Raiffeisen BANK

Client inspired banking

1993 2018

SEMI-ANNUAL REPORT 2018

Contents

Notes to the Consolidated results of the Raiffeisenbank Group

for the first half of 2018

The local economy developed notably well in the course of the first six months of 2018, boosting demand for banking products. Raiffeisenbank seized the positive trend and through its offer of quality products and services it had been improving its position of a major local bank with a primary focus on rather affluent clients seeking quality and interested in an active management of their finances and professional advisory.

In the first half of 2018, Raiffeisenbank generated further growth in lending to retail customers as well as large corporates. The bank carried on the implementation of its new internet banking. All clients who are private individuals or small businesses, as well as most large corporates now benefit from the new platform. The implementation stage of the new internet banking project is scheduled to be completed in the course of September.

In an effort to improve the comfort for both its customers and employees, the bank innovated its ATM network during the first six months of this year to incorporate contactless card readers. By the end of 2018, Raiffeisenbank plans to install contactless readers in more than 70% of its ATMs, while over a half of the network will consist of deposit ATMs.

Net income and revenues

The consolidated attributable net profit to the parent company's shareholders rose to CZK 1.909 billion for the first half of the year 2018 which means increase by 3.9 % compared to the same period of last year. The total operating income of the Group decreased by 3.4%

The net interest income of the Group reached CZK 3.64 billion, which means increase by 13.5% compared to the same period of last year. This increase was caused mainly by market interest rates growth and higher volume of client loans. Net income from fees and commissions increased by 3.0% to CZK 990 million.

Net profit on financial operations of the Group decreased to CZK 669 million compared to CZK 1.36 billion in 2017. This year-on-year decrease is mainly affected by revenues from the sale of government bonds in the first six months of the previous year.

Expenses

General administrative expenses of the Group declined by 0.8% to CZK 3.21 billion despite a higher Bank's mandatory contribution to the Resolution Fund. This is a clear sign of a good cost discipline of the Group.

Risk management

Although impairment losses from loans and receivables increased by 67.6% year-on-year, they still amounted to only CZK 201 million in the first half of the year 2018, which is considered as a very good result. The year-on-year increase was mainly caused by the lower level of risk costs in the comparable period when the Group released some provisions for loans and advances.

Deposits and loans

Total Group assets reached CZK 346.23 billion and decreased by 6.3 % year-on-year, mainly due to lower balances on accounts with the central bank. The amount of loans and advances to customers of the Group increased by 6.6% year-on-year to CZK 229.13 billion. The main increase is attributable to household financing (consumer loans and mortgages) and enterprises. Deposits from customers of the Group amounted to CZK 248.94 billion and remained almost unchanged year-on-year.

Equity

Shareholders' equity of the Group reached in the first half of 2018 almost CZK 27.95 billion compared to CZK 27.91 billion in the beginning of 2018. Group's capital adequacy ratio amounted to 15.68% at the end of the first half of 2018. Shareholders on regular general meeting of the Bank in April 2018 agreed on profit distribution for year 2017 in amount of CZK 2.83 billion. Amount of CZK 1.52 billion was used for dividend payment to shareholders for year 2017 and amount of CZK 1.31 billion was transferred into Bank's retained earnings. The increase in retained earnings based on the 2017 profit distribution had a positive effect on the Group's capital adequacy.

Economic Forecast For The Second Half Of 2018

Favourable economic environment

Until the end of 2017, the macroeconomic environment in the Czech Republic was characterized by the swift economic growth, accompanied by growing employment and wages. However, from the beginning of 2018, the economy has been slowing down and the pace of its growth has been reverting back to the potential output growth rate, which would be sustainable over the long term. Despite clear signals of overheating in the labor market and real-estate market, the price level in the Czech Republic has been steadily growing at the moderate pace, within a safe distance from the inflation target of the Czech National Bank (CNB). Key interest rate reached 1.00% on 30.6.2018 and is expected to grow further. Money market rates, as well as government bond yields, are expected to rise as well. Strengthening of the Czech koruna stopped while exchange rate of koruna weakened against strengthening U.S. dollar.

For the rest of the year, our team of Economic Research at Raiffeisenbank expects mild deceleration of the economy towards long-term sustainable potential. The lack of labor force in the labor market, growing labor costs and cooling of the international trade are the main reasons of the expected cyclical economic slow-down. Interest rates are expected to rise. According to prognosis of Raiffeisenbank, koruna will slighty strengthen against euro.

Banking sector continues to capitalize on positive macroeconomic development, even though the dynamics of the growth is weaker as compared to the previous year. Despite gradually increasing rates, the overall volume of loans grew by 4.9% on yearly basis, namely thanks to the retail loans. The main contributor, as usual, were mortgages, which grew by 7.7%. In the first 6 months of the year, mortgages grew by 4.1%, while at the end of the June they reached 9.0% on yearly basis. Also corporate loans maintained positive pace of growth, reaching +4.2% year on year. The term deposits grew by 21% in the first 6 months. This contributed largely to the overall growth of deposits, which reached 6.5%.

Sources: Czech Statistical Office, Czech National Bank, Economic research of Raiffeisenbank a.s.

Outlook For The Rest Of 2018

We will be thoroughly pursuing our strategy emphasizing cost efficiency and successful acquisition of new customers.

Also, further simplification of processes in order to invest our time and money in digitalization and increased comfort for both our employees and clients is a priority.

In addition, the Group has to face the situation in the mortgage market.

New homes become less affordable with regard to high prices of properties and rising interest rates as well as the planned stricter conditions applicable to the provision of mortgage loans based on a new recommendation by the Czech National Bank. We fully respect the recommendation and have been preparing ourselves for it. However, we also mind the concerns of clients with regard to their future housing needs.

The entire Group aims at keeping its position of an attractive employer creating opportunities for both personal and professional growth of its employees and encouraging teamwork and superior interpersonal relationships.

The Group's Semi-Annual Report is available at https: https://www.rb.cz/en/obligatory-published-information/annual-reports

Raiffeisenbank a.s.

Interim Consolidated Financial Statements Prepared in Accordance with International Financial Reporting Standards as Adopted by the European Union for the Period Ended 30 June 2018.

Components of the Interim Consolidated Financial Statements:

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

Interim Consolidated Statement of Comprehensive Income For the Period Ended 30 June 2018

CZK thousand	Note	30. 6. 2018 IFRS 9	30. 6. 2017 IAS 39
Interest income and similar income	8	4,210,624	3,812,124
Interest expense and similar expense	8	(569,191)	(605,051)
Net interest income		**3,641,433**	**3,207,073**
Fee and commission income	9	1,411,510	1,405,037
Fee and commission expense	9	(421,197)	(443,206)
Net fee and commission income		**990,313**	**961,831**
Net profit on financial operations		699,265	1,359,259
Net profit from hedge accounting		7,124	n/a
Dividend income		30,524	30,675
Net impairment on financial assets		(200,945)	(119,908)
Gains or (–) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net		878	n/a
General administrative expenses	10	(3,210,115)	(3,237,190)
Other operating income/(expenses), net		315,666	192,688
Operating profit		**2,274,143**	**2,394,428**
Share in income of associated undertakings	13	57,193	14,636
Profit/(loss) before income tax		**2,331,336**	**2,409,064**
Income tax		(422,365)	(488,085)
Net profit for the period attributable to:		**1,908,971**	**1,920,979**
– the parent company's shareholders		1,908,971	1,836,840
– non-controlling interests		–	84,139
Other comprehensive income			
Items that will not be reclassified to income (or expenses) in the future:			
Gains/(losses) from re-measurement of equity instruments at fair value through other comprehensive income		28,100	n/a
Tax on profit attributable to components of other comprehensive income		(5,337)	n/a
Items that may be reclassified to income (or expenses) in the future:			
Gains/(losses) from re-measurement of securities available for sale		n/a	9,002
Gains/(losses) from revaluation of cashflow hedge reserve		118,409	132,336
Foreign exchange rate gains/(losses) from the translation of the financial statements denominated in foreign currencies		–	–
Tax on profit attributable to components of other comprehensive income		(28,873)	(26,854)
Total comprehensive income attributable to:		**112,299**	**114,484**
– the parent company's shareholders		112,299	114,484
– non-controlling interests		–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:		**2,021,270**	**2,035,463**
– the parent company's shareholders		**2,021,270**	**1,951,324**
– non-controlling interests		**–**	**84,139**

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

Interim Consolidated Statement of Financial Position
As of 30 June 2018

CZK thousand	Note	30. 6. 2018 IFRS 9	31. 12. 2017 IAS 39
ASSETS			
Cash, cash balances at central banks and other demand deposits		7,583,334	n/a
Cash and balances with central banks		n/a	8,621,302
Financial assets at fair value through profit or loss		2,353,659	n/a
Trading derivatives		2,001,858	1,566,987
Securities held for trading	12	351,801	n/a
Securities at fair value through profit or loss	12	n/a	156,446
Financial assets at fair value through other comprehensive income	12	631,754	n/a
Securities available for sale	12	n/a	603,654
Financial assets at amortised costs		327,050,747	n/a
Loans and advances to financial institutions		91,236,116	n/a
Loans and advances to customers	11	229,125,840	n/a
of which: change in the fair value of hedged items		*(1,499)*	*n/a*
Debt securities	11	6,688,791	n/a
Loans and advances to financial institutions		n/a	105,330,023
Provisions for loans and advances to financial institutions		n/a	(4,903)
Loans and advances to customers	11	n/a	224,038,925
of which: change in the fair value of hedged items		*n/a*	*(1,470)*
Provisions for loans and advances to customers	11	n/a	(5,051,577)
Fair value remeasurement of portfolio-remeasured items (loans and advances to customers)	11	(1,483,271)	(1,259,634)
Hedging derivatives		2,594,462	2,292,429
Equity investments in associates	13	89,600	38,108
Intangible fixed assets		2,488,948	2,369,212
Property and equipment		1,765,422	1,595,258
Current tax asset		395	7,886
Deferred tax asset		9,489	10,075
Other assets		2,246,676	1,468,095
Investment property		902,075	916,682
TOTAL ASSETS		**346,233,290**	**342,698,968**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Trading derivatives		1,368,831	1,653,426
Financial liabilities at amortised costs		309,572,207	305,289,895
Amounts owed to financial institutions		38,022,976	31,372,154
Amounts owed to customers	14	248,938,595	251,731,818
of which: change in the fair value of hedged items	*14*	*114,913*	*129,500*
Issued debt securities	15	19,849,872	19,473,226
of which: change in the fair value of hedged items	*15*	*43,331*	*52,993*
Subordinated liabilities and bonds	16	2,760,764	2,712,697
Fair value remeasurement of portfolio-remeasured items (amounts owed to customers)	14	(2,270,264)	(1,848,943)
Hedging derivatives		3,244,393	2,971,340
Provisions	17	911,509	1,093,396
Current tax liabilities		70,504	328,796
Deferred tax liabilities		234,202	101,118
Other liabilities		5,152,804	5,204,910
TOTAL LIABILITIES		**318,284,186**	**314,793,938**
SHAREHOLDERS' EQUITY			
Attributable to shareholders of the Group		27,949,104	27,905,030
Share capital		11,060,800	11,060,800
Reserve fund		693,918	693,918
Gains and losses from revaluation		218,095	105,796
Retained earnings		11,451,966	10,345,592
Other capital instruments		2,615,354	2,615,354
Profit for the year		1,908,971	3,083,570
Total shareholders' equity		**27,949,104**	**27,905,030**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**346,233,290**	**342,698,968**

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

Interim Consolidated Statement of Changes in Equity For the Period Ended 30 June 2018

CZK thousand	Equity attributable to shareholders of the Group						Non-controlling interests	Total equity
	Share capital	Reserve fund	Gains and losses from revaluation	Retained earnings	Other capital instruments	Profit for the period		
Balance 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)		**(1,412,058)**
Allocation to retained earnings	–	–	–	1,382,354	–	(1,382,354)	–	**–**
Coupon paid to other capital instruments holders	–	–	–	(147,450)	–	–	–	**(147,450)**
Net profit for the period	–	–	–	–	–	1,836,840	84,139	**1,920,979**
Other comprehensive income, net	–	–	114,484	–	–	–	–	**114,484**
Comprehensive income for the period	**–**	**–**	**114,484**	**–**	**–**	**1,836,840**	**84,139**	**2,035,463**
Balance at 30 June 2017	**11,060,800**	**693,918**	**17,783**	**10,518,808**	**2,615,354**	**1,836,840**	**828,507**	**27,572,010**
Balance 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 IFRS 9 adoption	–	–	–	(274,148)	–	–	–	**(274,148)**
Balance 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)**
Allocation to retained earnings	–	–	–	1,564,338	–	(1,564,338)	–	**–**
Coupon paid to other capital instruments holders	–	–	–	(178,675)	–	–	–	**(178,675)**
Sale of associated company	–	–	–	(5,141)	–	–	–	**(5,141)**
Net profit for the period	–	–	–	–	–	1,908,971	–	**1,908,971**
Other comprehensive income, net	–	–	112,299	–	–	–	–	**112,299**
Comprehensive income for the period	**–**	**–**	**112,299**	**–**	**–**	**1,908,971**	**–**	**2,021,270**
Balance at 30 June 2018	**11,060,800**	**693,918**	**218,095**	**11,451,966**	**2,615,354**	**1,908,971**	**–**	**27,949,104**

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

Interim Consolidated Cash Flow Statement
For the Period since 1 January 2018 till 30 June 2018

(CZK thousand)	1. 1.–30. 6. 2018 IFRS 9	1. 1.–30. 6. 2017 IAS 39
Profit before tax	**2,331,336**	**2,409,064**
Adjustments for non–cash transactions		
Creation of provisions for credit risks	200,945	119,908
Depreciation and amortisation	410,628	361,786
Loss from the impairment of intangible assets	-	19,396
Creation of other provisions	(172,054)	(414,145)
Change in fair values of financial derivatives	(630,038)	1,954,903
Unrealised loss/(gain) on revaluation of securities	(2,043)	(3,660)
Gain on the sale of tangible and intangible assets	(1,807)	(630)
Gain on the sale of subsidiary and joint ventures	(12,770)	–
Change in the revaluation of hedged items upon a fair value hedge	(221,933)	(543,168)
Share in loss/(gain) of associated undertakings	(57,193)	–
Revaluation of foreign currency positions	1,113,308	(2,582,547)
Other non–cash changes	(821,674)	(780,306)
Operating profit before changes in operating assets and liabilities	**2,136,705**	**540,601**
Cash flows from operating activities		
(Increase)/decrease in operating assets		
Minimum reserve deposits with the CNB	3,634,599	(709,692)
Loans and advances to financial institutions	14,099,318	(11,505,171)
Loans and advances to customers	(11,476,865)	(7,966,346)
Debt securities at amortised costs	(4,607,071)	n/a
Debt securities held for trading	(198,001)	n/a
Securities at fair value through profit or loss and securities available for sale	n/a	160,046
Other assets	(778,581)	(729,485)
Increase/(decrease) in operating liabilities		
Amounts owed to financial institutions	6,276,708	15,618,343
Amounts owed to customers	(3,953,783)	25,461,202
Other liabilities	(52,106)	736,435
Net cash flow from operating activities before income tax	**5,080,923**	**21,605,933**
Income taxes paid	(696,533)	(378,924)
Net cash flow from operating activities	**4,384,390**	**21,227,009**
Cash flows from investing activities		
Net decrease/(increase) in equity investments	19,839	(14,636)
Purchase of property and equipment and intangible assets	(680,505)	(593,566)
Income from the sale of fixed assets	1,807	630
Sale/net decrease in securities held to maturity	-	2,491,448
Dividends received	30,524	30,675
Net cash flow from investing activities	**(628,335)**	**1,914,551**
Cash flows from financing activities		
Share capital increase	–	–
Dividends and coupon related to other capital instruments paid	(1,697,907)	(1,559,508)
Increase in other capital instruments	–	680,904
Bonds in issue	(778)	6,723,978
Subordinated liabilities and bonds	–	–
Net cash flow from financing activities	**(1,698,685)**	**5,845,374**
Net (decrease)/increase in cash and cash equivalents	**2,057,370**	**28,986,934**
Cash and cash equivalents at the beginning of the period	**4,260,849**	**89,191,379**
Foreign exchange rate differences on cash and cash equivalents at the beginning of the year	**(66,449)**	**(83,480)**
Cash and cash equivalents at the end of the period	**6,251,770**	**118,094,833**

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

Reconciliation of Liabilities Arising from Funding, Including Changes Arising from Cash Flows and Non-Cash Changes between the Balances as of 1 January 2018 and 30 June 2018

			Non–cash changes		As of 30 June 2018
	As of 1 January 2018	Cash flows	Revaluation of foreign currency positions	Change in fair value	
Debt securities issued	19,473,226	(778)	377,424	–	19,849,872
Subordinated liabilities and bonds	2,712,697	–	48,067	–	2,760,764

Notes to the Consolidated Financial Statements

Prepared in Accordance with International Financial Reporting Standards as Adopted by the European Union for the Period Ended 30 June 2018.

1. PARENT COMPANY CORPORATE DETAILS

Raiffeisenbank a.s. (henceforth the *"Bank"*), with its registered office address at Hvězdova 1716/2b, Prague 4, 140 78, Corporate ID 49240901, was founded as a joint stock company in the Czech Republic. The Bank was registered in the Register of Companies held at the Municipal Court in Prague on 25 June 1993, Volume B, File 2051.

Principal activities of the Bank according to the bank license granted by the Czech National Bank:

- Acceptance of deposits from the general public;
- Provision of credit;
- Investing in securities on its own account;
- Finance leasing – at present, the Bank does not carry out this activity directly;
- Payments and clearing;
- Issuance of payment facilities;
- Issuance of guarantees;
- Opening of letters of credit;
- Collection services;
- Provision of investment services:
- Principal investment services under Section 4 (2) (a) – (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 bank license; and
- Mediation of an additional pension savings program

In addition to the license 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 since 30 July 2005.

Performance or provision of the Bank's activities and services were not restricted nor suspended by the Czech National Bank.

Both Bank and Group have to comply with regulatory requirements stated by Czech National Bank or European Union. Such requirements are limits and other restrictions related to capital adequacy, loans and off-balance sheet credit exposure classifications, credit risk in connection with Bank clients, liquidity, interest rate risk and FX position of the Bank.

2. SHAREHOLDERS OF THE BANK

Name, address	Voting power in % 30. 6. 2018	Voting power in % 31. 12. 2017
Raiffeisen CEE Region Holding GmbH, Am Stadtpark 9, Vienna, Austria	75%	75%
RB Prag Beteiligungs GmbH, Europaplatz 1a, 4020 Linz, Austria	25%	25%

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

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

3. BASIS OF PREPARATION OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The interim consolidated financial statements, which include the interim accounting reports of the Bank and its subsidiary companies, were prepared in compliance with IAS 34 – Interim Financial Reporting.

The interim consolidated financial statements were prepared on the accrual principle, i.e. the transactions and other facts were recognized upon their occurrence and posted in the interim consolidated financial statements in the time period to which they apply, and the principle of continuity of the Group.

This interim consolidated financial statements were prepared based on measurement at acquisition cost, except for financial assets and financial liabilities that were measured at fair value through profit or loss (e.g. financial derivatives held for trading, securities held for trading), financial assets at fair value through other comprehensive income, hedging derivatives and hedges items upon fair value hedge. Assets held for sale were measured at fair value decreased by expenses related to sale, in case that had been lower than its book value.

The presentation of the interim consolidated financial statements in compliance with IFRS require that the management of the Group make qualified estimates that have an impact on reported assets, equity and liabilities as well as on contingent assets and liabilities as of the date of preparation of the interim consolidated financial statement as well as on expenses and revenues in the given accounting period. These estimates, which specifically relate to the determination of fair values of financial instruments (where no public market exists), valuation of intangible assets, impairment of assets and provisions, are based on the information available at the balance sheet date.

The provided data have not been audited.

All data are in thousands of Czech Crowns (CZK) unless stated otherwise. The numbers in parenthesis are negative numbers.

4. ACCOUNTING POLICIES

Significant Accounting Policies and Principles

For the preparation of interim consolidated financial statements have been used the same accounting policies and principles, methods of calculation and estimates as for consolidated financial statements for the year ended 31 December 2017, except for those that relate to new standards effective for the first time for periods beginning on 1 January 2018, and will be adopted in the 2018 annual consolidated financial statements. Newly applied standards the application of which had a significant impact on the interim consolidated financial statements and led to changes in accounting policies are:

- IFRS 9 Financial Instruments; and
- IFRS 15 Revenue from Contracts with Customers.

These standards and their impact on the Group accounting policies are described in detail in the chapter 5. (a).

5. NEWLY APPLIED IFRS STANDARDS

(a) Newly Applied Standards and Interpretations the Application of which Had a Significant Impact on the Interim 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 for initial recognition, measurement and derecognition of financial assets and liabilities and hedge accounting.

IFRS 9 includes requirements for recognition and measurement, impairment, de-recognition and general hedge accounting.

Classification and Measurement - IFRS 9 introduces a new approach to the classification of financial assets, which is driven by cash flow characteristics (the *"SPPI test"*) and the business model in which an asset is held. Based on these criteria, the Group categorises financial instruments as follows:

- Financial assets at amortised cost (*"AC"*);
- Financial assets at fair value through profit or loss (*"FVTPL"*); and
- Financial assets at fair value through other comprehensive income (*"FVOCI"*).

Substantially all loans are held by the Group under a business model designed to hold financial assets to collect contractual cash flows (*"held to collect"*). Based on the result of the SPPI test, loans may be classified as either *"AC"* or *"FVTPL"*. According to the portfolio analysis as of 1 January 2018 the loan portfolio met the SPPI test and was therefore classified as *"AC"*, i.e. continues to be presented on a practically identical basis.

Other financial instruments, namely securities, which were classified under *"Loans and advances to customers"* in line with IAS 39, are held under a business model designed to collect contractual cash flows (*"held to collect"*). No changes were made to the presentation of these assets.

As part of the business model designed to collect contractual cash flows (*"held to collect"*), financial assets classified under this model may be sold. According to the Group's methodology, sale of more than 10% of the portfolio (net book value) during three consecutive years will be potentially considered to be *"more than less frequent"* unless the sale was, on the whole, immaterial.

Impairment – 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 debtor's credit risk. Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

For provisioning purposes, IFRS 9 requires using a new three-level model that evaluates changes in portfolio quality since initial recognition at the balance sheet date.

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

Level 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 assets. In line with the standard, the Group took into account available information in developing models while also closely cooperating with the Group in developing a consistent interpretation of the methodology.

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 of 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.

Level 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 assets. Since 1 January 2018, the category has included receivables with default.

Purchased or Originated Credit-Impaired 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 provisions along with the related profit 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 debtor has been in default for over 90 days, the debtor has died, the debtor has become insolvent, the active market for the financial asset has disappeared due to financial difficulties, the debtor has been granted relief in relation to its financial difficulties, or the debtor is likely to go bankrupt. In calculating the existing amount 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 Group takes into account relevant information including their future developments. 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 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 gross domestic product, the unemployment rate and real estate prices.

Hedge accounting – IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management procedures. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities. IFRS 9 generally expands and simplifies the possibility of applying hedge accounting by, for example, enabling a broader inclusion of non-financial assets or derivatives among hedged items and simplifying the assessment of hedge effectiveness.

Given the delayed application of part of IFRS 9 in respect of macro hedge accounting, it is possible to follow the guidance under IAS 39 on hedge accounting until the date of the effectiveness of the full version of IFRS 9. From 1 January 2018 onwards, the Group has decided to continue to treat hedge accounting in line with IAS 39 rather than the existing guidance under IFRS 9.

The Group adopted IFRS 9 with the effective date on 1 January 2018. Upon initial recognition as of 1 January 2018, the effect of changes in the impairment of financial assets was recognised, on a one-off basis, through equity. Ongoing changes subsequent to 1 January 2018 arising from the new provisioning requirements are reported in the statement of comprehensive income.

The Group elected not to restate comparative information as permitted by the transitional provisions of IFRS 9. Therefore the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018.

On 27 December 2017, the European Parliament issued Regulation (EU) 2017/2395 regarding transitional arrangements following the introduction of IFRS 9. The regulation makes it possible to select from two approaches to reporting the impact of the introduction of IFRS 9 on regulatory capital:

1. Gradual reporting of the full impact over a five-year transitional period; and
2. Reporting the full impact on the date on which the standard is introduced.

The Group has decided to adopt the second approach.

Restatement of the Consolidated Statement of Financial Position as at 31 December 2017 due to the implementation of IFRS 9

ASSETS	31. 12. 2017 IAS 39	ASSETS	Reclassification	Remeasurement	1. 1. 2018 IFRS 9
Cash and balances with central banks	8,621,302	Cash, cash balances at central banks and other demand deposits	8,621,302	–	8,621,302
Securities at fair value through profit or loss	156,446	Securities held for trading	156,446	–	156,446
Positive fair value of financial derivative transactions	3,859,416	Trading derivatives	1,566,987	–	1,566,987
		Hedging derivatives	2,292,429	–	2,292,429
Securities available for sale	603,654	Financial assets at fair value through other comprehensive income	603,654	–	603,654
Loans and advances to financial institutions	105,330,023	Financial assets at amortised costs – loans and advances to financial institutions	103,587,998	–	103,587,998
		Cash, cash balances at central banks and other demand deposits	1,742,025	–	1,742,025
Loans and advances to customers	224,038,925	Financial assets at amortised costs – loans and advances to customers	221,973,696	(308,494)	221,665,202
		Financial assets at amortised costs – debt securities	2,065,229	–	2,065,229
Provisions for loans and advances	(5,056,480)	Financial assets at amortised costs – loans and advances to financial institutions	(4,903)	–	(4,903)
		Financial assets at amortised costs – loans and advances to customers	(5,046,572)	84,480	(4,962,092)
		Financial assets at amortised costs – debt securities	(5,005)	1,228	(3,777)
Fair value remeasurement of portfolio-remeasured items (loans and advances to customers)	(1,259,634)	Fair value remeasurement of portfolio-remeasured items (loans and advances to customers)	(1,259,634)	–	(1,259,634)
Current tax asset	7,886	Current tax asset	7,886	–	7,886
Deferred tax asset	10,075	Deferred tax asset	10,075	–	10,075
Other assets	1,468,095	Other assets	1,468,095	–	1,468,095
Equity investments in associates	38,108	Equity investments in associates	38,108	–	38,108
Intangible fixed assets	2,369,212	Intangible fixed assets	2,369,212	–	2,369,212
Property and equipment	1,595,258	Property and equipment	1,595,258	–	1,595,258
Investment property	916,682	Investment property	916,682	–	916,682
TOTAL ASSETS	**342,698,968**	**TOTAL ASSETS**	**342,698,968**	**(222,786)**	**342,476,182**

LIABILITIES AND SHAREHOLDERS' EQUITY	31. 12. 2017 IAS 39	LIABILITIES AND SHAREHOLDERS' EQUITY	Reclassification	Remeasurement	1. 1. 2018 IFRS 9
Liabilities					
Amounts owed to financial institutions	31,372,154	Financial liabilities at amortised costs – amounts owed to financial institutions	31,372,154	–	31,372,154
Amounts owed to customers	251,731,818	Financial liabilities at amortised costs – amounts owed to customers	251,731,818	–	251,731,818
Fair value remeasurement of portfolio-remeasured items (amounts owed to customers)	(1,848,943)	Fair value remeasurement of portfolio-remeasured items (amounts owed to customers)	(1,848,943)	–	(1,848,943)
Negative fair value of financial derivative transactions		Trading derivatives	1,653,426	–	1,653,426
	4,624,766	Hedging derivatives	2,971,340	–	2,971,340
Deferred tax liabilities	101,118	Deferred tax liabilities	101,118	22,947	124,065
Issued debt securities	19,473,226	Financial liabilities at amortised costs – issued debt securities	19,473,226	–	19,473,226
Provisions		Provisions	1,093,396	28,415	1,121,811
	1,422,192	Current tax liabilities	328,796	–	328,796
Other liabilities		Other liabilities	5,199,084	–	5,199,084
	5,204,910	Financial liabilities at amortised costs – other financial liabilities	5,826	–	5,826
Subordinated liabilities and bonds	2,712,697	Financial liabilities at amortised costs – subordinated liabilities and bonds	2,712,697	–	2,712,697
TOTAL LIABILITIES	**314,793,938**	**TOTAL LIABILITIES**	**314,793,938**	**51,362**	**314,845,300**
Shareholders' equity					
Share capital	11,060,800	Share capital	11,060,800	–	11,060,800
Reserve fund	693,918	Reserve fund	693,918	–	693,918
Gains and losses from revaluation	105,796	Gains and losses from revaluation	105,796	–	105,796
Retained earnings	10,345,592	Retained earnings	10,345,592	(274,148)	10,071,444
Other capital instruments	2,615,354	Other capital instruments	2,615,354	–	2,615,354
Profit for the year	3,083,570	Profit for the year	3,083,570	–	3,083,570
Total shareholders' equity	**27,905,030**	**Total shareholders' equity**	**27,905,030**	**(274,148)**	**27,630,882**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**342,698,968**	**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY**	**342,698,968**	**(222,786)**	**342,476,182**

Shares and participation certificates classified as *„Securities available for sale"* under IAS 39 have been classified as *„Financial assets at fair value through other comprehensive income"* under IFRS 9. Changes in remeasurement in respect of those assets are recognised in other comprehensive income as *„Gains/(losses) from re-measurement of equity instruments at fair value through other comprehensive income"* and will not be reclassified to profit or loss.

Owing to changes in the methodology of calculating provisions for credit risk, the aggregate impact of the initial application of IFRS 9 on the Group's equity as of 1 January 2018 amounted to CZK (274,148) thousand including the tax effect.

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.

(b) Newly Applied Standards and Interpretations the Application of which Had No Significant Impact on the Interim Consolidated Financial Statements

During the year 2018, the following standards, interpretations and amended standards issued by the IASB and adopted by the EU took effect:

- **Amendments to IFRS 2 *"Share–based Payment"*** – Classification and Measurement of Share–based Payment Transactions (effective for annual periods beginning on or after 1 January 2018);

- **Amendments to IFRS 4 *"Insurance Contracts"*** – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – adopted by the EU on 3 November 2017 (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 *"Financial Instruments"* is applied first time);

- **Amendments to various standards due to *"Improvements to IFRSs (cycle 2014–2016)"*** resulting from the annual improvement project of IFRS (IFRS 1 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (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); and

- **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 in Issue but Not Yet Effective

As of the approval date 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"*** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019);

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 estimated effect of IFRS 16 on the Group's consolidated statement of financial position due to recognition of right–of–use assets and leasing liabilities is expected to amount to approximately CZK 1,145 million.

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

(d) Standards and Interpretations issued by the 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 the IASB. The exception are the following standards, amendments and interpretations that were not adopted for use in the EU as of the consolidated financial statements approval date (the effective dates listed below are for IFRS issued by the IASB):

- **IFRS 14 *"Regulatory Deferral Accounts"*** (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;

- **IFRS 17 *"Insurance Contracts"*** (effective for annual periods beginning on or after 1 January 2021);

- **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 (effective date deferred indefinitely until the research project on the equity method has been concluded);

- **Amendments to IAS 19 *"Employee Benefits"*** – Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019);

- **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)"*** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019);

- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for financial years beginning on or after 1 January 2020);

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

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.

6. COMPANIES INCLUDED IN THE CONSOLIDATION

As of 30 June 2018, the Group comprised the following entities:

Company	The Bank's effective holding in % 2018	The Bank's effective holding in % 2017	Indirect holding through	Consolidation method in 2018	Registered office
Raiffeisen investiční společnost a.s.	100%	100%	–	Full method	Praha
Raiffeisen Direct Investments CZ s.r.o.	100%	100%	–	Full method	Praha
Raiffeisen – Leasing, s.r.o.	100%	100%	–	Full method	Praha
Raiffeisen FinCorp, s.r.o.	100%	100%	Raiffeisen – Leasing, s.r.o.	Full method	Praha
Appolon Property, s.r.o.	100%	100%	Raiffeisen – Leasing, s.r.o.	Full method	Praha
PZ PROJEKT a.s.	100%	100%	Raiffeisen – Leasing, s.r.o.	Full method	Praha
Luna Property, s.r.o.	100%	100%	Raiffeisen – Leasing, s.r.o.	Full method	Praha
Gaia Property, s.r.o.	100%	100%	Raiffeisen – Leasing, s.r.o.	Full method	Praha
RLRE Carina Property, s.r.o.	100%	100%	Raiffeisen – Leasing, s.r.o.	Full method	Praha
Orchideus Property, s. r. o.	100%	100%	Raiffeisen – Leasing, s.r.o.	Full method	Praha
Viktor Property, s.r.o.	100%	100%	Raiffeisen – Leasing, s.r.o.	Full method	Praha
Czech Real Estate Fund (CREF) B.V.	100%	100%	–	Full method	Amsterdam
RDI Management s.r.o.	100%	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Praha
RDI Czech 1 s.r.o.	100%	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Praha
RDI Czech 3 s.r.o.	100%	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Praha
RDI Czech 4 s.r.o.	100%	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Praha
RDI Czech 5 s.r.o.	100%	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Praha
RDI Czech 6 s.r.o.	100%	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Praha
Flex-space Plzeň I., s.r.o.	–	50%	Czech Real Estate Fund (CREF) B.V.	Equity method	Praha
Nordica Office, s.r.o.	50%	50%	Raiffeisen Direct Investments CZ s.r.o.	Equity method	Praha
Karlín park a.s.	50%	50%	Raiffeisen Direct Investments CZ s.r.o.	Equity method	Praha

As of 30.6.2018, the Group has not included in its consolidation following companies due to its immateriality: Ambrosia Property, s.r.o., Apaté Property, s.r.o., Fobos Property, s.r.o., Hermes Property, s.r.o., Hestia Property, s.r.o., Janus Property, s.r.o., Kaliopé Property, s.r.o., Kalypso Property, s.r.o., Létó Property, s.r.o., Médea Property, s.r.o., Melete Property, s.r.o., RESIDENCE PARK TŘEBEŠ, s.r.o., Sky Solar Distribuce s.r.o..

From 1 January 2018 to 30 June 2018 the Group sold the following companies: Flex-space Plzeň I, s.r.o., Áté Property, s.r.o., Hémerá Property, s.r.o, Polymnia Property, s.r.o., and purchased Ambrosia Property, s.r.o., Apaté Property, s.r.o., Fobos Property, s.r.o. and Melete Property, s.r.o..

With the exception of the above mentioned changes the structure of the Consolidation Group is the same as the structure as of 31 December 2017.

7. SIGNIFICANT EVENTS IN 2018

Changes in the Board of Directors

Mr. Martin Stotter was appointed as a new Member of the Board of Directors on 15 April 2018.

Changes in the Supervisory Board

On 24 April 2018 Mr. Martin Grüll resigned as a member of the Supervisory Board and Mr. Lukasz Januszewski and Mr. Andrii Stepanenko were elected as members of the Supervisory Board. Mr. Lukasz Januszewski was elected as Chairman of the Supervisory Board on 8 May 2018.

Profit for 2017 distribution and dividend payment

Shareholders on regular general meeting of the Bank in April 2018 agreed on profit distribution for year 2017 in amount CZK 2,824.7 million. Amount of CZK 1,519.2 million was used for dividend payment to shareholders for year 2017 and amount of CZK 1,305.4 million was transferred into Bank's retained earnings. Dividend payment took place in May 2018. From Bank's retained earnings coupon in amount CZK 178.7 million was paid to the holders of AT1 capital investment certificates.

8. NET INTEREST INCOME

CZK thousand	30. 6. 2018	30. 6. 2017
Interest income arising from		
Trading derivatives, net	215,293	n/a
Financial derivatives in the banking portfolio, net	5,324	98 464
Securities held for trading	1,821	4 147
Loans and advances to financial institutions	378,240	50 611
Loans and advances to customers	3,598,692	3 517 658
Hedging derivatives - interest rate risk, net	5,110	132 530
Interest income on financial liabilities	6,144	8 714
Total interest income and similar income	**4,210,624**	**3,812,124**
Interest expense arising from		
Deposits from financial institutions	(131,342)	(110,621)
Deposits from customers	(201,929)	(173,900)
Securities issued	(68,955)	(143,976)
Subordinated liabilities	(40,307)	(42,546)
Securitisation	(125,202)	(131,729)
Interest expense on financial assets at amortised costs	(1,456)	(2,279)
Total interest expense and similar expense	**(569,191)**	**(605,051)**
Net interest income	**3,641,433**	**3,207,073**

Since 1 January 2018 the Group has begun to report interest income and interest expense arising from trading derivatives under *„Interest income arising from trading derivatives, net"*.

In *„Hedging derivatives – interest rate risk, net"*, the Group reports net interest expense from hedging financial derivatives upon a cash flow hedge of CZK (39,446) thousand (2017: CZK (14,739) thousand), net interest expense from hedging financial derivatives upon a fair value hedge of mortgage loans of CZK (13,304) thousand (2017: CZK (115,528) thousand), net interest expense from hedging financial derivatives upon a fair value hedge of debt securities of CZK (3,160) thousand (2017: CZK 0 thousand), net interest income from hedging financial derivatives upon a fair value hedge of term deposits and the portfolio of current and savings accounts of CZK 42,337 thousand (2017: CZK 245,888 thousand) and net interest income from hedging financial derivatives upon a fair value hedge of securities issued of CZK 18,683 thousand (2017: CZK 16,909 thousand).

9. NET FEE AND COMMISSION INCOME

CZK thousand	30. 6. 2018	30. 6. 2017
Fee and commission income arising from		
Securities transactions	44,663	44,404
Clearing and settlement	1,024,170	1,003,712
Asset management	14,739	19,416
Custody	22,538	19,854
Customer resources distributed but not managed	66,952	91,062
Financial guarantees given	81,975	70,127
Administration of funds and distribution of participation certificates	113,788	105,550
Other banking services	42,685	50,912
Total fee and commission income	**1,411,510**	**1,405,037**
Fee and commission expense arising from		
Clearing and settlement	(367,817)	(395,439)
Custody	(1,101)	(2,984)
Financial guarantees received	(3,662)	(5,671)
Other services	(48,617)	(39,112)
Total fee and commission expense	**(421,197)**	**(443,206)**
Net fee and commission income	**990,313**	**961,831**

10. GENERAL ADMINISTRATIVE EXPENSES

CZK thousand	30. 6. 2018	30. 6. 2017
Payroll costs	**(1,572,453)**	**(1,619,611)**
Administrative expenses	**(1,227,034)**	**(1,255,793)**
Rental, repairs and other office management service expenses	(249,398)	(269,283)
Advertising costs	(170,636)	(191,575)
Costs of legal and advisory services	(185,448)	(157,028)
IT support costs	(194,332)	(189,350)
Deposit and transaction insurance	(46,771)	(44,429)
Telecommunication, postal and other services	(41,986)	(69,767)
Security costs	(21,025)	(26,253)
Training costs	(11,231)	(7,816)
Office equipment	(10,714)	(12,390)
Travel costs	(10,490)	(10,038)
Fuel	(8,794)	(22,004)
Contribution to the Single Resolution Fund	(257,825)	(220,783)
Other administrative expenses	(18,384)	(35,077)
Depreciation and amortisation of fixed assets	**(410,628)**	**(361,786)**
Total	**(3,210,115)**	**(3,237,190)**

11. LOANS AND RECEIVABLES TO CUSTOMERS AND DEBT SECURITIES

Classification of Loans and Advances to Customers and Debt Securities

CZK thousand	30. 6. 2018	31. 12. 2017
Overdrafts	4,623,085	2,478,996
Term loans	125,069,299	124,387,987
Mortgage loans	89,921,767	86,788,967
Financial Leasing	7,825,495	7,072,726
Debt securities	6,692,139	2,065,229
Other	6,499,483	1,245,020
Gross carrying amount	**240,631,268**	**224,038,925**
Provisions for loans and advances to customers and debt securities	**(4,816,637)**	**(5,051,577)**
Carrying amount	**235,814,631**	**218,987,348**

Analysis of Loans Provided to Customers and Debt Securities by Sector

CZK thousand	30. 6. 2018	31. 12. 2017
Debt securities	**6,692,139**	**2,065,229**
General governments	4,658,244	–
Non-financial corporations	2,033,895	2,065,229
Loans and advances to customers	**233,939,129**	**221,973,696**
General governments	1,571,149	1,813,322
Other financial corporations	23,223,270	17,616,169
Non-financial corporations	98,479,111	94,902,954
Households	110,665,599	107,641,251
Gross carrying amount	**240,631,2678**	**224,038,925**
Provisions for loans and advances to customers and debt securities	**(4,816,637)**	**(5,051,577)**
Carrying amount	**235,814,631**	**218,987,348**

The Group applies hedge accounting upon a fair value hedge of the portfolio of receivables from mortgage loans. The amount of the remeasurement of hedged items as of 30 June 2018 was CZK (1,483,271) thousand (as of 31 December 2017: CZK (1,259,634) thousand).

12. SECURITIES

CZK thousand	30. 6. 2018	31. 12. 2017
Securities held for trading	**351,801**	**n/a**
– debt securities	351,801	n/a
Securities at fair value through profit or loss	**n/a**	**156,446**
– debt securities	n/a	156,446
Financial assets at fair value through other comprehensive income	**631,754**	**n/a**
– shares and participation certificates	631,754	n/a
Securities available for sale (shares and participation certificates)	**n/a**	**603,654**
– shares and participation certificates	n/a	603,654
Total	**983,555**	**760,100**

Due to the adoption of IFRS9 the Group has changed the classification of equity instruments (shares and participation certificates) since 1 January 2018. Details of this change are described in the chapter 5. (a).

13. EQUITY INVESTMENTS IN ASSOCIATES

CZK thousand	30. 6. 2018	31. 12. 2017
Opening balance	**38,108**	**30,548**
Additions	–	–
Increase/(decrease) in net assets of associates	56,633	7,560
Disposals	–	–
Effect from the change in the scope of the consolidation	(5,141)	–
Closing balance	**89,600**	**38,108**

14. AMOUNTS OWED TO CUSTOMERS

Analysis of Amounts Owed to Customers by Type

CZK thousand	30. 6. 2018	31. 12. 2017
Current accounts/ overnight deposits	226,904,656	227,863,222
Term deposits with agreed maturity	7,416,629	8,344,512
Deposits redeemable at notice	14,502,397	15,394,584
Change in the remeasurement of hedged items in the fair value hedge accounting	114,913	129,500
Total	**248,938,595**	**251,731,818**

Analysis of Amounts Owed to Customers by Sector

CZK thousand	30. 6. 2018	31. 12. 2017
General governments	8,826,881	5,352,445
Other financial corporations	8,119,316	9,062,440
Non-financial corporations	84,226,870	96,894,567
Households	147,765,528	140,422,365
Total	**248,938,595**	**251,731,818**

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

The Group applies hedge accounting upon the fair value hedge of the current and savings accounts portfolio. The remeasurement of the hedged items as of 30 June 2018 was CZK: (2,270,264) thousand (as of 31 December 2017: CZK (1,848,943) thousand).

15. DEBT SECURITIES ISSUED

Analysis of Issued Debt Securities by Type

CZK thousand	30. 6. 2018	31. 12. 2017
Deposit certificates and depository bills of exchange	19,801,351	19,413,463
Bonds in issue	43,331	52,993
Mortgage bonds	5,190	3,450
Accumulated change in carrying amount due to fair value hedge accounting	–	3,320
Total	**19,849,872**	**19,473,226**

Analysis of Mortgage Bonds

CZK thousand							
				Nominal value		Net carrying value	
Date of issue	Maturity	ISIN	Currency	30. 6. 2018	31. 12.2017	30. 6. 2018	31. 12. 2017
5. 11. 2014	5. 11. 2019	XS1132335248	EUR	12,723,780	12,513,733	12,804,337	12,528,361
8. 3. 2017	8. 3. 2021	XS1574150261	EUR	5,186,531	5,087,737	5,194,729	5,108,659
8. 3. 2017	8. 3. 2023	XS1574150857	EUR	517,665	507,843	519,100	511,504
8. 3. 2017	8. 3. 2024	XS1574151236	EUR	1,278,574	1,253,171	1,283,185	1,264,939
8. 3. 2017	8. 4. 2022	XS1574149842	EUR	–	–	–	–
Total				**19,706,550**	**19,362,484**	**19,801,351**	**19,413,463**

16. SUBORDINATED LIABILITIES AND BONDS

(a) Subordinated Loan

CZK thousand	30. 6. 2018	31. 12. 2017
Raiffeisen Bank International AG (parent company)	2,634,545	2,586,645
Total	**2,634,545**	**2,586,645**

(b) Issue of Subordinated Bonds

CZK thousand							
Date of issue	**Date of maturity**	**ISIN**	**Currency**	**Nominal value**		**Net book value**	
				30. 6. 2018	**31. 12. 2017**	**30. 6. 2018**	**31. 12. 2017**
21.9.2011	21.9.2018	CZ0003702961	CZK	125 000	125 000	126 219	126 052
Total				**125 000**	**125 000**	**126 219**	**126 052**

17. PROVISIONS

CZK thousand	Provisions for legal disputes	Provisions for off balance sheet credit risk exposures	Provision for unused holiday	Provision for payroll bonuses	Provision for restructuring	Other provisions	Total
1. 1. 2017	**4,799**	**241,857**	**32,262**	**374,278**	**80,358**	**145,818**	**879,372**
Charge for provisions	82,040	198,105	19,513	642,970	–	200,048	**1,142,676**
Use of provisions	(1,000)	–	(26,960)	(374,278)	(31,609)	(29,321)	**(463,168)**
Release of redundant provisions	(3,000)	(240,509)	58	(173,911)	(32,290)	(13,866)	**(463,518)**
Foreign exchange rate differences	207	(1,617)	–	–	–	(556)	**(1,966)**
31. 12. 2017	**83,046**	**197,836**	**24,873**	**469,059**	**16,459**	**302,123**	**1,093,396**
Charge for provisions	–	28,405	8,290	324,948	–	–	**361,643**
Use of provisions	–	(10,163)	(16,417)	(407,562)	(682)	(7,139)	**(441,963)**
Release of redundant provisions	–	(28,075)	–	(67,175)	–	(7,927)	**(103,177)**
Foreign exchange rate differences	1,526	–	–	–	–	84	**1,610**
30. 6. 2018	**84,572**	**188,003**	**16,746**	**319,270**	**15,777**	**287,141**	**911,509**

„Other provisions" includes provisions for future potential payments arising from compensation for armed robberies, bonuses for clients, etc.

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the reporting period as shown in the statements of cash flows are composed of the following balances:

CZK thousand	30. 6. 2018	31. 12. 2017
Cash and accounts with central banks	4,910,768	8,621,302
Required minimum reserves	(1,331,563)	(4,966,162)
Other financial institutions' demand deposits	2,672,565	–
Placements with other financial institutions	–	605,709
Total cash and cash equivalents	**6,251,770**	**4,260,849**

During the year 2018 the Group has adjusted the definition of cash equivalents in the Cash flow statement due to the process alignment with the parent company. Since 1 January 2018 the Group reports other finacial institutions' demand deposits in cash equivalents.

19. CONTINGENT LIABILITIES

Legal Disputes

The Group reviewed legal proceedings outstanding against it as of 30 June 2018. Pursuant to the review of significant litigation matters in terms of the risk of potential losses and the probability of payment, the Group recognised provisions for significant litigations as of 30 June 2018 in the aggregate amount CZK 84,572 thousand (as of 31 December 2017: CZK 83,046 thousand).

Irrevocable Commitments, Guarantees and Issued Letters of Credit

CZK Thousand	30. 6. 2018	31. 12. 2017
Banks		
Provided commitments (irrevocable)	55,679	54,016
Guarantee commitments	61,917	34,591
Letters of credit issued	255,724	304,548
Total	**373,320**	**393,155**
Customers		
Provided commitments (irrevocable)	28,316,257	27,380,700
Guarantee commitments	17,375,315	15,342,105
Letters of credit issued	296,320	446,771
Total	**45,987,892**	**43,169,576**
Total	**46,361,212**	**43,562,731**

20. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

For calculation of estimated fair value of financial assets and liabilities the Group used methods and estimations which are in accordance with the newly adopted standard IFRS 9.

The following table shows the carrying amounts and fair values of financial assets and liabilities that are not reported at fair value in the Statement of Financial Position:

30 .6. 2018 CZK thousand	Level 1	Level 2	Level 3	Fair value	Carrying amount	Difference
Assets						
Cash and balances with central banks	–	–	7,583,334	7,583,334	7,583,334	–
Loans and advances to financial institutions	–	–	91,236,116	91,236,116	91,236,116	–
Loans and advances to customers*	–	–	232,726,932	232,726,932	229,125,840	3,601,092
Debt securities			6,609,927	6,609,927	6,688,791	(78,864)
Liabilities						
Amounts owed to financial institutions	–	–	38,047,482	38,047,482	38,022,976	24,506
Amounts owed to customers	–	–	240,301,271	240,301,271	248,938,595	(8,637,324)
Debt securities issued	–	–	20,072,258	20,072,258	19,849,872	222,386
Subordinated liabilities	–	–	2,821,839	2,821,839	2,760,764	61,075

* including provisions for loans and advances

31.12.2017 CZK thousand	Level 1	Level 2	Level 3	Fair value	Carrying amount	Difference
Assets						
Cash and balances with central banks	–	–	8,621,302	8,621,302	8,621,302	–
Loans and advances to financial institutions	–	–	105,330,023	105,330,023	105,330,023	–
Loans and advances to customers*	–	–	224,928,191	224,928,191	218,982,445	5,945,746
Securities held to maturity	–	–	–	–	–	–
Liabilities						
Amounts owed to financial institutions	–	–	31,417,900	31,417,900	31,372,154	45,746
Amounts owed to 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	–	–	2,827,631	2,827,631	2,712,697	114,934

* including provisions for loans and advances

Following table shows financial instruments at fair value split by levels, used for calculation of their fair value as at 30 June 2018:

Financial instruments at fair value

CZK thousand	Fair Value at 30. 6. 2018			Fair Value at 31. 12. 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Positive fair values of financial derivative instruments held for trading	–	2,001,858	–	–	1,566,987	–
Securities held for trading	265,142	–	86,659	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	–	2,594,462	–	–	2,292,429	–
Financial assets at fair value through other comprehensive income	–	–	631,754	n/a	n/a	n/a
Securities available for sale	n/a	n/a	n/a	–	–	603,654
Total	**265,142**	**4,596,320**	**718,413**	**70,793**	**3,859,416**	**689,307**

CZK thousand	Fair Value at 30. 6.2018			Fair Value at 31. 12.2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Negative fair values of financial derivative instruments held for trading	–	1,368,831	–	–	1,653,426	–
Negative fair values of hedging derivatives	–	3,244,393	–	–,	2,971,340	–
Total	**–**	**4,613,224**	**–**	**–**	**4,624,766**	**–**

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

The Level 2 category is the category of financial instruments measured at fair value determined based in 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 rate and currency rates by individual contracts. The discount factor is derived from market rates. For securities at fair value through profit or loss held for trading, the fair value is calculated on the basis of discounted future cash flows. The discount factor is derived from market rates.

The 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 based on the data observable on the market (Level 3 instruments).

2018

CZK thousand	Financial assets at fair value through profit and loss (securities held for trading)	Financial assets at fair value through other comprehensive income	Total
Balance at 1.1.2018	**85,653**	**603,654**	**689,307**
Transfer to Level 3	–	–	**–**
Purchases	1,525	–	**1,525**
Comprehensive income/(loss)	(519)	28,100	**27,581**
– in the income statement	(519)	–	**(519)**
– in equity	–	28,100	**28,100**
Sales/settlement	–	–	**–**
Transfer from Level 3	–	–	**–**
Balance at 30. 6. 2018	**86,659**	**631,754**	**718,413**

2017

CZK thousand	Securities at fair value through profit or loss	Securities available for sale	Total
Balance at 1.1.2017	**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	–	9,352	**9,352**
Sales/settlement	(120,480)	–	**(120,480)**
Transfer from Level 3	–	–	**–**
Balance at 31. 12. 2017	**85,653**	**603,654**	**689,307**

The Group measures securities held for trading at fair value through profit or loss using the technique of discounted future cash flows. 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 that is 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 financing of the Group 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 on the basis of 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 fair value through other comprehensive income"* primarily comprises an investment in Raiffeisen stavební spořitelna, a.s. of CZK 465,000 thousand (2017: CZK 464,701 thousand) and the Group's membership in Visa Inc. in the amount of CZK 165,895 thousand (2017: CZK 138,111 thousand).

21. 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 calculated and presented on a margin basis. For this reason, the interest income and expenses and fee and commission 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
- 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 and securities.

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 profit/(loss) on financial operations, movements in provisions, general operating expenses, income tax, and volume of client and non-client assets and liabilities by segment. Other profit and loss items are not monitored by segment.

A major part of the Group's income is generated in the Czech Republic from transactions with clients 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 client nor a group of related parties where the income from transactions with it would account for more than 10 percent of the Group's total income.

At 30. 6. 2018 CZK thousand	Corporate entities	Retail clients	Treasury	Other	Reconciliation to the statement of comprehensive income	Total
Profit and loss account:						
Net interest income	1,197,203	2,320,086	(31,665)	186,333	(30,524)	**3,641,433**
Net fee and commission income	642,278	1,023,676	(14,595)	(13)	(661,033)	**990,313**
Net profit on financial operations	(16,684)	67	50,768	4,081	661,033	**699,265**
Net profit from hedge accounting	–	–	7,124	–	–	**7,124**
Net impairment on financial assets	55,320	(253,620)	0	(2,645)	–	**(200,945)**
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	–	–	–	878	–	**878**
Other operating expenses	(824,977)	(2,025,152)	(109,300)	64,980	–	**(2,894,449)**
Dividend income	–	–	–	–	30,524	**30,524**
Share in income of associated undertakings	–	–	–	–	57,193	**57,193**
Profit before tax	**1,053,140**	**1,065,057**	**(97,668)**	**253,614**	**57,193**	**2,331,336**
Income tax	(205,223)	(194,071)	(3,502)	(19,569)	–	**(422,365)**
Profit after tax	**847,917**	**870,986**	**(101,170)**	**234,045**	**57,193**	**1,908,971**
Assets and liabilities:						
Total assets	**113,783,994**	**121,390,404**	**103,735,077**	**7,323,815**	**–**	**346,233,290**
Total liabilities	**70,140,751**	**168,078,088**	**75,123,984**	**4,941,363**	**–**	**318,284,186**

At 30. 6. 2017 CZK thousand	Corporate entities	Retail clients	Treasury	Other	Reconciliation to the statement of comprehensive income	Total
Profit and loss account:						
Net interest income	1,237,944	2,221,319	(265,535)	44,020	(30,675)	**3,207,073**
Net fee and commission income	678,797	1,016,519	(13,178)	369	(720,676)	**961,831**
Net profit/(loss) on financial operations	124,393	63,865	449,005	1,320	720,676	**1,359,259**
Movements in provisions	(53,727)	(66,181)	–	–	–	**(119,908)**
Other operating expenses	(729,997)	(2,119,434)	(109,400)	(85,671)	–	**(3,044,502)**
Dividend income	–	–	–	–	30,675	**30,675**
Share in income of associated undertakings	–	–	–	–	14,636	**14,636**
Profit before tax	**1,257,410**	**1,116,088**	**60,892**	**(39,962)**	**14,636**	**2,409,064**
Income tax	(201,354)	(212,217)	(43,704)	(30,810)		**(488,085)**
Profit after tax	**1,056,056**	**903,871**	**17,188**	**(70,772)**	**14,636**	**1,920,979**
Assets and liabilities:						
Total assets	**110,455,053**	**111,634,549**	**137,425,410**	**9,824,789**	**–**	**369,339,801**
Total liabilities	**93,639,327**	**152,374,478**	**86,273,937**	**11,401,028**	**(1,920,979)**	**341,767,791**

22. RELATED PARTY TRANSACTIONS

Balance sheet items

CZK thousand At 30. 6. 2018	Parent company and Entities with significant influence over the Group	Other	Total
Receivables	1,685,890	363,820	**2,049,710**
Payables	15,591,643	25,745,733	**41,337,376**
Subordinated loan	2,634,545	–	**2,634,545**
Guarantees issued	15,222	261,451	**276,673**
Guarantees received	–	378,326	**378,326**
At 31. 12. 2017			
Receivables	890,583	570,367	**1,460,950**
Payables	17,456,858	18,807,339	**36,264,197**
Subordinated loan	2,586,645	–	**2,586,645**
Guarantees issued	15,222	304,250	**319,472**
Guarantees received	885,032	325,000	**1,210,032**

Profit and loss items

CZK thousand At 30.6.2018	Parent company and Entities with significant influence over the Group	Other	Total
Interest income	904,904	1,266	**906,170**
Interest expense	(936,180)	(137,095)	**(1,073,275)**
Fee and commission income	11,650	6,879	**18,529**
Fee and commission expense	(5,286)	(31,523)	**(36,809)**
Dividend income	–	30,524	**30,524**
Net profit or loss on financial operations	(65,273)	(66,949)	**(132,222)**
Net profit or loss from hedge accounting	(231,835)	14,588	**(217,247)**
At 30.06.2017			
Interest income	515,322	2,764	**518,086**
Interest expense	(389,711)	(99,305)	**(489,016)**
Fee and commission income	15,269	5,659	**20,928**
Fee and commission expense	(10,415)	(35,640)	**(46,055)**
Dividend income	–	30,675	**30,675**
Net profit or loss on financial operations	(1,670,387)	66,340	**(1,604,047)**

Significant loss in line *„Net profit or loss on financial operations"* as of 30. 6. 2017 is caused by negative revaluation of derivatives in hedge accounting and non-hedging derivatives concluded with parent company. There is positive revaluation of hedged item in interim consolidated statement of comprehensive income in line *"Net profit or loss on financial operations"*, but this amount is not reported as related party transaction.

23. POST BALANCE SHEET EVENTS

On 1 July 2018 Mr. Vladimír Matouš was appointed a Member of the Board of Directors and replaced Mr. Milan Hain whose membership was terminated on 30 June 2018.

The Group purchased remaining 80% of voting rights in Czech Real Estate Fund (CREF) B.V. on 22 August 2018.

On 31 August 2018 a change in the shareholder company holding 25% share of the voting power and share capital of the Bank took place due to the merge of RB Prag Beteiligungs GmbH with RLB OÖ Sektorholding GmBH, whereas RLB OÖ Sektorholding GmBH became a successor company. As a result the direct shareholder of the Bank holding 276,520 shares (25%) was changed.

No further events that would have a material impact on the interim consolidated financial statements for the period ended 30 June 2018 occurred subsequent to the balance sheet date.

Persons responsible for the Consolidated Semi-Annual Report

We declare that to the best of our knowledge, the Consolidated Semi-Annual Report 2018 provides a true and fair view of the financial situation, business activity and profit (loss) of the issuer and its Consolidation Group for the past accounting period as well as of the expected development of financial situation, business activity and profit (loss).

This consolidated semi-annual report has been authorized for issue on 18 September 2018.

Igor Vida
Chairman of the Board of Directors
Raiffeisenbank a.s.

Tomáš Jelínek
Chief Financial Officer and Executive Director
Raiffeisenbank a.s.

Contacts

Raiffeisenbank a.s.
Hvězdova 1716/2b
140 78 Prague 4
IČ: 492 40 901

Tel.: 234 401 111
Fax: 234 402 111
info@rb.cz
www.rb.cz