+420 234 093 311
Praha – Valentinská	Valentinská 9/57, 110 00, Praha 1	+420 234 702 206
Praha – Veselská Letňany	OC Letňany, Veselská 663, 199 00, Praha 9 - Letňany	+420 234 261 047
Praha – Vinohradská	Vinohradská 230, 100 00, Praha 10	+420 274 001 778
Praha – Vodičkova	Vodičkova 38, 110 00, Praha 1	+420 221 141 261
Praha – Zenklova	Zenklova 22/340, 180 00, Praha 8	+420 225 983 511
Praha – Zličín	Řevnická 1/121, 150 00, Praha 5	+420 234 720 101
Praha – Želivského	Želivského 1738/16, 130 00, Praha 3	+420 225 374 600
Prostějov	Hlaváčkovo nám.3, 796 01, Prostějov	+420 582 400 800
Přerov	Komenského 758/11, 750 02, Přerov	+420 587 800 911
Příbram, Zahradnická	Zahradnická 70, 26101, Příbram 3	+420 318 646 194
Říčany, Masarykovo náměstí	Masarykovo náměstí 155, 251 01, Říčany	+420 323 209 011
Strakonice, Velké náměstí	Velké náměstí 141, 386 01, Strakonice	+420 380 777 265
Svitavy	náměstí Míru čp. 132/68, 568 02, Svitavy	+420 461 352 017
Šumperk	Hlavní třída 15, 787 01, Šumperk	+420 583 219 734
Tábor, Bílkova	Bílkova 960, 390 02, Tábor	+420 381 201 611
Teplice, 28. října	28.října 7/963, 415 01, Teplice	+420 417 816 074
Teplice, nám. Svobody, GALERIE	Nám. Svobody 3316, 415 01, Teplice	+420 417 534 703
Trutnov, Horská	Horská 97, Trutnov, 541 01, Trutnov	+420 498 501 801
Třebíč, Jejkovská brána	Jejkovská brána 36/1, 674 01, Třebíč	+ 420 568 891 236
Třinec	Náměstí Svobody 528, 739 61, Třinec	+420 558 944 911
Uherské Hradiště, Obchodní	Obchodní ul. 1508, 686 01, Uherské hradiště	+420 576 000 401
Ústí nad Labem – Forum, Bílinská	Bílinská 3490/6, 400 01, Ústí n. L.	+420 478 050 111
Ústí nad Labem – Pařížská	Pařížská 20, 400 01, Ústí nad Labem	+420 477 101 701
Vyškov	Masarykovo náměstí 46/34 ,682 01, Vyškov	+420 517 302 550
Zlín – Potoky	Potoky 552, 760 01, Zlín	+420 577 008 016
Zlín – Nám. Míru	nám. Míru 9, 760 01, Zlín	+420 577 011 124
Znojmo	Masarykovo náměstí 325/3, 669 02, Znojmo	+420 515 209 711
Žďár nad Sázavou	Nám. Republiky 42, 591 01, Žďár nad Sázavou	+420 566 652 715

Mortgage Centers

Location	Address	Phone
Brno	Česká 12, 602 00, Brno	+420 517 545 026
Brno/Olympia	U Dálice 777, 664 42, Brno	+420 547 243 868
Brno/Hodonín	Národní třída 18A, 695 01, Hodonín	+420 518 399 818
Brno/Znojmo	Masarykovo nám. 325/3, 669 02, Znojmo	+420 515 209 716
České Budějovice	Náměstí Přemysla Otakara II. 13, 370 63, České Budějovice	+420 386 707 413
České Budějovice/Tábor	Bílkova 960, 390 02, Tábor	+420 381 201 614
České Budějovice/Písek	Velké náměstí 116, 397 01, Písek	+420 382 7591 13
Hradec Králové	V Kopečku 75, 500 03, Hradec Králové	+420 488 100 040
Jihlava	Masarykovo náměstí 35, 586 01, Jihlava	+420 567 578 920
Karlovy Vary	Krále Jiřího 39, 360 01, Karlovy Vary	+420 353 167 719
Liberec	Na Rybníčku 1, 460 01, Liberec	+420 488 100 020
Mladá Boleslav	T. G. Masaryka 1009, 293 01, Mladá Boleslav	+420 326 700 982
Olomouc	8. května 464/21, 779 00, Olomouc	+420 582 800 415
Ostrava	Dlouhá 3, 702 00, Ostrava	+420 595 131 431
Ostrava/Opava	Horní nám. 32, 746 01, Opava	+420 553 759 312
Ostrava/Frýdek Místek	J. V. Sládka 84, 738 01, Frýdek-Místek	+420 558 440 920
Pardubice	K Polabinám 1893/4, 530 02, Pardubice	+420 467 002 505
Plzeň	Americká 1, 301 00, Plzeň	+420 379 305 569
Kladno	Osvobozených politických vězňů 656, 272 01, Kladno	+420 312 709 421
Praha - Budějovická	Olbrachtova 2006/9, 140 21, Praha 4	+420 225 471 668
Praha - Dejvická	Dejvická 11, 160 00, Praha 6	+420 233 089 710
Praha - Karlovo nám.	Karlovo náměstí 10, 120 00, Praha 2	+420 222 925 855
Praha - Jandova	Jandova 135/2, 190 00, Praha 9	+420 225 545 516
Praha - ASTRA	Václavské náměstí 773/4, 110 00, Praha 1	+420 225 374 059
Ústí nad Labem	Pařížská 20, 400 01, Ústí nad Labem	+420 477 101 723
Most	Budovatelů 1996/4, 434 01, Most	+420 476 140 212
Zlín	Potoky 552, 760 01, Zlín	+420 577 008 017

Friedrich Wilhelm Raiffeisen Branches

Location	Address	Phone
Brno – Česká	Česká 12, 602 00, Brno	+420 517 545 046
Olomouc – Horní lán	Horní lán 1328/6, 779 00, Olomouc	+420 585 206 931
Ostrava – Dlouhá	Dlouhá 3, 702 00, Ostrava	+420 596 128 866
Pardubice – třída Míru	třída Míru 92, 530 02, Pardubice	+420 461 313 343
Plzeň – Bedřicha Smetany	Bedřicha Smetany 11, 301 00, Plzeň	+420 374 334 828
Praha – City Tower (Hvězdova)	Hvězdova 1716/2B, 140 78, Praha 4	+420 234 405 058
Praha – Na Příkopě	Na Příkopě 1047/17, 110 00, Praha 1	+420 233 063 280

Corporate Centers

Location	Address
Brno – Česká	Česká 12, 602 00, Brno
Brno – Jánská	Jánská 1/3, 602 00, Brno
České Budějovice – Nám. Přemysla Otakara	Náměstí Přemysla Otakara II. 13, 370 63, České Budějovice
Hradec Králové – V Kopečku	V Kopečku 75, 500 03, Hradec Králové
Chomutov	Žižkovo nám. 120, 430 01, Chomutov
Jihlava – Masarykovo náměstí	Masarykovo náměstí 35, 586 01, Jihlava
Karlovy Vary – Krále Jiřího	Krále Jiřího 39, 360 01, Karlovy Vary
Kolín	Kutnohorská 43, 280 02, Kolín
Liberec – Na Rybníčku	Na Rybníčku 1, 460 01, Liberec 3
Mladá Boleslav – TGM	T.G.Masaryka 1009, 293 01, Mladá Boleslav
Olomouc – Národní dům	8. května 464/21, 779 00, Olomouc
Ostrava – Dlouhá	Dlouhá 3, 702 00, Ostrava
Pardubice – třída Míru	třída Míru 92, 530 02, Pardubice
Plzeň – Bedřicha Smetany	Bedřicha Smetany 11, 301 00, Plzeň
Praha – Budějovická	Olbrachtova 2006/9, 140 21, Praha 4
Praha – City Tower (Hvězdova)	Hvězdova 1716/2B, 140 78, Praha 4
Praha – Karlovo náměstí	Karlovo náměstí 10, 120 00, Praha 2
Praha – Národní	Národní 9/1010, 110 00, Praha 1
Tábor – Bílkova	Bílkova 960, 390 02, Tábor
Trutnov – Horská	Horská 97, Trutnov, 541 01, Trutnov
Ústí nad Labem – Velká Hradební	Velká Hradební 3385/9, 400 01, Ústí nad Labem
Zlín – Potoky	Potoky 552, 760 01, Zlín
Žďár nad Sázavou	Nám. Republiky 42, 591 01, Žďár nad Sázavou

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