Raiffeisen BANK

Client inspired banking

ANNUAL REPORT 2019

Annual Report 2019

Raiffeisen BANK

Client inspired banking

Contents

Survey of Key Data

Unconsolidated data according to IFRS

In CZK thousand	2019	2018	2017	2016	2015
Income Statement					
Net interest income	8,539,209	7,290,089	6,184,282	6,286,222	6,104,446
Net commission income	1,688,724	1,863,240	1,919,411	1,694,634	1,834,722
Net profit on financial operations	1,207,882	1,412,533	2,263,562	2,060,374	1,258,742
Operating expenses*	(6,662,551)	(5,818,506)	(6,041,385)	(6,112,611)	(5,074,645)
Profit before tax	4,914,469	4,176,273	3,924,552	3,286,780	3,154,783
Profit after tax	4,187,741	3,364,971	2,824,658	2,604,336	2,538,362
Earnings per share	3.79	3.04	2.55	2.35	2.29
Balance Sheet					
Loans and advances to banks	87,042,951	99,358,402	103,583,094	5,664,472	4,047,655
Loans and advances to customers	246,644,197	234,091,842	214,944,301	207,686,359	182,790,328
Deposits from banks	21,900,262	32,135,721	27,379,967	29,489,006	10,385,876
Deposits from customers	290,690,817	271,118,509	252,076,227	227,462,765	183,704,256
Equity	32,702,936	28,782,198	27,186,990	25,082,887	24,395,816
Balance-sheet total	370,714,816	362,563,907	337,874,148	318,278,079	246,325,030
Regulatory information					
Risk-weighted assets (credit risk)	145,796,351	139,427,627	111,400,113	108,319,196	102,492,155
Total own funds requirement	13,149,251	12,726,551	10,434,868	10,111,265	9,538,983
Total regulatory capital	30,773,820	26,909,407	23,074,380	22,145,560	21,171,347
Excess cover ratio	16.5 %	14.9 %	16.1 %	15.4 %	15.4 %
Tier 1 ratio – Basel III	18.7 %	16.9 %	17.7 %	17.5 %	17.8 %
Performance					
Return on average equity (ROAE) before tax	16.1 %	15.2 %	15.9 %	14.2 %	14.4 %
Return on average equity (ROAE) after tax	13.7 %	12.3 %	11.4 %	11.2 %	11.6 %
Cost/income ratio	56.0 %	53.9 %	58.1 %	59.4 %	54.6 %
Return on average assets (ROAA) before tax	1.3 %	1.2 %	1.1 %	1.1 %	1.3 %
Return on average assets (ROAA) after tax	1.1 %	1.0 %	0.8 %	0.9 %	1.1 %
Net provisioning ratio	0.1 %	0.2 %	0.1 %	0.3 %	0.5 %
Non-performing loans ratio	1.7 %	1.8 %	2.5 %	3.6 %	4.7 %
Risk/earnings ratio	2.8 %	7.5 %	4.2 %	8.6 %	11.5 %
Resources as of reporting date					
Recalculated number of staff	2,966	2,972	2,900	3,030	2,656
Business outlets	128	128	124	136	122

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

On 7 June 2019, the Bank was awarded the following rating:

Rating agency	Long-term rating	Short-term rating	Outlook
Moody's Investors Service	A3	Prime-1	Stable

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 2019 as **the Most Client-Friendly Bank of the Year for the fifth 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.

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 2019

Products

On 1 January, Raiffeisenbank started offering the savings account eKonto XL with an interest rate of 3%

On the evening of Friday, 1 February, the number 3% was lit up on the City Tower building in the Prague neighbourhood of Pankrác, the symbol of the marketing campaign for the savings account eKonto XL. Preparations for the event took one week, and the actual implementation took one hour with the active participation of 24 volunteering employees. To create the lighting effect, 572 window blinds needed to be closed between the 8th and 19th floors and 107 windows needed to be lit up. Raiffeisenbank has had its headquarters in the City Tower building since 2008, and it is one of the largest tenants in the building.

Benefits in the form of 3% interest has attracted more than 22,000 new clients, and the bank has paid CZK 50 million in interest. The eKonto XL account took 1st place in the competition Financial Product of the Year 2019 in the category of Savings Accounts up to CZK 300,000. Thus, independent professionals have confirmed the quality of the savings product, which in 2019 offered unbeatable terms for small savers..

We offered entrepreneurs a loan with interest of a maximum of 5.9%

As a part of the spring business days, we offered entrepreneurs and firms with annual turnover of up to CZK 50 million advantageous services for their development. The benefits were more than in the past and covered all phases of business. The largest attraction was the interest rate for business loans of a maximum of 5.9% p.a.

Raiffeisen investiční společnost purchased two buildings for its real estate fund

Raiffeisen investiční společnost purchased additional real estate for the Raiffeisen real estate fund. These are two industrial buildings near Nýřany in the Plzeň Region. The value of the transaction exceeded an equivalent of CZK 600 million. The broker for the transaction was the company CBRE.

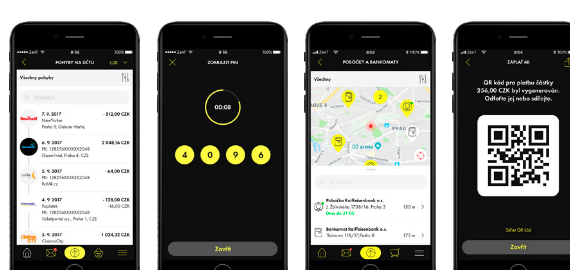
Raiffeisenbank received a higher rating from Moody's

The ratings agency Moody's updated the rating for long-term deposits, mortgage bonds, and several other Raiffeisenbank indicators. A positive outlook from the previous period translated into a rating increase from Baa1 to A3.

Many improvements have been made to the mobile application. We added more than 50 new functions!

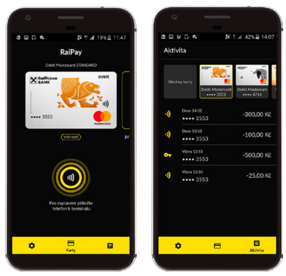
What were the main new developments in 2019?

- Confirming payments with a fingerprint or Face ID.
- Displaying PINs for debit and credit cards, using bonuses for credit cards.
- SEPA payments.
- Displaying the logo and place of purchase with your card at retailers.
- Personalisation of the home page.
- Setting up alerts for transactions and account balances.
- Promon Shield – app malware protection.
- CRM Push notifications.
- New banners o the home page and on product details.
- Instalments on transactions.
- Cash on accounts.
- Credit Line Increase Program.
- PPI for loans and mortgages.
- Opening a savings account.



We have launched NFC payments for Android phones

Starting in September 2019, we offer clients the RaiPay application used for payments over mobile phones and contactless withdrawals from ATMs. The application permits the digitalisation of Raiffeisenbank debit and credit cards on Android smart phones.

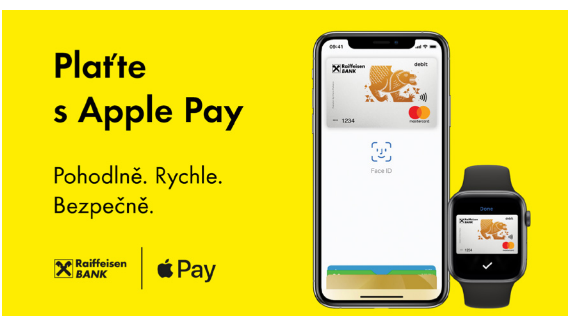


Four out of five Raiffeisenbank ATMs are contactless, withdrawals are safer

Now 80% of Raiffeisenbank ATMs have a contactless reader, thanks to which you can withdraw money with your card or using your phone or watch with Apple Pay and RaiPay.

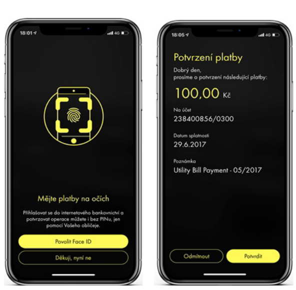
We have joined Apple Pay

In October 2019, we joined Apple Pay. Now contactless payments are allowed using your iPhone and Apple Watch.



We launched a safe and modern way to log in to Internet banking – RB key

The application is available for download in the Apple Store and on Google play, and the app can be used to log in to Internet banking or to certify a payment transaction with a PIN or biometrics. The RB key app saves clients time because you will no longer need to copy codes from an SMS. Another advantage is easier management of finances thanks to the modern technology using biometrics (fingerprint, Face ID ...). Last but not least, the app is safer when logging in to Internet banking and confirming transactions.



We introduced instant payments

Clients of our bank do not have to worry about whether it is a standard or instant payment. If a transaction complies with the terms for instant payments, i.e. up to CZK 400,000, in Czech crowns, and sent to one of the receiving banks, it is automatically sent as an instant payment. The price of instant payments is the same as standard payments, and is free of charge as a part of tariffs.

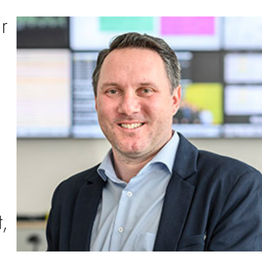
Personnel changes

Jiří Zelinka becomes the new director of Friedrich Wilhelm Raiffeisen Private Banking

Raiffeisenbank has a new director for Friedrich Wilhelm Raiffeisen Private Banking, Jiří Zelinka. Since March 2019, Jiří manages an experienced team of professionals who design optimal strategies for clients to enhance their assets.

New members of the IT division

2019 was a very demanding year for IT. This is why we decided to boost the management.



In January, Petr Štengl joined the IT team at Raiffeisenbank in the position of IT Operations director. His key task is adjustment, simplifying, and automating operations and infrastructure processes and increasing cooperation with the business sections of the bank.

In February 2019, Jana Křížová joined the IT team as the new manager of the IT Transformation Department. Her key role at Raiffeisenbank is to handle all activity relating to DevOps.

In March, Štefan Németh became the new director of IT Development. His goal in the new position is to shorten time-to-market, increase the quality of SW systems, and to keep up with new technological trends around the world.

We entrusted the Workout Department to the world vice-champion in sumo wrestling

Jaroslav Poříz became the new director of the Corporate Debt Collection Department. In his new role, Jaroslav can take advantage of his many years of experience in the field as well as his experience from top-level sports in a discipline that is all about hard work and overcoming obstacles.

The employees of Raiffeisenbank elect the members of the supervisory board; two women also took the lead.

Raiffeisenbank employees elected four new members to expand the bank's Supervisory Board. Of the ten nominees, including three women in the employee elections, two were successful. The company's Supervisory Board consists of a total of twelve members, one third of whom are entrusted to employees.

The new faces in the Supervisory Board are certainly not new to Raiffeisenbank. Kamila Šťastná, director of the corporate banking team, has been working at the bank for twenty years, as has Michal Přádka, regional director in North Moravia. Helena Horská, Chief Economist, has been with Raiffeisenbank since 2004. The last of the newly elected members, Director of Operational Risk, Pavel Hruška, joined the bank just one year later – in 2005.

Taťána le Moigne is a new member Raiffeisenbank's Supervisory Board since August 2019

Taťána le Moigne, Regional Director of Google in the Czech Republic, Hungary, Romania, and Slovakia, was elected as an independent member of the Supervisory Board of Raiffeisenbank on 27 August 2019.

Source: ELAI archives, Photo: Petr Kurečka

Events

We renewed our partnership with the National Theatre to 2023

In the upcoming theatre seasons as well, Raiffeisenbank will continue to be the general partner of the National Theatre. The bank would like to continue to support and develop quality artistic productions that the National Theatre brings to its stages.

We won in the Retail Banking Awards 2019 with our mobile app

In November 2019, the Retail Banking Conference 2019 took place in Prague, during which the International Retail Banking Awards are announced every year. Mobile eKonto was the winner in the category of Mobile Banking Strategy.

We have fulfilled our obligation! For the fifth year in a row, we are the Most Client-Friendly Bank of the Year

Raiffeisenbank was named the Most Client-Friendly Bank of the Year for the fifth time in a row.

In the competition for the Most Client-Friendly Bank, banks are evaluated on the basis of categories from a client perspective, such as account maintenance costs, sanction and extraordinary fees, rates, the breadth of products and services provided, bank availability, and last but not least, the quality of its communication with clients.

"After the victory in 2018, we felt a great commitment to maintain this first place position. I am very pleased that we have succeeded and that we have again ranked first in the client evaluation," Raiffeisenbank CEO, Igor Vida, explains in reference to the prize, adding: "Much gratitude goes out to our clients for their long-term trust and of course to my colleagues for their excellent work, resulting in the fifth consecutive Most Client-Friendly Bank of the Year award."

Raiffeisenbank was the very first bank to be awarded in the category of Most Client-Friendly Bank of the Year. This victory in 2010 was followed by a continuous series of awards in 2015, 2016, 2017, 2018, and 2019. In the main category of the Hospodářské noviny Awards for Best Bank of the Year, Raiffeisenbank has also always been on the podium in recent years: third place (2015).), first place (2016), and second place (2017).

Statement of the Chairman of the Board of Directors

Dear Ladies and Gentlemen,

I am very pleased to announce that 2019 has been another year of great success for Raiffeisenbank a.s. We managed to reach out to tens of thousands of new clients, which was reflected in a year-on-year increase in loans (+5.4%) and deposits (+7.2%). The bank's net profit exceeded four billion crowns (CZK 4.19 billion), which I consider an extraordinary result. The bank's total assets reached CZK 371 billion, up by 2.2% year on year. Thus, the past twelve months are the most successful period to date.

The above figures confirm that we are rightfully one of the best and consistently one of the most important banks on the Czech market. We are also an engaging and attractive employer. According to an independent survey, we are the best among financial institutions in terms of career opportunities, the attractiveness of jobs offered, and our company environment. It is only thanks to our motivated employees and their good work that we can be the Most Client-Friendly Bank of the Year for five years in a row. I greatly appreciate this.

During the past year, we continued to fulfil our growth strategy and to strengthen the bank's position on the domestic market. We have a number of challenges and important decisions behind us. We are fully aware of the fact that it is becoming increasingly difficult to obtain and, above all, retain clients. Clients are more demanding and require much more sophisticated services. This is why I am glad that we managed to launch our own mobile application RaiPay, then Apple Pay, and before the end of the year, also the mobile RB key. We introduced more than 80 innovations and enhancements to our mobile and Internet banking, resulting in increased digital sales, and we were among the first to offer clients instant payments.

In addition, we grew significantly last year in the area of corporate banking, which I am also very pleased about. We recorded a year-on-year increase in assets and liabilities as well as net profit of the corporate division, which reached an historical high. It is also wonderful that we managed to increase the Net Promoter Score (NPS) of corporate clients from 45 to 50 points last year and thus maintained a significant lead over our competitors.

In particular, the results of the largest retail acquisition in the bank's history enabled us to achieve our main strategic goals a year earlier. It was, therefore, appropriate to set new goals and reflect them in the STRATEGY 2025, which is a continuation of the previous one. In 2020, Raiffeisenbank will continue to be a comprehensive bank providing professional, quality, and precision banking services. We want to take care of our clients with respect to money, time, and their environment. At the same time, we want to deliver the best customer experience. Thus, we will continue to invest primarily in digitalisation and to further improve the comfort of our clients and employees. The key priorities for 2020 include improving client satisfaction even further, which we measure by the NPS. For example, we will also work to improve our mobile application, focus on further development of our IT systems, and continue with a major new front-end project for our branch office network.

On behalf of the bank's management, I would like to thank all employees who contributed to Raiffeisenbank's excellent results in 2019. I thank them for their determination and efforts and care that they have devoted to the bank throughout last year. I am fully aware that it is mainly due to their commitment that we can be a successful and growing bank. I am glad to say that Raiffeisenbank is, in the spirit of its corporate values, one united team working together – a company where each individual employee takes responsibility not only for their own work but also for the results of the whole company. We do things simply, efficiently, and with deliberation. We are a bank where people can rely on each other and where the success of the whole is more important than the success of the individual.

I would also like to express my sincere thanks to our shareholders for their support, and of course, especially to our clients and business partners, whose favour and loyalty are very inspiring for us. We greatly value their trust, and we are working very hard to continue providing the highest quality products and services in the future.

Yours faithfully,

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

The year 2019 was another very successful year in a row. We attracted dozens of thousands of new clients, as is also reflected in growing loans and deposits.

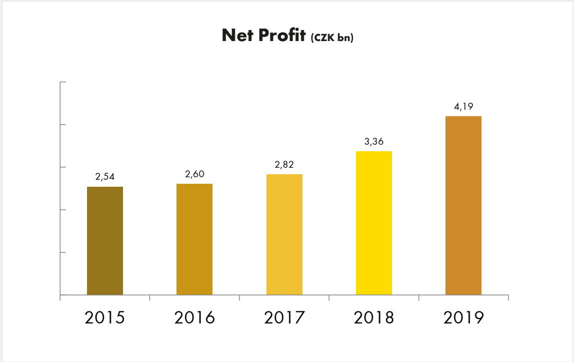
The year behind us was a year of challenges and crucial decisions. We can see that acquiring and most of all retaining a client gets increasingly difficult. Clients demand more and ask for much more sophisticated services. Also for this reason we are glad that we have successfully launched our RaiPay mobile application, followed by Apple Pay support and most recently the mobile RB Key. We have unveiled over 80 innovations and improvements in our mobile and internet banking, which increased our digital sales. Also, we have been among the first local banks to offer instant payments.

Raiffeisenbank maintains its position among the Czech market's largest banks. Also, it is an attractive employer. According to an independent survey, we are the best among financial institutions in terms of career opportunities, attractiveness of offered work and workplace atmosphere. Only motivated employees and their good work let us be the Most client-friendly bank for the past five years. And I greatly appreciate that.

The Bank's economic results for 2019

Net profit and revenue

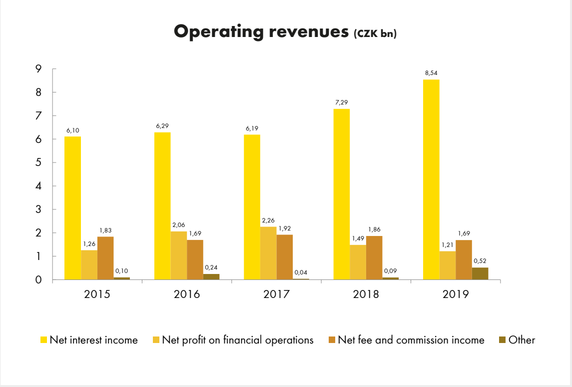
Net profit of the bank for 2019 reached **CZK 4.19 billion**, an amount 24.5% higher compared against the same figure of the year before. The bank's **total operating revenue** added 10.2%, reaching CZK 11.91 billion.



Net profit on financial operations dropped 18,3% year on year, reaching CZK 1.21 billion.

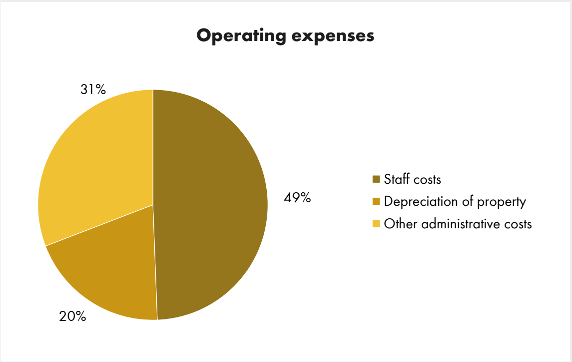
Net interest revenue of the bank added 17.1%, totalling CZK 8.54 billion. This growth is mostly driven by rising market interest rates.

Net revenue from fees dropped 9.4% to CZK 1.69 billion.



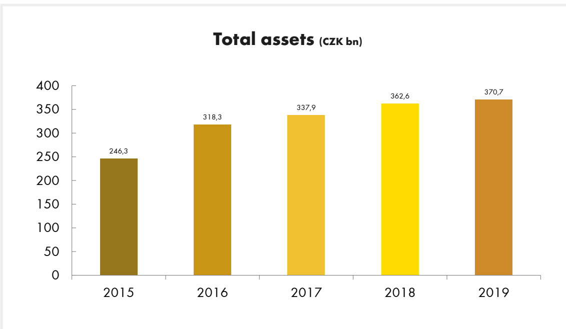
Expenses

One of the priorities of Raiffeisenbank is strict adherence to cost discipline.**Operating expences** amounted to CZK 6.66 billion, adding 14.5% year on year. The increase is caused by, inter alia, intensive investments in the IT segment.

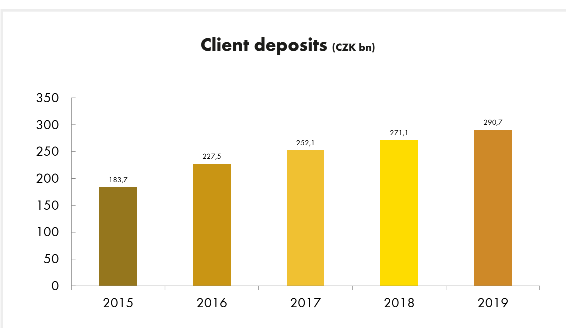


Balance sheet, deposits, and loans

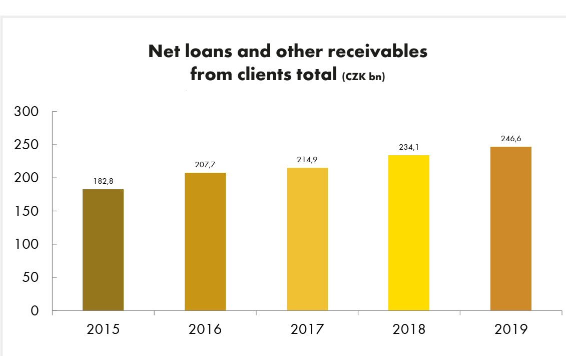
Total assets of the bank amounted to CZK 371 billion, thus adding 2.2% on a year-to-year basis.



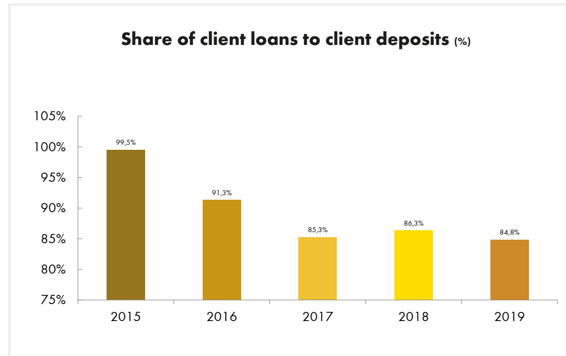
The **volume of deposits accepted from clients** rose over the year by 7.2% to a total of CZK 291 billion.



The **volume of loans provided to clients** annually grew by 5.4% to CZK 247 billion. The growth was seen primarily in household financing (mortgage and consumer loans) as well as in corporate financing.



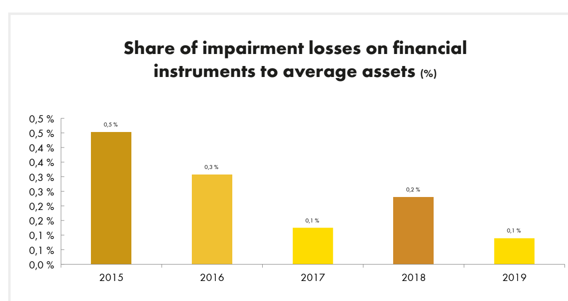
The share of client loans in client deposits decreased to 84,8% and this decrease contributed to the improvement of the bank's liquidity position.



Risk management

Raiffeisenbank continues to maintain a very sound loan portfolio. **Losses from non-performing loans and other debts** dropped 59.3% year on year, totalling slightly less than CZK 330 million.

The main reasons for this decrease were mainly the low creation of provisions and the efficient process of debt collection.



Capital

The **Bank's capital adequacy ratio** as at 31 December 2019 reached 18.72%. In late April 2019, the bank's general meeting resolved to distribute the profits for 2018 in the amount of CZK 3.36 billion, disbursing CZK 0.97 billion to shareholders and transferring CZK 2.39 billion to the account of retained earnings. The increase of retained earnings has a positive impact on the bank's capital adequacy ratio.

Raiffeisenbank's Market Position

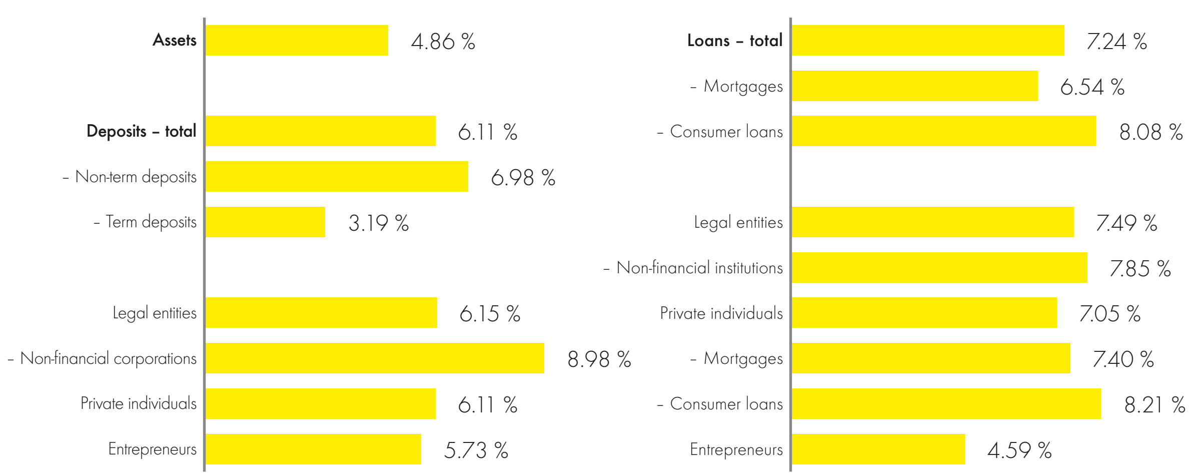
In 2019, the banking sector concentrated primarily on stabilising developments, which were affected both by the impact of regulatory measures in the area of mortgages and by the uncertainty of global economic developments. According to expectations, the rate of growth in credit transactions slowed down, especially in the corporate segment. By contrast, mortgage lending, despite a significant fall in new production at the start of the year, maintained a steady growth rate. On the deposit side, we could observe a completely opposite trend. While pressure was eased for households to increase their savings, corporate clients increased their deposits to a greater extent than in 2018. Overall, the Czech banking sector remains robust and stable, adequately equipped with capital, liquid, and profitable.

In 2019, Raiffeisenbank continued to focus on client satisfaction while reinforcing its position as the fifth strongest player in the market with a 4.86% share in total assets. Increasing the total volume of deposits by more than 7% brought the bank's market share to a final 6.11%. The growth rate of loans provided by the bank also outperformed the market, increasing the bank's market share to 7.24%.

With respect to the structure of deposits, the trend of faster growth in time deposits set in the previous year continued in 2019. The total volume of time deposits managed by Raiffeisenbank increased by 25.4%, which is more than double the market level, and hence also increased the bank's market share to 3.2%. In the corporate sector, the growth rate of the bank's deposits did not differ significantly from that of the market, and therefore, its market shares also recorded only slight changes. In the segment of non-financial corporations, which accounts for more than three quarters of corporate deposits, the bank's market share reached 8.98% at the end of the year. Household deposits gradually became the dominant component of total deposits with their current share of 53.1%. Their volume increased by 8.7% in 2019, and the bank manages 6.11% of all citizens' deposits in the banking sector. The volume of deposits of business owners fell slightly, and the bank's market share is now lower than at the end of 2018, i.e. 5.73%.

With respect to lending, the bank performed better in the corporate segment, which accounts for 52.6% of the bank's total loans. The volume of loans in this segment rose by more than 6%, which significantly exceeded the growth rate of the market, thus increasing the bank's market share to 7.49%. The growth rate of loans provided by the bank only to non-financial corporations remained slightly below the market level, and the bank now manages 7.85% of these loans. As in the market, Raiffeisenbank's loan portfolio experienced a decline in demand for mortgages. As a result, total lending to households slowed the growth rate to 4%, and the bank achieved a market share of 7.05%. The volume of mortgages increased by 7.2% during 2019, which means a market share of 7.40%. In the area of consumer loans, the bank provided 10% more new loans than in 2018. Nevertheless, due to a methodological change in the definition of consumer and mortgage loans, the total volume of consumer loans decreased by more than 6% and thus the bank also has a lower market share of 8.21 %. The volume of loans provided to business owners increased by 3.6%, and the bank's market share now stands at 4.59%.

Raiffeisenbank's market shares



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

Corporate Activities

In 2019, the banking sector focused mainly on strengthening capital and liquidity and on further expanding services for clients. The sector was affected by the significant impact of regulatory measures on mortgages and also the uncertainty of global economic development. Thus, according to expectations, the growth rate for credit transactions slowed, especially in the corporate segment and for the sale of new mortgages. On the deposit side, we could observe the continuation of solid growth, particularly for corporate clients, who increased their deposits at a higher rate than in 2018. In an overall assessment, the Czech banking sector remained robust, stable, liquid, and profitable and had an adequate amount of capital at its disposal.

In 2019 as well, Raiffeisenbank continued to focus on customer satisfaction and also fortified its position as the fifth strongest player on the market with a share in total assets of 4.9%. With an increase in the total volume of deposits by more than 7.2%, the bank's share in the market strengthened to a final 6.1%. In addition, the growth rate for loans provided by the bank exceeded market growth, and hence the bank increased its market share to 7.2%. Raiffeisenbank also continued in the trend of rapid growth in the number of clients, especially thanks to the successful savings campaign promoting an account with an initial savings rate of 3%.

We have modern and secure mobile banking

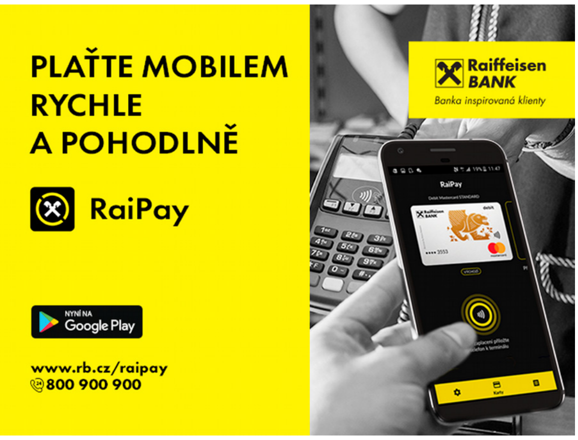
During 2019, we made several upgrades to our mobile banking. We focused on increasing user comfort, expanding the service and sales functions, and last but not least, we significantly strengthened the application's security. Some of the most important features include:

- Biometric log-in and confirmation of transactions using fingerprints and face recognition, which made it easier for clients when logging in
- Displaying the PIN for debit or credit cards, which minimises the distribution of PINs by post
- Making SEPA payments or activating credit cards
- Personal set-up of the home page with an overview of products
- Management of the settings for messages
- Displaying a merchant's logo and location for card transactions in the overview of transaction history
- Option to name products/accounts according to client preference or to add notes to already completed transactions
- Higher security for the application against malware using Promon Shield technology or additional anti-virus protection

All of these innovations have contributed to increased use of mobile banking and also improved ratings for the mobile app. At the end of 2019, mobile banking was actively used by more than 220,000 clients, and the ratings on Google Play and the App Store reached 4.7 and 4.6 stars, respectively, which places the Mobile eKonto app among the best rated applications on the Czech market.

We launched mobile phone payments – RaiPay and Apple Pay

During 2019, we offered our clients a new service – contactless payments using your mobile phone. We developed our own RaiPay app for NFC enabled Android devices and implemented Apple Pay for iOS devices. Both payment wallets support contactless payments at merchants and ATM withdrawals with contactless withdrawal options. Customers can digitise their Mastercard debit or credit card and start paying with their phone immediately.



From the very beginning, customers have shown great interest in using this service, and by the end of the year, the bank had more than 70,000 active RaiPay and Apple Pay users who made over two million payments. In 2020, we plan to further expand the payment wallets, specifically to introduce Google Pay, Garmin Pay, and Fitbit Pay.

We have RB key – a modern and simple way to log in to Internet banking

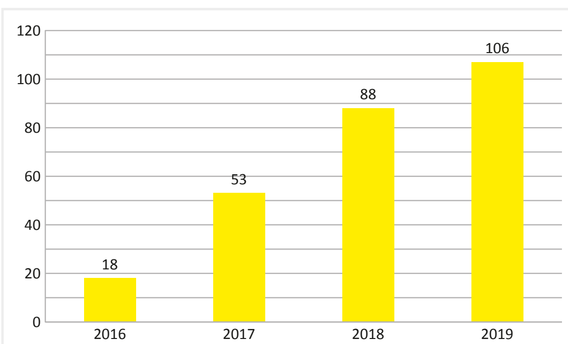
At the end of 2019, we presented to our clients and the public a new security device for easily and safely logging in and confirming transactions in Internet banking and for transactions at branch offices or the contact centre – RB key. This is a mobile application for Android or iOS smart phones. The app makes it easier for clients to log in because you no longer have to copy codes from text messages. Clients only need to open the RB key app to confirm their log-in with a PIN or the use of biometrics. In addition, it uses technology with a high level of security.

We will gradually expand the use of this technology also for authentication in other bank apps and for verifying payments over the Internet. In the future, we expect this device to be used by our clients for government-related authentication as a part of a Bank ID.

We have 106 deposit ATMs and 129 contactless ATMs

In 2019, we installed 18 deposit ATMs. Overall, we had 106 deposit ATMs (83%). In 2019, 81% of ATMs were equipped with a contactless reader, which makes withdrawals more secure, faster, and trouble-free.

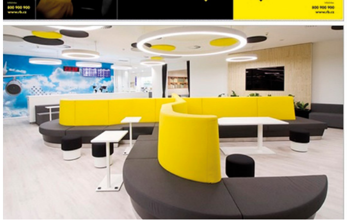
Number of deposits ATMs



We are changing the appearance of our branch offices

In 2019 we operated on 128 branch offices and client centres. We also offer the services of specialised mortgage centres and private, corporate, and business advisors.

We constantly strive to satisfy our clients and their needs. Making our clients feel comfortable when visiting the branch offices is one of our main priorities. We know from surveys that clients require in particular privacy and confidentiality when dealing with banking advisors. We are trying to take this requirement into consideration when reconstructing our branch offices. We have been working with European legislation, which we take into account when making our plans. This also relates to our effort to make branch offices more accessible to everyone, including our clients with disabilities.



In addition to the construction and technical part of each project, we also deal with the design of the individual branch offices and how they affect clients. In the past, we strongly expressed our corporate yellow colour, but now we are trying to tone it down. We have selected less aggressive and less contrasting combinations in order to provide a calmer, more harmonious and friendly environment for our clients. We work with every element in the interior and exterior. We have introduced a new, cleaner design to illuminated logos and frames, special decals, and display elements. We want the changes to give a consistent and integrated effect. We are trying to increase the legibility of messages in ads and to reduce light pollution in cities.

Customer satisfaction

Thanks to improvements in digital channels at branch offices and ATMs, product innovation, and the continuous efforts of the employees to satisfy clients as much as possible at branch offices, hypocentres, and contact centres, we are among the best rated banks from the standpoint of customer satisfaction. We have won the Hospodářské noviny award for the Most Client-Friendly Bank for the fifth year in a row. We were the winner in 2015, 2016, 2017, 2018, and 2019 and also in 2010. This survey, which is characterized by objectivity (the criteria and evaluation are publicly known), is one of the most professionally executed comparisons of banks and insurance companies on the market.

We are an agile bank

Raiffeisenbank's vision is to offer our clients products and services that are truly relevant for them. Hence, our ambition is to continue to be a bank that is inspired by clients and to be the best on the market in recognising the needs of our clients.

The innovations that we provide to our clients with increased frequency would not be possible without a fundamental change in the style of work, which is why our bank is currently undergoing an agile transformation. We already develop the vast majority of the digital innovations within smaller, cross-functional agile teams, thanks to which we are able to continuously detect and respond flexibly to the changing needs of our clients.

We believe that, by implementing agility principles, we will be able to quickly and efficiently deliver reliable solutions in close interaction with our clients' community, and thus further strengthen customer loyalty and continue to be the most client-friendly bank on the Czech market.

We are a bank for firms and large corporations

Raiffeisenbank is a firmly established bank operating on the Czech corporate banking market across all segments. We stand primarily on the principle of long-term relationships, and for our clients, we are first and foremost a trustworthy and reliable partner. This can be confirmed by the high satisfaction of our clients, which in 2019 was once again significantly above the market average (according to NPS methodology).

2019 was a very successful year for us even with respect to commercial results. The total volume of lending increased year-on-year by 5.4% and the total volume of client deposits by 7.2%. Significant growth in loans was registered in particular by the large corporations segment where the total volume rose year-on-year by 8.5%. In the segment of small and medium-size enterprises, we succeeded especially in forming new relationships. We recorded 23% year-on-year growth for new clients.

The following are examples of our successful business relations:

In the large corporations segment, we started cooperating with a completely new client in mid-2019, VÍTKOVICE STEEL a.s. The collaboration involves the provision of a loan (refinancing own costs of the client connected with the acquisition of strategic production technology) and the financing of receivables from business transactions in the form of non-regressive factoring. The cooperation in the area of factoring has been very successful, and VÍTKOVICE STEEL a.s. is one of most important clients of the bank using this product.

In the segment of small and medium-size enterprises, we can mention the drawdown of an acquisition loan by TES Vsetín, s.r.o. They are an important engineering company with a tradition of more than 100 years in the production of electric machinery and their components with annual sales of around CZK 1.5 billion. It was a relatively structured transaction, as a part of which the bank also provided operational financing in the form of an overdraft, bank guarantees, and factoring, and the firm has even used treasury products.

The largest transactions in the real estate and structured finance segment were the residential projects Zahálka in Modřany, the project in Nové Chabry, and financing of the construction of student housing in Prague Holešovice. In the area of commercial real estate, the most interesting transactions include the substantial increase in loans for the projects Galerie Šantovka (shopping centre in Olomouc), Galerie Teplice (shopping centre), and an increase in the financing for the office project Nová Karolina in Ostrava.

From the point of view of Export & Structured Trade Finance, it is undoubtedly worth mentioning the export transaction related to the supply of steam turbines of our client, EKOL, spol s.r.o. a.s., for one of the largest paper packaging producers in Thailand, with a total value of almost EUR 7 million. The entire transaction was supported by the Export Guarantee and Insurance Company (EGAP) with regard to the territory and the overall repayment period. The transaction is not significant with respect to size, but to the persistence in negotiations which lasted more than a year, and our bank played an important role throughout this period.

Clients can apply for corporate loans and bank guarantees at Raiffeisenbank entirely online

Corporate clients can apply for a loan and enter into related collateral contracts entirely in electronic form without the need for subsequent hand-signed originals. The client and the bank enter into a contract electronically, and the original document is always available in the application. A requirement for this arrangement is setting up an electronic signature with a certificate issued by a certification authority.

The service is mainly used by those who often apply for bank guarantees or for operating loans. Typical clients are, for example, construction companies or wholesale and manufacturing companies that have contracts for the routine procurement of goods and products and need to finance claims. In addition, clients with corporate accounts and Internet banking have online access to information relating to their loans, bank guarantees, and documentary letters of credit. The online balance, schedule of subsequent repayments, and interest rate are available in Internet banking, and in the case of trade finance transactions, also information on the beneficiary, the validity period, and other records. All data can also be exported to lists in csv for further processing.

The bank first offered the service as Online Financing in a separate application. After consolidation of the electronic channels, the service is now part of the new Internet banking. The bank allows you to set up access to Internet banking flexibly, exactly according to the client's wishes – if a specific user, for example, is to have access only to accounts or loans or, on the contrary, only to apply for loans.

We introduced innovations for Friedrich Wilhelm Raiffeisen private banking

Since September 2019, Friedrich Wilhelm Raiffeisen private banking clients can invest in the FWR Strategy. The total volume of investments during the year reached over one billion crowns. Each strategy contains a different ratio of shares and bonds, with the choice of FWR Strategy 15, 30, 60 and MIX, thus a combination of two of the previous, for example, 15 + 30. The FWR Strategy takes the form of so-called qualified investor funds, which is now significantly increasing in popularity among private banking clients. In all cases, the minimum investment in the fund is CZK 5 million, followed by an investment of at least CZK 1 million.

Investment opportunities from Raiffeisen investment company

The year 2019 was very successful in investment and asset management. Major stock indexes rose for the year by more than 20% in a number of cases. The scenarios relating to the expected sharp slowdown in advanced economies did not materialise. Negative interest rates in Europe as well as the CNB's key rates have not changed significantly. The Czech crown was stable throughout the year against the main foreign currencies, and the long-awaited gradual appreciation of the crown only came towards the end of the year.

Our goal in the creation and support of investment products is to provide a meaningful and transparent offer to conservative as well as courageous (progressive) crown investors. The main distributors of the funds are advisors at the branch offices, and the funds are created in such a way that harmoniously complements the bank's entire product range. The funds created by Raiffeisen investment company cover all basic segments of the bond market for investors as well as all territories of the stock markets. Outside these two key areas, we offer several mixed or alternative funds focusing, for example, on sustainable development, a balanced investment strategy, alternative investments, real estate, and other investment opportunities to "*brighten up*" the client portfolio.

We cancelled entry fees this summer for our main funds, Raiffeisen Conservative Strategy, Raiffeisen Balanced Strategy, and Raiffeisen Progressive Strategy. These three strategies differ in their degree of discretion, making it easier for clients to select their target fund. We are convinced that most of our clients' funds should be directed to these funds, and currently, a quarter of client assets at RIS are held in these strategies.
In spring, we issued a three-year guaranteed fund, and in

September, a one-year guaranteed fund with the possibility of extending it for additional recurring one-year periods. The interest in these two funds has pleasantly surprised us. At the end of spring, we managed to successfully complete another purchase of real estate for the Raiffeisen real estate fund. In the area of socially responsible investment, we have been offering the Raiffeisen Sustainable Development Fund for a long time, which invests as a sub-fund to the Austrian fund from Raiffeisen Capital Management – Raiffeisen Sustainable Mix. This fund, with a history of more than twenty years, is very popular with clients and shows long-term attractive growth.

In the autumn, we issued four qualified investor funds for the clients of our Friedrich Wilhelm Raiffeisen private bank. These funds quickly gained popularity, and at the end of the year, the total managed assets after four months of sale exceeded CZK 1 billion.

As of 31 December 2019, the total volume of assets in funds managed by Raiffeisen investiční společnost was close to CZK 23 billion.

Non-Commercial Activities

People

The employees of Raiffeisenbank are key to fulfilling our strategy. This is why we devote a lot of time to the development of their expertise and personal and career growth and focus on creating a good atmosphere and excellent interpersonal relationships at the workplace. We continuously monitor all of these important areas and verify them in various forms both internally, for existing employees, and externally, for job seekers at Raiffeisenbank, through questionnaires or more extensive surveys on the perception of the bank as an employer on the labour market. For Raiffesenbank, one strategic area is customer experience in the case of clients. From the viewpoint of an employer, it is job candidate experience, which we measure using NPS methodology.

Professional, personal, and career development is one of our priorities as an employer. Hence, in this area, we pay special attention to the appropriate level of investment and the quality of development activities and services provided.

In 2019, more than 500 employees changed their position and more than 400 experienced career development, i.e. they were promoted to a more senior position with a higher degree of responsibility. 75% of managerial positions were filled by internal candidates who are prepared for their managerial role in a special programme.

Thanks to effective development formats and the involvement of internal lecturers, our employees were able to attend an average of 15 training sessions per person, which is three times more than what is common on the market. The number of internal lecturers involved has increased by 20%. A total of 12,518 hours were spent on training. 80% of the trained persons rated the training sessions as highly beneficial.

We also support the development of our employees with respect to leisure time, where they have at their disposal study leave in addiiton to holiday and can thus increase their qualifications. The number of days spent on additional studies at universities and in postgraduate programmes increased by 22% year-on-year. In addition to study leave, Raiffeisenbank also allows employees to invest their benefits in education. Inter-company development activities, such as coaching or mentoring, are also available to employees.

As a part of corporate social responsibility programmes, 22 bankers responsible for professionals participated in the project "*Bankers go to schools*". They shared their knowhow and experience in schools relating to cyber security and financial literacy. They themselves improved their presentation skills in a real environment. Another activity is the "*Junior Achievement*" programme, thanks to which our employees have been involved for a long time in mentoring high school students in the area of business.

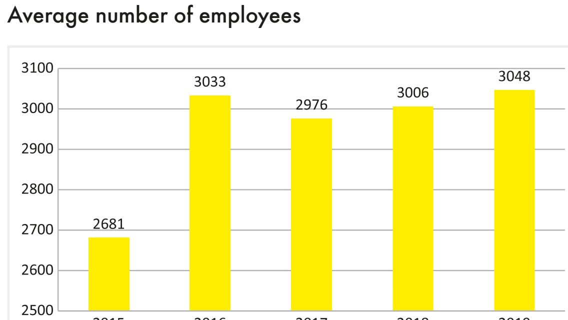
For university students, we organise a two-year programme, in which students are supported by a mentor, learn professional work, and are fully engaged in the work of the respective teams. Currently, there are 50 students in the programme.

In addition to personal and career development, we invest in joint activities outside normal working hours and the work environment. Considering that interpersonal relationships are important to most employees for job satisfaction, we organise company-wide meetings, support joint sporting events, such as the Raiffrun Trail Race, as well as informal events for the individual teams. Our employees also have the opportunity to influence who they work with by referring their acquaintances and friends for job vacancies.

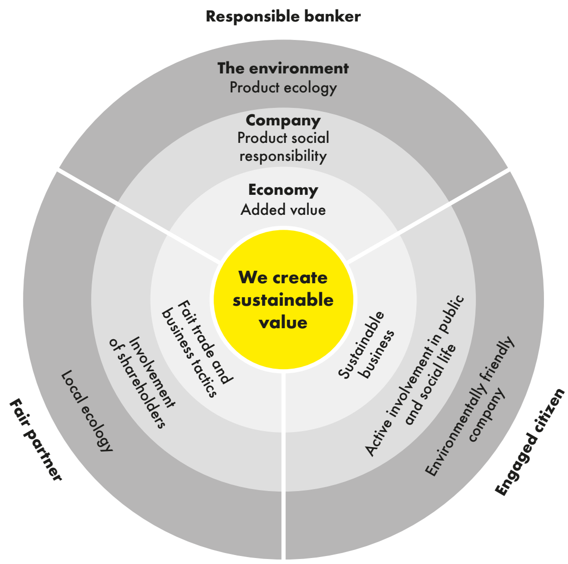
For parents on maternity and parental leave, we have set up an online community where we share news from the bank or offer suitable job opportunities. We make sure that parents on maternity or parental leave do not lose contact with the bank or their team and that their return to work is easier for both sides. Twelve per cent of employees take advantage of a part-time work schedule, while working from home is possible for all employees whose work allows for such an arrangement. In addition, employees have the possibility of flexible working hours. We have two company nursery schools for employees in Prague, which have so far taken care of 361 children.

The average number of employees in 2019 was 3,048, and the average age was 36 years old. 56% of employees are women, and more than half of the employees have worked in the bank for more than five years. We focus closely on diversity in all of its aspects and reflect this approach in all processes that relate to employees. We also follow the gender pay gap, and Raiffeisenbak is at the level of the best companies in the EU.

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.

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.

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 2019**, which consolidates all results of the separate companies, including the Czech Republic's results.

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.

75% of managing positions at Raiffeisenbank were occupied by an internal candidate.

Social area/society
In the social area, we focus on corporate social responsibility relating to products and public life.

As at 31 December 2019, Raiffeisenbank had an average of 3048 employees of which 56% 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 including the possibility of using the company nursery school Žiraifka.

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 was free of charge if clients actively used it. We introduced a similar product in 2017 for entrepreneurs and small businesses. We also had a special offer for seniors. 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.

In 2019, we also made our products available to the deaf and hearing impaired clients. It happened through mobile applications run by **DeafCom**, the deaf or hard of hearing allows interpreting into sign language or transcript of appointments with bankers.

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 2019 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 2019, 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 part of the contribution was generated by employees themselves with their personal contributions more than CZK 700,000.

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"***.

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 2019, 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, RLB OÖ Sektorholding GmbH, which holds 25% of the bank's shares (and the corresponding share in the registered capital and voting rights) and is a member 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 twelf members, of which eight are elected and recalled by the Company's General Meeting and four are elected and recalled by the Company's employees. Members serve a term of five years. One of the members of the Supervisory Board is also elected chairman of the Supervisory Board and one of the vice-chairman. 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.

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 2019 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 2019 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
POŘÍZ JAROSLAV	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
ŠIMEK ANTONÍN	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
POLEDŇÁK MICHAL	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
ZELINKA JIŘÍ	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
ŠTENGL PETR	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
ZELINKA JIŘÍ	Head of Private Banking	Member
POLEDŇÁK MICHAL	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
ZELINKA JIŘÍ	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 2019

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:

Remuneration table CZK Thousand			Monetary income		Natural income
Board of directors	Total	Remuneration board member	65,253	78 %	
		Other	18,838	22 %	
		Total	84,091		4,046
	From entities controlled by the issuer		–		
Supervisory board	Total	Remuneration sup. board member	6,522	100 %	
		Other	–		
		Total	6,522		
	From entities controlled by the issuer		–		
Other management	Total	via employment	–		
		Other	–		
		Total	–		
	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 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. Half of the variable part of the monetary form of remuneration is granted in the regime: 60% non-deferred part, the remaining 40% is always paid in fifths in the following five years.

The second half of the remuneration is awarded in the scheme: 60% deferred part 18 months from the end of the business year for which the bonus is granted, 40% is deferred and paid one-fifth in the following five years.

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 12 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 or elected by employees.

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, Strategy, Change Management and R&D, Agila transformation

František Ježek, 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 (note: Mr. Jan Pudil resigned as a member of the Board of Directors as of 31 December 2019)

Vladimir Matouš, Member of the Board of Directors responsible for IT

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

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
Peter Lennkh, Vice-Chairman of the Supervisory Board
Reinhard Schwendtbauer, Member of the Supervisory Board
Johann Strobl, Member of the Supervisory Board
Andreas Gschwenter, Member of the Supervisory Board
Hannes Mösenbacher, Member of the Supervisory Board
Andrii Stepanenko, Member of the Supervisory Board
Helena Horská (from 11 January 2019)
Kamila Šťastná (since 11 January 2019)
Michal Přádka (since 11 January 2019)
Pavel Hruška (since 11 January 2019)
Taťána le Moigne (from 27 August 2019)

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:

	2019
Consolidated	**CZK thousand**
Statutory audit of the financial statements	5,657
Other verification services	3,695
Individually for RB	**CZK thousand**
Statutory audit of the financial statements	4,538
Other verification services	3,695

Other verification services include following services:

- Review of the interim Financial Information of Raiffeisenbank a.s., reporting package, prepared for consolidation purposes for the period from 01 January 2019 to 30 June 2019 in conformity with the instructions issued by group management of Raiffeisen Bank International;
- Review of the consolidated and unconsolidated Financial Information Reporting of Raiffeisenbank a.s. as at 31 December 2019 to the Czech National Bank;
- And others.

Section 118(4) letter l):

Diversity Policy

Raiffeisenbank values diversity of all forms and has been supporting it on the Czech and international level in the long term. The policy of diversity, in our eyes, is a fundamental aspect of fair approach to our employees, clients and partners.

We enable diversity in all its forms and proactively pursue its development and support among our staff, including top levels of the bank's management. One of the key standards of Raiffeisenbank's recruitment is unconditional respect to the basic principles of diversity, in particular respect to every candidate regardless of gender, sexual orientation, age, belief, special needs or other characteristics.

On the group level, our parent Raiffeisenbank International Group applies its Group Diversity Policy of 2018, primarily derived from Directive 2013/36/EU, Directive 2014/65/EU and the specific principles of EBA/GL/2017/12 on the suitability of members of the management body and key function holders. Also, the group norm considers Directive 2014/95/EU and Regulation 575/2013/EU.

When selecting members of our statutory bodies, we always strive to ensure that every such member possesses balanced knowledge, skills and experience to perform the office, regardless of individual characteristics. All new members of Raiffeisenbank's Management and Supervisory Boards are appointed in line with these principles. Also, in this regard, Raiffeisenbank ensures proper and effective exercise of every employee's right to vote and to stand as a candidate for a member of the Supervisory Board representing the employees.

In 2020, Raiffeisenbank will foster the policy of diversity by adopting its own norm corresponding with the corporate culture, vision, mission, strategy and values of Raiffeisenbank.

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 274,931 thousand and the contribution itself was CZK 5,499 thousand in 2019. The base for the 2018 contribution was CZK 287,798 thousand and the contribution itself amounted to CZK 5,756 thousand.

Expenses relating to research and development

In 2019, the Bank had outlays of CZK 152 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.

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Information about securities

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.

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.
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.

YEAR 2020

In 2020, Raiffeisenbank will remain a comprehensive bank, providing professional, quality, and precision banking services. We would like to take care of our clients with respect to their funds, time, as well as their environment. In addition, we would like to guarantee for them the best customer experience. Hence, we will continue to invest finances and our efforts into digitalisation and increasing the comfort of our clients and employees. The key priorities for 2020 include increased client satisfaction, which we measure with the Net Promoter Score (NPS). We will also work towards improving the mobile application, and we will focus on further development of our IT systems and continue with the important project geared to a new front-end for our branch office network.

The development of the COVID-19 pandemic, which hit the whole world in early 2020, leads to the expectation of a reduction in global economic growth and the associated slowdown in economic activity. It is currently premature to quantify the potential impact on economic performance in 2020 in the context of the ongoing pandemic and announced government measures. Raiffeisenbank assesses the impact on each client individually and tries to set the final solution so that it treats his current situation as appropriately as possible. Raiffeisenbank's management is closely monitoring the situation and is ready to take appropriate measures to take account of current developments.

On behalf of Raiffeisenbank's Board of Directors

Igor Vida
Chairman of the Board and CEO

Report of the Chairman of the Supervisory Board

Ladies and Gentlemen,

2019 was again another very successful year. Raiffeisenbank attracted tens of thousands of new clients and attained growth in both loans and deposits. The bank's net profit exceeded four billion Czech crowns, which is an outstanding result. Total assets increased to CZK 371 billion. It goes without saying that we can be most satisfied with the results delivered by one of our oldest subsidiaries.

In the 2019 financial year, the members of the Supervisory Board held four ordinary meetings. In addition to these regular meetings, the Supervisory Board took, if necessary, decisions except the meeting in the form of per-rollam. The overall attendance rate for Supervisory Board meetings was therefore around 90 per cent.

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 developments within 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 from 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 maintained contact with the Chairman and members of the Management Board. The Management Board was available when required for bilateral or multilateral discussions with members of the Supervisory Board, where applicable with the involvement of experts on matters being addressed.

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 fully 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.

In early 2019, the Supervisory Board welcomed new members from among the employees of Raiffeisenbank. Furthermore, an independent member from outside the RBI Group was elected to the Supervisory Board in the course of 2019. At each regular meeting, the Supervisory Board paid due attention to the Focus Topics initiative and discussed issues relating to growth strategy, employee satisfaction, cyber security, and automation, amongst others.

In addition to these activities, the Supervisory Board carried out its statutory duties stipulated by the company's Articles of Association and generally binding legislation of the Czech Republic. The Supervisory Board reviewed the individual annual financial statements, consolidated annual financial statements, and the proposal for the distribution of profits for 2019, and recommended that the general meeting approve them. Also, Internal Audit and Compliance both presented regular reports at each meeting of the Supervisory Board, with the respective unit heads attending the meetings.

I would like to take this opportunity to thank our customers for their continued trust and all the employees of Raiffeisenbank for their hard work and unwavering efforts in 2019, as well as to ask for their continued commitment in tackling any challenges going forward.

On behalf of the Supervisory Board

Lukasz 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 2019, 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 2019, including the proposed distribution of earnings, accepted the results of the audit of the financial statements for 2019, and recommended that the General Meeting approve them without comments.

Executive and Supervisory Bodies

Board of Directors

Chairman of the Board of Directors

Ing. 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 1992, 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 1997, 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 21 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

Ing. František Ježek
Born: 5 April 1972
Residing at: Česká 1135/5, 158 00 Prague 5 - Košíře, Czech Republic

Member of the Board of Directors since 1 October 2012, responsible for Risk Management and since 15 April 2018 responsible for Corporate banking. 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.

Member of the Assets and Liabilities Committee
Member of the Credit Committee
Member of the Projects 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

Ing. Jan Pudil
Born: 20 December 1969
Residing at: Lucemburská 1599/27, Žižkov, 130 00 Prague 3, Czech Republic

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.

Note: Mr. Jan Pudil resigned as a member of the Board of Directors on 31 December 2019. Mr. Tomáš Jelínek was elected as the new member of the Board of Directors responsible for Markets and Investment Banking from 1 January 2020.

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

PhDr. Vladimír Kreidl, Msc.

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

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

Ing. Miloš Matula

Born: 1 October 1976
Residing at: Ječmínkova 3085/10, Líšeň, 628 00 Brno, Czech Republic

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

Mag. Dr. Martin Stotter

Born: 7 April 1976
Residence: 1020 Wien, Heinestrasse 12/12, 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

Ing. Vladimír Matouš

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

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

Mag. 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

Mag. 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.

Dr. 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..

Mag. 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., Mag. 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.

Ing. Helena Horská, PhD.
Date of birth: 27 November 1974
Residence: K Habru 174, 251 65 Zvánovice, Czech Republic

Member of the Supervisory Board of Raiffeisenbank a.s. elected by the company's employees since 11 January 2019. In Raiffeisenbank a.s. has been working since 2004, currently in the position of Head of Economic Research.

Ing. Kamila Šťastná, MBA
Date of birth: 26 January 1973
Residence: Sokolovská 371/1, Karlín, 186 00 Prague 8, Czech Republic

Member of the Supervisory Board of Raiffeisenbank a.s. elected by the company's employees since 11 January 2019. In Raiffeisenbank a.s. has been working since 1999, currently in the position of Head of Large Corporates Team.

Ing. Michal Přádka, MBA
Date of birth: 26 January 1977
Residence: Starodvorská 525, 739 24 Krmelín, Czech Republic

Member of the Supervisory Board of Raiffeisenbank a.s. elected by the company's employees since 11 January 2019. In Raiffeisenbank a.s. has been working since 1999 (originally at Expandia Bank), currently in the position of Head of Region - North Moravia.

Mgr. Pavel Hruška
Date of birth: 17 November 1973
Residence: Nehvizdská 954/7, Hloubětín, 198 00 Praha 9, Czech Republic

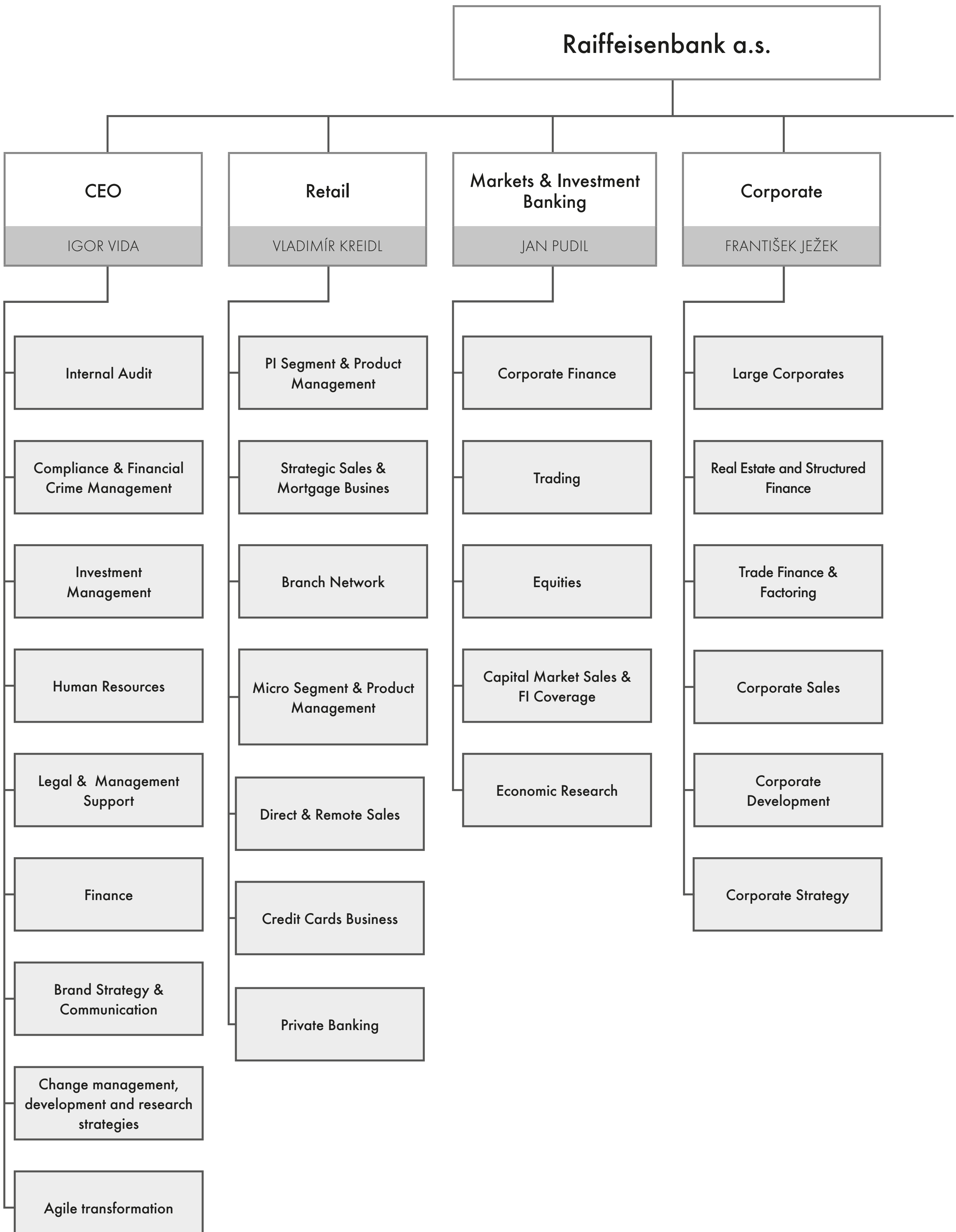
Member of the Supervisory Board of Raiffeisenbank a.s. elected by the company's employees since 11 January 2019. Raiffeisenbank a.s. has been working since 2005, currently in the position of Head of Operational Risk..

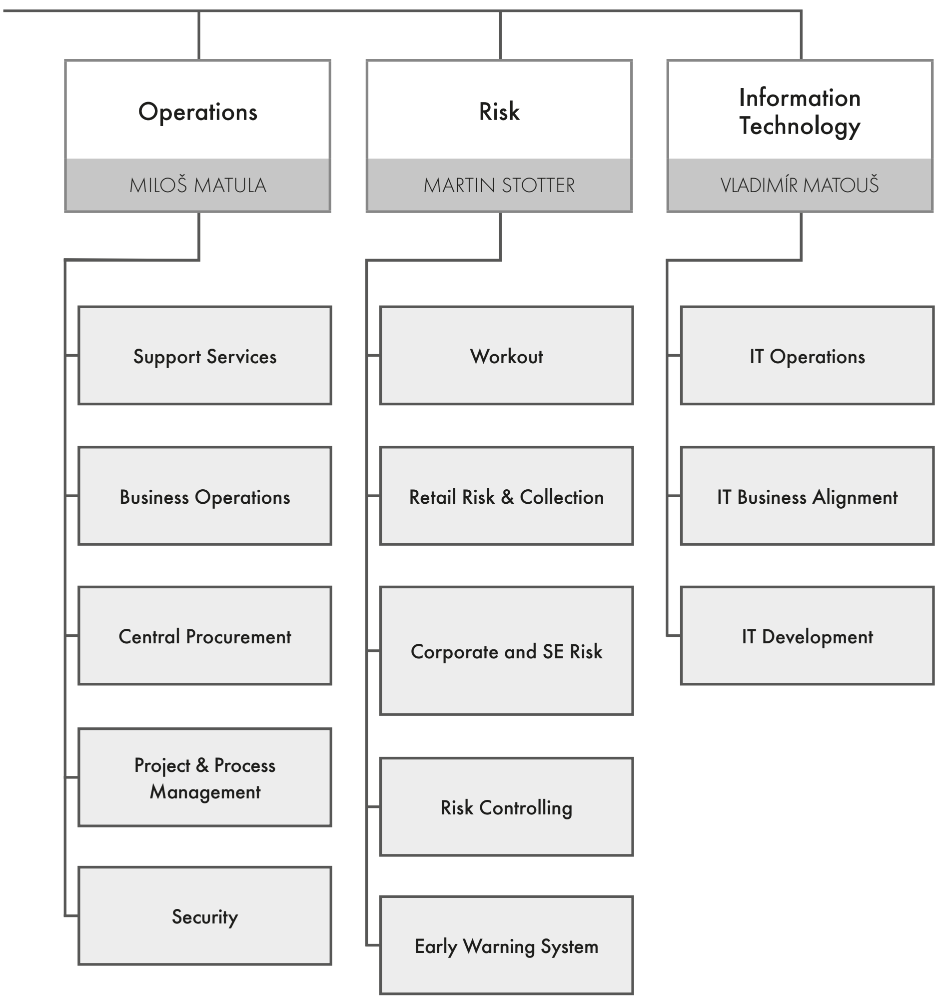
Taťána le Moigne
Date of birth: 4 April 1967
Residence: Janáčkovo nábřeží 471/49, Smíchov, 150 00 Prague 5, Czech Republic

Independent member of the Supervisory Board of Raiffeisenbank a.s. from 27 August 2019. She graduated from the University of Economics in Prague. Since 2006, she has been the CEO of Google Czech Republic. He also holds the position of Country Director at the Slovak Republic, Hungary and Romania at Google.

Valid as at 31 December 2019

Organisational Chart





Valid from 31. 12. 2019

Economic Development

Performance of the Czech economy good despite global developments

Despite less favourable developments in the external environment, the Czech economy and the entire banking sector prospered in 2019. Although the world economy suffered considerably from uncertainties relating to the final version of Brexit and fears connected to the trade war between the United States, China, and Europe, the US economy and the economies of the European Union were not affected by economic recession. Germany was a borderline case, but thanks to the continued good condition of services and the construction sector, it eventually avoided the onset of a recession. Nevertheless, in the economies plagued by uncertainty, investment activity declined, which together with weaker global demand, pulled European industry into a recession.

Taking into account external developments and the weaker performance of the German economy – our main trade partner – the slight slowdown in Czech economic growth in 2019 to 2.5% from 2.8% in 2018 (source: Czech Statistical Office) can be seen as a good result. The main source of growth continued to be domestic demand, as well as export. Investment growth slowed, and Czech industry finally underwent a shallow, technical recession at the end of the year. On the contrary, services and construction fared well.

Consumption dominates with investments; the labour market not meeting demand

The economy, specifically consumption, profited from household income growth, driven not only by a record employment rate and wage growth, but also social benefits, including pensions. Total employment had reached its peak, as well as the number of job vacancies. The unemployment rate fell to a new historical low. The Czech Republic had no competition among EU countries – no country could boast of lower unemployment. Still very dynamic, albeit gradually slowing, wage growth in the economy led to additional rapid growth in unit labour costs and a decrease in the average profitability of firms. The situation on the Czech labour market remained very tense, not only due to the still high demand for labour, but also to the weaker population group entering the labour market.

Wage growth, record low unemployment, and rising household consumption have boosted consumer price inflation. According to the Czech Statistical Office, the average inflation rate accelerated to 2.8% in 2019 from 2.1% in 2018. This was the second highest average annual inflation rate in the past 11 years. The main source of growth in the average price level was housing and food costs.

External balance not compromised

Although global trade slowed last year, Czech exports reached a record value of CZK 3.69 trillion in 2019, which is approximately CZK 70 billion more than in 2018 (source Czech Statistical Office, national methodology). The uncertainty was much more intense last year in the sentiments of entrepreneurs, who subsequently postponed their planned investments. Investments, nevertheless, are usually demanding on imports. Thus, we also noticed a significant slowdown in the growth of imports, which then helped the resulting trade balance for 2019 overcome the surplus from 2018 by 48 billion and reach a respectable CZK 146 billion.

Base interest rate at 2%; government bond yields below 2%

At its May 2019 meeting, the CNB raised its base rate to 2%. It remained at this level for the rest of the year. Czech government bonds with a maturity of 2 to 10 years recorded more dynamic development. Initially, they fell below one per cent due to the continued strong interest of investors in these securities and due to fears of global risks. In September, however, they rose above this level, and according to data from Bloomberg, ended 2019 above 1.5% p.a.

The end of the year unexpectedly favourable for the Czech crown

During 2019, the exchange rate for the Czech crown fluctuated between CZK 25.40 and CZK 26 per euro. While unfavourable news regarding the development of US-China relations or Brexit led to a slight weakening of the crown, the end of the year was marked by gains in the Czech currency. The immediate threat of the international trade conflict had passed, and Brexit had achieved clearer contours. The crown was also helped by domestic inflation and related speculation on the rise in interest rates in the Czech Republic. As a result, the crown traded for CZK 25.40 per euro at the end of the year. Data valid on 14 February 2020

The novel COVID-19 pandemic, which has gradually paralysed all of the major economies of the world, including the Czech economy, is changing the business environment in a fundamental way. The world's economies are paralysed by the struggle against the spread of the virus, the production chains are broken, and the transport of goods and people has been interrupted or even halted. Households and businesses are experiencing a shock unparalleled in post-war history. Any estimates of further developments are fraught with considerable uncertainty. We are facing an unprecedented shock that is difficult to capture in models and forecasts that assume "standard" developments. However, it is very likely that this crisis will also have lasting consequences for economic and business activity.

Author: Helena Horská, Chief Economist, Raiffeisenbank a.s.
Source of data: Czech Statistical Office, Bloomberg, Ministry of Labour and Social Affairs, Eurostat

Comments on the IFRS consolidated financial results

The Raiffeisenbank Group recorded in 2019 a consolidated net profit attributable to the parent company's shareholders of CZK 4.731 billion under International Financial Reporting Standards (IFRS). This represents 24.0% increase compared to 2018.

Consolidated Statement of Comprehensive Income

Net income and revenues

Total operating income of the Group increased by 10.8% to CZK 13.15 billion.

Net interest income of the Group increased by 18.0% to CZK 9.05 billion. Net income from fees and commissions decreased by 3.3% to CZK 1.91 billion. Other income, which comprises mainly net profit on financial operations, decreased by 16.8% to CZK 1.26 billion.

Expenses

One of the priorities of the Group is a strict adherence to cost discipline. Operating expenses increased by 14.0% to CZK 7.21 billion. This increase was caused by higher IT investments and salary costs.

Risk management

Impairment of loans decreased by 60.4 % to CZK 349 million. The Group keeps a very good quality of client´s credit portfolio. The proportion of loans and advances with default increased year-on-year from 2.0% to 1.9% of the total loan portfolio.

Consolidated Statement of Financial Position

Assets

Total Group assets reached CZK 372.23 billion and had grown by 1.7% year-on-year.

Cash and current balances with central banks increased to CZK 14.13 billion which represents an increase by 16.8% mainly affected by increase in balances with central banks.

Securities held for trading decreased by 65.0% to CZK 94 million. Government bonds represent the largest decrease. Financial assets measured at FVOCI increased by 16.9% to CZK 735 million.

Loans and advances to financial institutions decreased by 12.3 to CZK 87.24 billion. Loans and advances to customers rose by 4.5% year-on-year to CZK 247.16 billion. Main increase is attributable both to household financing (mortgages and consumer loans) and corporate financing.

Other assets decreased by 8.2% to CZK 1.53 billion. Intangible fixed assets increased by 1.9% to CZK 2.77 billion. Property and equipment rose by 101.4% to CZK 4.16 billion.

The main reason of this increase was transfer to IFRS 16.

Liabilities

Total Group liabilities reached CZK 337.87 billion which represents an increase of 0.5%.

Amounts owed to financial institutions showed a decrease by 36.2% to CZK 21.96 billion of which the highest decrease was represented by current accounts/ one day deosits.

Amounts owed to customers rose by 7.1% year-one-year to CZK 290.19 billion. Main increase is attributable to term deposits.

Issued debt securities decreased by 35.2% to CZK 12.69 billion.

Other liabilities increased by 10.9% to CZK 1.03 billion.

Equity

Capital adequacy of the Group reached in 2019 17.78% against 16.09% last year. In April 2019 the General Meeting of the Bank agreed on 2018 profit distribution of CZK 3.36 billion as follows: CZK 0.97 billion was used for payment of dividends to shareholders and CZK 2.39 billion was transferred to retained earnings.

During 2019, Group paid out from retained earnings a coupon in the amount of CZK 177 million to the holders of AT1 capital investment certificates which are part of Group equity in the amount of CZK 3.38 billion.

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

KPMG Česká republika Audit, s.r.o.
Pobřežní 1a
186 00 Praha 8
Czech Republic
+420 222 123 111
www.kpmg.cz

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. ("the Company") and its subsidiaries (together "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 2019, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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 consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated 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.

KPMG

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 allowance for loans and advances to customers

Key audit matter

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 3,964 million as at 31 December 2019 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 Group's historical data.

Loss allowances for retail and commercial Stage 3 loans are

How the audit matter was addressed

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 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 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 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 and complete portfolio of credit cards using data analytics approach that was based on

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Key audit matter	How the audit matter was addressed
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 Group'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 5f (Summary of significant accounting policies), note 23 (Financial assets at amortized cost) and note 43 (Financial instruments - credit risk) to the consolidated financial statements.	averaged inputs generated by the Group'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. 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 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 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 Group as at the year end. We assessed the adequacy of the Group's 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.	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.

Going concern considerations related to COVID-19

Key audit matter	How the audit matter was addressed
The Group's consolidated financial statements are prepared on a going concern basis. The World Health Organization declared on 11 March 2020 the coronavirus (COVID-19) outbreak a pandemic. On 12 March 2020, a Decree of the Government of Czech Republic was issued, whereby the country's government declared state of emergency. The measures taken by the government to counter the effects of the outbreak include border closures, quarantine, severe limitations imposed on cross-border and domestic transportation, ban on social, cultural, leisure or sport events, among other things. The Group's going concern assessment was based on liquidity scenarios which in the Management's view support the assertion that the	Our procedures in this area included, among others: Inspecting the Management's assessment of the going concern basis of accounting, including their evaluation of the business/operating and liquidity risks arising from the COVID-19 outbreak, and plans for further actions in response to the risks identified. As part of the procedure we also made corroborating inquiries of the Group's relevant employees; Independently evaluating the reasonableness and feasibility of the plans for future actions in order to alleviate the effects of the outbreak, by reference to the preceding procedure as well as by performing the following: — Challenging the key assumptions used in the determination of the forecast

Key audit matter	How the audit matter was addressed
Group will have sufficient resources to continue for a period of at least 12 months from the reporting date. The preparation of these scenarios incorporated a number of assumptions and significant judgment under a number of scenarios, including those considered by the Management to be severe but plausible, such as general postponement of debt repayments for up to 6 months, an outflow of deposits and worsening clients ability to repay already provided loans. The Management Board concluded that the range of possible outcomes considered at arriving at this judgment does not give rise to material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. Note 47 further explains how the judgment was formed. The COVID-19 pandemic is an unprecedented challenge for humanity and for the economy globally, and at the date of the consolidated financial statements its effects are subject to significant levels of uncertainty. The Group's use of the going concern basis of accounting is a key audit matter due to the associated extent of uncertainty, and consequently, high level of judgment required in evaluating the Management Board's plans for future actions and their financial impact. Refer to further information in the note 4a (Basis of preparation of the consolidated financial statements) and note 47 (Subsequent events) to the consolidated financial statements.	financial information under various scenarios. This primarily included challenging the assumed parameters of stress scenarios among others credit risk of loan portfolio, liquidity position and capital requirements, based on our understanding of the Group's activities and by reference to publicly available industry reports; — Performing an analysis of the going concern conclusion's sensitivity to changes in the aforementioned key assumptions adopted in the going concern assessment, and considering whether there were any indicators of management bias in the assessment; Considering whether any additional relevant facts or information have become available since the date on which the Group made its assessment; Evaluating the appropriateness of Group's disclosures in respect of the going concern assessment, subsequent events and any related uncertainties in the consolidated financial statements.

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 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 consolidated and separate 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 consolidated and separate financial statements is, in all material respects, consistent with the consolidated and separate 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 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, in collaboration with the Audit Committee are responsible for overseeing 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 the Group by the General Meeting of Shareholders on 2 October 2017 and our uninterrupted engagement has lasted for 2 years.

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 the Company, which we issued on 22 April 2020 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 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 2019, based on which this independent auditor's report has been prepared.

Prague
23 April 2020

KPMG Česká republika Audit

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

Ondřej Fikrle
Partner

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 2019.

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 by the Bank and approved for disclosure by the Board of Directors of the Bank on 7 April 2020.

Statutory body of the entity

Igor Vida Chairman of the Board of Directors	Tomáš Jelínek Chairman of the Board of Directors

Consolidated Statement of Comprehensive Income For the Year Ended 31 December 2019

CZK thousand	Note	2019	2018
Interest income and similar income calculated using the effective interest rate method	7	13,603,229	10,627,317
Other interest income	7	2,479,417	1,493,741
Interest expense and similar expense	7	(7,036,126)	(4 455,562)
Net interest income		**9,046,520**	**7,665,496**
Fee and commission income	8	2,906,347	2,870,669
Fee and commission expense	8	(991,686)	(890,603)
Net fee and commission income		**1,914,661**	**1,980,066**
Net gain on financial operations	9	1,216,445	1,415,693
Net gain from hedge accounting	10	5,989	72,759
Dividend income	11	41,510	30,812
Impairment losses on financial instruments	12	(348,823)	(880,372)
Gain/(loss) from derecognition of financial assets measured at amortised cost	13	(2,687)	41,156
Personnel expenses	14	(3,569,497)	(3,252,073)
General operating expenses	15	(2,133,971)	(2,226,995)
Depreciation/amortisation of property and equipment and intangible assets	16	(1,504,584)	(841,794)
Other operating income	17	1,032,745	875,122
Other operating expenses	18	(335,643)	(222,275)
Gains/(losses) from disposal of subsidiaries and joint ventures	45	222,137	12,770
Gains/(losses) from non-current assets and disposal groups		11,386	–
Operating profit		**5,596,188**	**4,670,365**
Share in profit from joint ventures	27	–	13,589
Profit before tax		**5,596,188**	**4,683,954**
Income tax	19	(865,037)	(868,936)
Net profit for the year attributable to:		**4,731,151**	**3,815,018**
– shareholders of the parent company		4,731,151	3,815,018
– non-controlling interests		–	–
Other comprehensive income			
Items that will not be reclassified to profit or loss in future:			
Gains/(losses) from remeasurement of equity securities at FVOCI	36	106,111	25,226
Deferred tax relating to items that will not be reclassified to profit or loss in following periods	36	(15,800)	(5,059)
Items that will be reclassified to profit or loss in future:			
Cash flow hedge	36	22,224	177,406
Deferred tax relating to items that will be reclassified to profit or loss in following periods	36	(4,222)	(40,129)
Total other comprehensive income attributable to:		**108,313**	**157,444**
– shareholders of the parent company		108,313	157,444
– non-controlling interests		–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**4,839,464**	**3,972,462**

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

Consolidated Statement of Financial Position
As at 31 December 2019

CZK thousand	Note	31. 12. 2019	31. 12. 2018
ASSETS			
Cash in hand, balances with central banks and other demand deposits	20	14,134,629	12,105,947
Financial assets held for trading	21	1,768,571	1,955,465
Derivatives held for trading	21	1,674,759	1,687,444
Securities held for trading	21	93,812	268,021
Financial assets measured at FVOCI	22	734,991	628,880
Financial assets at amortised cost	23	345,278,736	342,997,467
Loans and advances to banks	23	87,242,433	99,528,498
Loans and advances to customers	23	247,156,855	236,604,410
of which: change in fair value of hedged items		*(762)*	*(1,245)*
Debt securities	23	10,879,448	6,864,559
Change in fair value of portfolio-remeasured items (loans and advances to customers and debt securities)	39	(1,152,503)	(1,144,945)
Hedging derivatives with positive fair value	24	2,545,904	2,481,030
Tax receivables	19	28,017	28,649
Deferred tax asset	29	10,895	9,300
Other assets	26	1,525,512	1,661,271
Equity investments in joint ventures	27	-	45,997
Intangible assets	28	2,773,040	2,722,610
Property and equipment	29	4,164,066	2,067,421
Investment property	30	413,762	599,307
TOTAL ASSETS		**372,225,620**	**366,158,399**

CZK thousand	Note	31. 12. 2019	31. 12. 2018
LIABILITIES AND EQUITY			
Financial liabilities held for trading	31	1,798,795	1,675,219
Derivatives held for trading	31	1,798,795	1,675,219
Financial liabilities at amortised cost	32	332,171,148	330,670,003
Deposits from banks	32	21,961,318	34,401,546
Deposits from customers	32	290,187,547	270,920,560
of which: change in fair value of hedged items	32	41,995	89,896
Debt securities issued	32	12,692,483	19,599,578
of which: change in fair value of hedged items	32	–	28,307
Subordinated liabilities and bonds	32	3,308,732	2,577,259
Other financial liabilities	32	4,021,069	3,171,060
Fair value remeasurement of portfolio-remeasured items (deposits from customers)	39	(1,270,121)	(1,757,940)
Hedging derivatives with negative fair value	33	2,667,682	3,204,463
Provisions	34	1,121,614	1,357,077
Current tax liability	19	178,181	49,014
Deferred tax liability	25	172,541	131,128
Other liabilities	35	1,031,073	929,519
TOTAL LIABILITIES		**337,870,914**	**336,258,483**
EQUITY			
Attributable to shareholders of the Group		34,354,706	29,899,916
Share capital	36	11,060,800	11,060,800
Reserve fund		693,861	693,918
Fair value reserve	36	371,753	263,240
Retained earnings		14,114,537	11,451,586
Other equity instruments	36	3,382,604	2,615,354
Profit for the year		4,731,151	3,815,018
Total equity		**34,354,706**	**29,899,916**
TOTAL LIABILITIES AND EQUITY		**372,225,620**	**366,158,399**

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

Consolidated Statement of Changes in Equity For the Year Ended 31 December 2019

CZK thousand	Share capital	Reserve fund	Fair value reserve	Retained earnings	Other equity instruments	Profit for the year	Total equity
	Equity attributable to shareholders of the Group						
Stav k 1. 1. 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)**
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**
Increase in other equity instruments	–	–	–	–	767 250	–	**767,250**
Dividends				–	–	(974 736)	**(974,736)**
Payment of coupon on other equity instruments	–	–	–	(177,331)	–	–	**(177,331)**
Allocation to retained earnings	–	–	–	2,840,282		(2,840,282)	**–**
Changes in the consolidated group	–	(57)	200	–	–	–	**143**
Net profit for the year	–	–	–	–	–	4,731,151	**4 731,151**
Other comprehensive income, net	–	–	108,313	–	–		**108,313**
Total comprehensive income for the year	**–**	**–**	**108,313**	**–**	**–**	**4,731,151**	**4,839,464**
At 31 December 2019	**11,060,800**	**693,861**	**371,753**	**14,114,537**	**3,382,604**	**4,731,151**	**34,354,706**

Příloha tvoří nedílnou součást této konsolidované účetní závěrky.

Consolidated Cash Flow Statement For the Year Ended 31 December 2019

(CZK thousand)	2019	2018
Profit before tax	**5,596,188**	**4,683,954**
Adjustments for non-cash transactions		
Creation of loss allowances and provisions for credit risks	348,823	880,372
Depreciation/amortisation of property and equipment and intangible assets	1,504,584	841,794
Loss on the impairment of tangible and intangible assets	2,370	336
Creation of other provisions	(94,284)	(83,255)
Change in fair value of derivatives	(454,898)	123,263
Unrealised losses/(gains) on remeasurement of securities	673	2,244
Loss/(gain) on the sale of property and equipment and intangible assets	6,889	2,126
Gain on the sale of subsidiaries and joint ventures	(222,137)	(12,770)
Change in the remeasurement of hedged items upon fair value hedge	418,686	(88,201)
Share in profit from joint ventures	–	(13,589)
Remeasurement of foreign currency positions	(146,769)	920,511
Other non-monetary changes	(328,430)	48,955
Operating profit before changes in operating assets and liabilities	***6,631,695***	***7,305,740***
Operating cash flow		
(Increase)/decrease in operating assets		
Mandatory minimum provisions with CNB	(1,110,882)	3,151,068
Loans and advances to banks	12,291,892	4,088,969
Loans and advances to customers	(11,075,180)	(19,486,203)
Debt securities at amortised cost	(4,010,024)	(4,766,359)
Securities held for trading	161,626	(110,687)
Other assets	135,759	(193,177)
Increase/(decrease) in operating liabilities		
Deposits from banks	(12,183,587)	3,029,392
Deposits from customers	19,688,505	17,582,082
Other financial liabilities	(1,077,626)	(1,091,986)
Other liabilities	101,554	(12,346)
Net operating cash flow before tax	**9,553,732**	**9,496,493**
Income tax paid	(861,110)	(1,142,983)
Net operating cash flow	***8,692,622***	***8,353,510***
Cash flows from investing activities		
Sale/(acquisition) of equity investments	376,537	19,469
Acquisition of property and equipment and intangible assets	(1,514,545)	(1,629,777)
Proceeds from sale of non-current assets	2,649	4,809
Dividends received	41,510	30,812
Net cash flow from investing activity	***(1,093,849)***	***(1,574,687)***
Cash flows from financing activities		

(CZK thousand)	2019	2018
Dividends paid and paid coupons on other equity instruments	(1,152,067)	(1,697,907)
Increase in other equity instruments	767,250	–
Debt securities issued	5,828,930	–
Repayment of debt securities issued	(12,581,387)	–
Repayment of subordinated debt	–	(2,554,000)
Withdrawal of subordinated debt	771,750	2,572,500
Repayment of subordinated bonds	–	(125,000)
Lease liabilities	(358,167)	n/a
Net cash flow from financing activities	***(6,723,691)***	***(1,804,407)***
Net (decrease)/increase in cash and cash equivalents	**875,082**	**4,974,416**
Cash and cash equivalents at the beginning of the year (note 37)	10,290,852	5,397,165
Foreign exchange gains/losses on cash and cash equivalents at the beginning of the year	42,719	(80,729)
Cash and cash equivalents at the end of the year (note 37)	**11,208,653**	**10,290,852**

Interest received	16,619,517	11,833,384
Interest paid	(7,153 551)	(4,513,096)

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 2019	Inflow	Outflow	Remeasurement of foreign currency positions	Other non-monetary changes	At 31 December 2019
Debt securities issued	19,599,578	5,828,930	(12,581 387)	(156,944)	2,306	12,692,483
Subordinated debt	2,577,259	771,750	–	(41,017)	740	3,308,732

		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)	–	–

Contents

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 2019, 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 2019 and 2018:

	Voting power in %	
Name, address	**2019**	**2018**
Raiffeisen CEE Region Holding GmbH Am Stadtpark 9, Vienna, Austria	75%	75%
RLB OÖ Sektorholding GmbH Europaplatz 1a, 4020 Linz, Austria	25%	25%

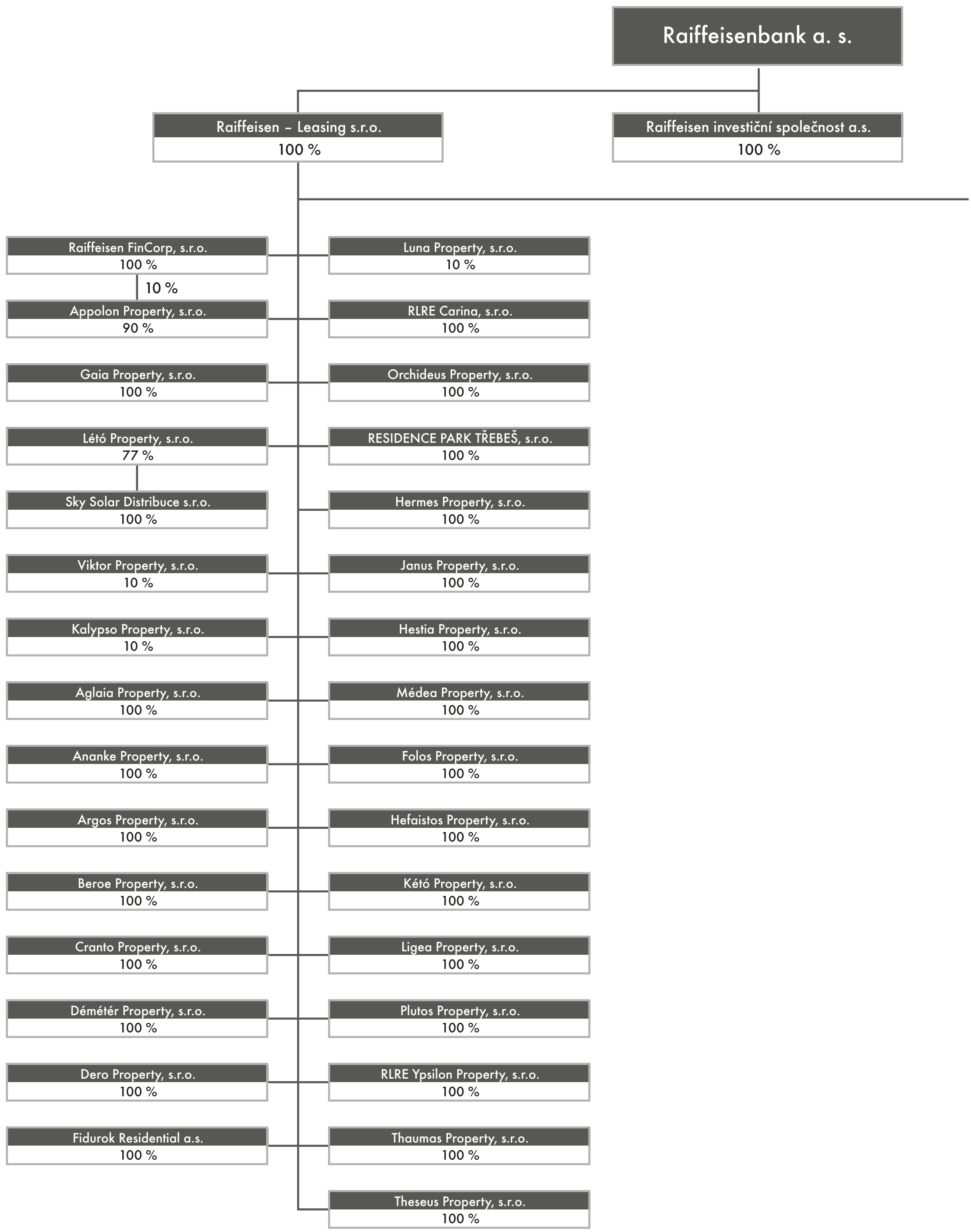
The equity interests of the shareholders equal their share in the voting powers. All shareholders have a special relation to the Bank in terms of Section 19 of Act No. 21/1992 Coll., as amended.

For information on the share capital of the parent company refer to note 36.

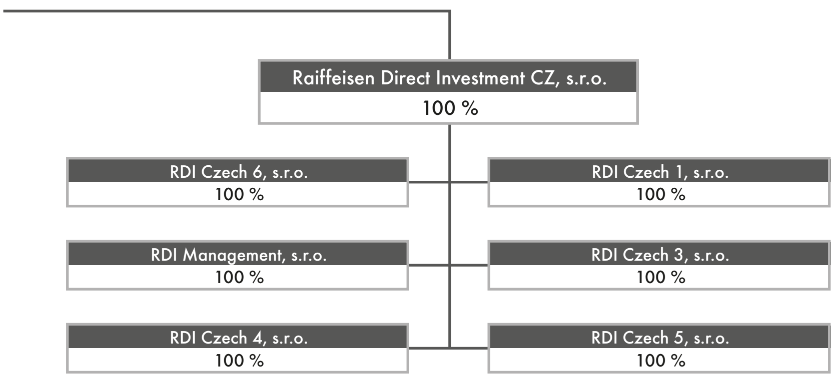
The ultimate parent company of the Bank is Raiffeisen Bank International AG, Austria.

3. DEFINITION OF THE CONSOLIDATED GROUP

(a) Group chart as at 31 December 2019



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


Raiffeisen Direct Investment CZ, s.r.o.
100 %
RDI Czech 6, s.r.o.
100 %
RDI Czech 1, s.r.o.
100 %
RDI Management, s.r.o.
100 %
RDI Czech 3, s.r.o.
100 %
RDI Czech 4, s.r.o.
100 %
RDI Czech 5, s.r.o.
100 %

(b) Group companies included in consolidation

Group companies included in consolidation as at 31 December 2019 are as follows:

Company	The Bank's effective holding in %, in 2019	Indirect holding through	Consolidation method in 2019	Registered office
Raiffeisen investiční společnost a.s.	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
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
Raiffeisen Direct Investments CZ s.r.o.	100%	Raiffeisen – Leasing, s.r.o.	Full method	Prague
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

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

(c) Companies newly included in consolidation in 2019

Kairos Property, s.r.o., subsequently renamed to Raiffeisen Direct Investments CZ s.r.o., has been consolidated using the full method since 1 August 2019. In connection with the process of merger by acquisition, Kairos Property, s.r.o., as the successor company, merged with Raiffeisen Direct Investments CZ s.r.o., as the dissolving company, as at 1 August 2019. The dissolving company Raiffeisen Direct Investments CZ s.r.o. ceased to exist without liquidation and its assets and liabilities were passed on to the successor company Kairos Property, s.r.o. Kairos Property, s.r.o. was subsequently renamed to Raiffeisen Direct Investments CZ s.r.o. Raiffeisen – Leasing, s.r.o. became the direct owner of the newly registered company Raiffeisen Direct Investments CZ s.r.o.

In 2019, the Group did not include any other companies in consolidation using the full method.

(d) Companies excluded from consolidation in 2019

In 2019, the subsidiary PZ Projekt, a.s. and the joint ventures Nordica Office, s.r.o. and Karlín Park, a.s. were sold and the subsidiary Czech Real Estate Fund (CREF) B.V. was liquidated.

(e) Unconsolidated entities

In the years ended 31 December 2019 and 2018, 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., Ares Property, s.r.o., Astra Property, s.r.o., Áté Property, s.r.o., Belos Property, s.r.o., Boreas Property, s.r.o., Carolina Corner s.r.o., Credibilis a.s., CRISTAL PALACE Property, s.r.o., Dafné Property, s.r.o., Daimon Property, s.r.o., Dike Property, s.r.o, Eos Property, s.r.o., Erato Property, s.r.o., Eunomia Property, s.r.o., Exit 90 SPV s.r.o., FIDUROCK Projekt 18, s.r.o., FIDUROCK Projekt 20, s.r.o., Fobos Property, s.r.o., Foibe Property, s.r.o., FVE Cihelna s.r.o., GEONE Holesovice Two 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, Holečkova Property, 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, KARAT s.r.o., Kleió Property, s.r.o., Logistický areál Hostivař, s.r.o., Melpomene Property, s.r.o., Morfeus Property, s.r.o., Na Stárce, s.r.o., Nereus Property, s.r.o., Niobé Property, s.r.o., Nyx Property, s.r.o., Ofion Property, s.r.o., Onyx Energy projekt II. s.r.o., Onyx Energy s.r.o., OSTROV PROPERTY a.s., Palace Holding s.r.o., Photon Energie s.r.o., Photon SPV 10 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., Pontos Property, s.r.o., Rheia Property, s.r.o., RLRE Beta Property, s.r.o., RLRE Eta Property, s.r.o., RLRE Ypsilon Propert, s.r.o., RUBY Place s.r.o., SeEnergy PT, s.r.o., Selene Property, s.r.o., SIGMA PLAZA s.r.o., Sirius Property, s.r.o., Stará 19 s.r.o., Strašnická realitní a.s., Terasa LAVANDE s.r.o., Theia Property, s.r.o., UPC Real, s.r.o., Vlhká 26 s.r.o, Zátiší Rokytka, s.r.o., 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 2019 due to their immateriality: Argos Property, s.r.o., Beroe Property, s.r.o., Cranto Property, s.r.o., Demeter Property, s.r.o, Dero Property, s.r.o., Fidurock Residential a.s., Folos Property, s.r.o., Hefaistos Property, s.r.o., Hermes Property, s.r.o., Janus Property, s.r.o., Kalypso Property, s.r.o., Keto Property, s.r.o., Létó Property, s.r.o., Ligea Property, s.r.o., Médea Property, s.r.o., Plutos Property, s.r.o., RESIDENCE PARK TŘEBEŠ, s.r.o., RLRE Ypsilon Property, s.r.o., Sky Solar Distribuce s.r.o., Thaumas Property, s.r.o., Theseus 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 43, 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 34.

(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
a) 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.

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, i.e. without restating comparative periods.

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 accounted for 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 financial statements can be measured reliably.

Classification and measurement of financial assets and liabilities

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 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 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. 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
- eatures 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) "*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.

(ii) "*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) "*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) "*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) "*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.

A detailed description of the calculation of expected credit losses is included in note 43 (e).

Modifications of financial assets

Financial assets are modified when there are between date of origination and maturity date new or else modified contractual terms related to cash flows from financial asset.

To determine whether there is significant or insignificant modification to the contractual terms, the Bank assess changes in contractual cash flows from financial assets based on qualitative measures such as change in currency or type of the instrument, and quantitative criteria such as change in net present value. In case of significant modification, the original financial asset is derecognised and a new financial asset is recognised (including new classification and new impairment stage determination) in fair value as at the date of modification. Insignificant modifications of contractual terms do not result in derecognition, but to change in gross carrying amount of the financial asset calculated using original effective interest rate.

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.

Financial liabilities

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 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 "*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.

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.

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) he 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;
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 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 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 "*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 on financial operations*" 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 "*Revaluation of cash flow hedges*" 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.

(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

Methods effective from 1 January 2019

Under IFRS 16, in assessing whether the contract contains a lease, the economic basis of the transaction is taken into account, i.e. whether the contract conveys the right to control and to use an identified asset for a period of time in exchange for consideration.

The Group as lessee

A lessee recognises a right-of-use asset and a lease liability. A a right-of-use asset is initially measured at cost and is subsequently depreciated until the end of its useful life or until the end of the lease contract term. Right-of-use assets are reported by the Group in the statement of financial position line "*Property and equipment*".

The lease liability is initially measured at the present value of the lease payments which have not been paid as at the effective date of the lease contract, 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. Lease payments entering into the calculation of the lease liability measurement include fixed lease payments, variable lease payments that depend on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option that the lessee is reasonably certain to exercise and payments for terminating the lease if the lease term reflects early termination.

Subsequently, the lease liability is measured at carrying amount plus the relevant interest and less lease payments made, and remeasured to take into account a modification or reassessment of the lease.

Lease liabilities are reported in the statement of financial position line "*Other financial liabilities*", which is included in the line "Financial liabilities at amortised cost". Interest is reported in the statement of comprehensive income in "*Interest expense and similar expense*".

In applying IFRS 16, the Group applies exemptions for lease terms of 12 months or less and not containing a purchase option (short-term leases) and exemptions for leases when the underlying asset has a low value when new. The Group set the low-value limit to EUR 5 thousand. In such cases, the right-of-use asset or the relating liability is not reported and the relevant payments are reported in the statement of comprehensive income in "*General operating expenses*"

The Group as lessor

In respect of assets leased under finance leases, the present value of lease payments is recognised as a receivable in the statement of financial position in "*Loans and advances to customers*", which is part of "*Financial assets at amortised cost*". 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 the statement of comprehensive income 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 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 the statement of comprehensive income in "*Other operating income*".

Methods effective until 31 December 2018

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*".

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 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 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 41.

(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, respectively mortgage network, receive monthly and quarterly bonuses. Branch managers and mortgage office managers receive quarterly bonuses. Call centres employees receive monthly bonuses. Employees from the division Operations with short term goals receive monthly bonuses. Employees from Risk department with short term goals receive monthly or quarterly bonuses. 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. 50% of the variable wage component of a member of the board of directors is calculated and paid out on the methodology Value in Use (ViU). This method is based on Dividend Discount Model (DDM) and is the sum of Net Present Value (NPV) of dividends in the following five years since the evaluation year and the ongoing value. This wage component is awarded based on this scheme: 60% is deferred by 18 months from the conclusion of the financial year for which it is awarded, the remaining 40% is paid out over next five years, with one fifth being paid each year. The other half of the variable wage component is awarded under the scheme: 60% non-delayed, the remaining 40% is paid out over next five years, with one fifth being paid each year. 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. The recognition, use and release of the provisions for payroll costs is reported in the consolidated statement of comprehensive income as "*Personnel expenses*".

6. CHANGES IN ACCOUNTING POLICIES IN 2019

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

IFRS 16 Leases – effective for periods beginning on or after 1 January 2019; replaced IAS 17. Under IFRS 16 a lessee recognises a right-of-use asset and a lease liability. 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 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.

As at 1 January 2019, the Group recorded right-of-use assets of CZK 1,974 million and lease payments of the same amount. The impact on retained earnings due to transition to IFRS 16 was zero. The Group applied the modified retrospective approach in the transition to IFRS 16. Comparative figures have not been adjusted. In applying IFRS 16, the Group applies exemptions for lease terms of 12 months or less and (short-term leases) and exemptions for leases when the underlying asset has a low value when new. The Group set the low-value limit to CZK 100 thousand. In such cases, the right-of-use asset or the relating liability is not reported. Average weighted incremental interest rate applied for a calculation of the lease liability as at 1 January 2019 is at approximately 1.5%.

Reconciliation of future payments from operating lease (IAS 17) and lease liabilities (IFRS 16):

CZK thousand	
Future payments from operating leases as at 31/12/2018	1,080,560
Future payments from operating lease as at 31/12/2018 discounted as at 1/1/2019	1,041,425
Adjustments for:	
Short-term leases	(309)
Extension and termination options reasonably certain to be exercised	933,238
Total lease liabilities as at 1/1/2019	**1,974,354**

The impact of the transition to IFRS 16 on the consolidated statement of financial positions is as follows:

Line	**IAS 17 31/12/2018**	**Transition to IFRS 16**	**IFRS 16 1/1/2019**
Property and equipment	**2,067,421**	1,974,354	**4,041,775**
Other financial liabilities	**3,171,060**	1,974, 354	**5,145,414**

The new accounting policies for leases are described in note 5.w

(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 2019, the following amended standards issued by IASB and adopted by the EU were effective:

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

- ***Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures*** (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);

- **Annual Improvements to IFRS 2015-2017 Cycle** (effective for annual periods beginning on or after 1 January 2019), including amendments to IAS 23, IAS 12, IFRS 3 and IFRS 11;

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

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

(c) 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 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);

- **Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments and IFRS 7 Financial Instruments: Disclosures** (effective for annual periods beginning on or after 1 January 2020);

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

- **Amendments to IFRS 3 Business Combinations** (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	2019	2018
Interest income and similar income calculated using the effective interest rate method		
Financial assets measured at amortised cost	**10,471,370**	**8,626,871**
from debt securities	228,440	114,910
from loans and advances to banks	1,928,521	1,182,150
from loans and advances to customers	8,314,409	7,329,811
Negative interest on financial liabilities at amortised cost	**15,126**	**14,538**
Hedging interest rate derivatives	**3,116,733**	**1,985,908**
Interest income and similar income calculated using the effective interest rate method	**13,603,229**	**10,627,317**
Other interest income		
Financial assets held for trading	**2,479,417**	**1,493,741**
Derivatives held for trading	2,477,298	1,490,529
of which derivatives in the bank´s portfolio	*49,797*	*67,592*
Debt securities	2,119	3,212
Other interest income	**2,479,417**	**1,493,741**
Interest expense		
Financial liabilities held for trading	**(2,438,463)**	**(1,059,864)**
Derivatives held for trading	(2,438,463)	(1,059,849)
of which derivatives in the bank´s portfolio	*(22,757)*	*(13,305)*
Short sales	-	(15)
Financial liabilities at amortised cost	**(1,448,658)**	**(1,043,510)**
from deposits from banks	(259,023)	(328,797)
from deposits from customers	(973,524)	(493,240)
from securities issued	(104,952)	(138,973)
from subordinated liabilities	(111,159)	(82,500)
From lease liabilities	**(29,117)**	**n/a**
Securitisation	**(762)**	**(256,016)**
Hedging interest rate derivatives	**(3,113,423)**	**(2,092,108)**
Negative interest on financial assets at amortised cost	**(5,703)**	**(4,064)**
Total interest expense and similar expense	**(7,036,126)**	**(4,455,562)**
Net interest income	**9,046,520**	**7,665,496**

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 from hedging financial derivatives upon a cash flow hedge of CZK (121,873) thousand (2018: CZK (101,935) thousand), net interest income from hedging financial derivatives upon a fair value hedge of mortgage loans of CZK 776,585 thousand (2018: CZK (100,212) 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 (651,402) thousand (2018: CZK (142,115) thousand), and net interest income from hedging financial derivatives upon a fair value hedge of securities issued of CZK 0 thousand (2018: CZK 37,638 thousand).

Interest income additionally includes interest on impaired assets (primarily loans and advances to customers) of CZK 86,315 thousand (2018: CZK 18,448 thousand).

8. NET FEE AND COMMISSION INCOME

CZK thousand	2019	2018
Fee and commission income arising from		
Securities transactions	101,333	117,454
Clearing and settlement	68,056	78,415
Asset management	40,417	32,283
Administration, custody and safekeeping of values	46,420	40,934
Payments	1,757,722	1,759,508
Product distribution for customers	135,283	132,753
Loan administration	219,676	245,078
Provided guarantees	141,099	148,200
Fund management and distribution of units	350,328	222,812
Other	46,013	93,232
Total fee and commission income	**2,906,347**	**2,870,669**
Fee and commission expense		
Clearing and settlement	(61,121)	(74,721)
Administration, custody and safekeeping of values	(2,824)	(2,515)
Payments	(742,892)	(756,719)
Guarantees received	(13,744)	(8,947)
Other	(171,105)	(47,701)
Total fee and commission expense	**(991,686)**	**(890,603)**
Net fee and commission income	**1,914,661**	**1,980,066**

9. NET GAIN ON FINANCIAL OPERATIONS

CZK thousand	2019	2018
Interest rate derivatives	**45,447**	**231,957**
Gain/(loss) from foreign currency transactions	**1,147,965**	**1,174,725**
of which: Customer foreign currency result	*1,104,288*	*1,105,006*
FX proprietary P/L	*43,677*	*69,719*
Gain/(loss) from transactions with securities	**11,911**	**(3,261)**
of which: Portfolio of securities held for trading	*11,911*	*(3,261)*
Liabilities from short sales transactions	**62**	**3,746**
Equity instruments held for trading	**11,060**	**8,526**
Total	**1,216,445**	**1,415,693**

"*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.

10. NET PROFIT FROM HEDGE ACCOUNTING

CZK thousand	2019	2018
Change in the fair value of hedging derivatives upon fair value hedging	499,271	(6,263)
Change in the fair value of the hedged items in fair value hedging	(491,913)	80,020
Profit/(loss) from hedge accounting upon a cash flow hedge – ineffective part	(1,369)	(998)
Total	**5,989**	**72,759**

11. DIVIDEND INCOME

In 2019, income from other shares and equity investments amounted to CZK 41,510 thousand (2018: CZK 30,812 thousand). The amount includes a dividend from Raiffeisen stavební spořitelna a.s. of CZK 30,000 thousand (2018: CZK 30,000 thousand), a dividend from Visa Inc. of CZK 1,385 thousand (2018: CZK 812 thousand) and a dividend from Hermes Property, s.r.o. of CZK 10,000 thousand (2018: CZK 0 thousand).

12. IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

CZK thousand	2019	2018
Changes in loss allowances		
Additions to loss allowances	(2,254,851)	(2,395,346)
Release of loss allowances	1,706,251	1,759,042
Use of loss allowances	1,056,381	1,068,844
Nominal value of assigned and written-off receivables	(1,056,558)	(1,072,629)
of which: direct write-offs of receivables	*(177)*	*(3,785)*
Income from written-off/sold receivables	55,187	84,058
Total changes in loss allowances	**(493,590)**	**(556,031)**
Provisions for off-balance sheet credit risks		
Establishment of provisions	(254,313)	(410,497)
Release of provisions	399,080	86,156
Total changes in provisions for off-balance sheet credit risks	**144,767**	**(324,341)**
Total impairment losses on financial instruments	**(348,823)**	**(880,372)**

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

CZK thousand	2019	2018
Gain from sales of financial assets measured at amortised cost	(2,687)	41,156
Total	**(2,687)**	**41,156**

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14. PERSONNEL EXPENSES

CZK thousand	2019	2018
Wages and salaries	(2,599,594)	(2,364,574)
Social and health insurance	(834,984)	(753,293)
Other personnel expenses	(134,919)	(134,206)
Total	**(3,569,497)**	**(3,252,073)**
Of which wages, salaries and remuneration paid to:		
Members of the board of directors	(88,137)	(85,047)
Members of the supervisory board	(6,522)	(4,030)
Total	**(94,659)**	**(89,077)**

As at 31 December 2019 and 2018, the recalculated average number of the Group's employees was as follows:

	2019	2018
Employees	3,166	3,114
Members of the board of directors	7	7
Members of the supervisory board	12	7

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 46.

15. GENERAL OPERATING EXPENSES

CZK thousand	2019	2018
Rent, repairs and other office management services	(189,261)	(516,526)
Marketing expenses	(522,256)	(380,437)
Costs of legal and advisory services	(388,981)	(357,322)
of which: statutory audit of financial statements	*(5,657)*	*(5,725)*
other assurance services provided by the auditor	*(3,695)*	*(3,058)*
IT support costs	(479,795)	(386,671)
Deposit and transaction insurance	(53,565)	(46,771)
Telecommunication, postal and other services	(83,160)	(82,193)
Security costs	(54,754)	(51,619)
Training costs	(38,022)	(31,022)
Office equipment	(26,965)	(20,706)
Travel costs	(24,487)	(23,469)
Fuel	(11,489)	(17,221)
Contribution to the crisis resolution fund	(221,666)	(257,825)
Other administrative expenses	(37,200)	(54,877)
Impairment loss on tangible assets (note 29)	(2,370)	(336)
Total	**(2,133,971)**	**(2,226,955)**

"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 services in 2019:
- Review of the Financial Information for consolidation purposes prepared in conformity with the accounting instructions issued by group management of Raiffeisen Bank International for the period from 1 January 2019 to 30 June 2019;
- Review of the consolidated and unconsolidated Financial Information Reporting of Raiffeisenbank a.s. as at 31 December 2019 to the Czech National Bank;
- And others.

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

CZK thousand	2019	2018
Amortisation of intangible assets	(784,604)	(496,505)
Depreciation of property and equipment	(708,919)	(327,857)
Depreciation of investment property	(11,061)	(17,432)
Total	**(1,504,584)**	**(841,794)**

17. OTHER OPERATING INCOME

CZK thousand	2019	2018
Change in operating provisions	128,668	72,201
Income from reinvoicing	41,610	29,082
Contribution for marketing support of products	16,944	24,039
Income from operating leases	456,072	389,042
Other	389,451	360,758
Total	**1,032,745**	**875,122**

18. OTHER OPERATING EXPENSES

CZK thousand	2019	2018
Change in loss allowances to operating receivables	(19,970)	(16,230)
Loss on sale of property and equipment and intangible assets	(6,889)	(2,126)
Expenses on operating leases	(248,007)	(173,322)
Other	(60,777)	(30,597)
Total	**(335,643)**	**(222,275)**

19. INCOME TAX

(a) Income tax expense

CZK thousand	2019	2018
Current income tax	(1,064,295)	(881,158)
Adjustment to the tax payable/(additionally assessed tax) relating to the previous year	–	(26,923)
Release of previous year provision	219,054	24,742
(Expense)/income in respect of deferred tax	(19,796)	14,403
Total income tax	**(865,037)**	**(868,936)**

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	2019	2018
Profit before tax (general tax base)	**5,596,188**	**4,683,954**
Total profit before tax	**5,596,188**	**4,683,954**
Tax calculated at the tax rate for the general tax base – 19% (2018: 19%)	**(1,063,276)**	**(889,951)**
Non-taxable income (tax effect)	424,055	336,173
Non-tax deductible expenses (tax effect)	(457,365)	(315,831)
Tax allowances and tax relief	12,495	2,854
Tax liability for the year	**(1,084,091)**	**(866,755)**
Tax overpayment/(underpayment) from previous years, use of tax relief and credits, including adjustment to the tax payable for previous years	–	(26,923)
Release of previous year provision	219,054	24,742
Total income tax	**(865,037)**	**(868,936)**
Effective tax rate	**15.46%**	**18.55%**

(b) Income tax liability/receivable

CZK thousand	2019	2018
Tax liability for the year	**(1,084,091)**	**(866,755)**
Deferred tax	19,796	(14,403)
Provision for additional income tax	(32,832)	(258,207)
Advances for income tax	918,946	1,113,299
Tax incidence of IFRS 9	–	(22,947)
Total income tax (liability)/receivable	**(178,181)**	**(49,014)**

CZK thousand	2019	2018
Income tax receivable reported in the balance sheet	28,017	28,649
Income tax liability reported in the balance sheet	(178,181)	(49,014)
Total income tax (provision)/receivable	**(150,164)**	**(20,365)**

In 2018, tax incidence of IFRS 9 of CZK (22,947) thousand was 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 25.

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

CZK thousand	2019	2018
Cash in hand and other cash equivalents	2,703,163	3,389,118
Balances with central banks (including one-day deposits)	6,647,979	3,897,632
Mandatory minimum provisions with the Czech National Bank (CNB)	2,925,976	1,815,095
Other demand deposits	1,857,511	3,004,102
Total	**14,134,629**	**12,105,947**

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 37.

21. FINANCIAL ASSETS HELD FOR TRADING

CZK thousand	2019	2018
Derivatives	**1,674,759**	**1,687,444**
Interest rate derivatives	1,418,737	1,242,664
Currency derivatives	256,022	444,780
Debt securities	**93,812**	**268,021**
Government institutions	92,841	268,021
Non-financial enterprises	971	-
Total	**1,768,571**	**1,955,465**

Securities pledged as collateral

As at 31 December 2019 and 2018, the Group provided no pledge of securities as collateral as part of repurchase and similar transactions with other banks and customers.

22. FINANCIAL ASSETS MEASURED AT FVOCI

CZK thousand	2019	2018
Equity instruments	**734,991**	**628,880**
Shares	734,991	628,880
Total	**734,991**	**628,880**

"*Financial assets measured at FVOCI*" includes the Group's equity investment in Raiffeisen stavební spořitelna a.s. of CZK 496,200 thousand (2018: CZK 463,300 thousand) and its membership in Visa Inc. association of CZK 237,953 thousand (2018: CZK 164,731 thousand).

23. FINANCIAL ASSETS AT AMORTISED COST

(a) Financial assets at amortised cost by segment

CZK thousand	2019		
	Gross carrying amount	Loss allowances	Net carrying amount
Debt securities	**10,883,716**	**(4,268)**	**10,879,448**
Government institutions	9,476,324	(450)	**9,475,874**
Non-financial enterprises	1,407,392	(3,818)	**1,403,574**
Loans and advances to banks	**87,242,459**	**(26)**	**87,242,433**
Central banks	86,140,417	–	**86,140,417**
Credit institutions	1,102,042	(26)	**1,102,016**
Loans and advances to customers	**251,120,501**	**(3,963,646)**	**247,156,855**
Government institutions	1,515,684	(150)	**1,515,534**
Other financial institutions	9,785,864	(10,663)	**9,775,201**
Non-financial enterprises	118,313,108	(1,426,961)	**116,886,147**
Households	121,505,845	(2,525,872)	**118,979,973**
Total	**349,246,676**	**(3,967,940)**	**345,278,736**

CZK thousand	2018		
	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 enterprises	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 enterprises	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	2019	2018
Debt securities		
Debt securities	10,883,716	6,867,590
Debt securities, gross	**10,883,716**	**6,867,590**
Loss allowances	(4,268)	(3,031)
Debt securities, net	**10,879,448**	**6,864,559**
Loans and advances to banks		
Term deposits	1,095,895	1,291,384
Factoring	6,147	–
Reverse repo transactions with Czech National Bank	86,140,417	98,237,392
Loans and advances to banks – gross	**87,242,459**	**99,528,776**
Loss allowances	(26)	(278)
Loans and advances to banks – net	**87,242,433**	**99,528,498**
Loans and advances to customers		
Loans and advances from current accounts	3,982,815	4,496,013
Term loans	135,511,958	127,810,064
Mortgage loans	95,242,435	93,528,230
Finance lease	8,741,477	8,118,921
Reverse repo transactions	91,371	265,182
Credit card receivables	3,698,052	4,032,129
Other	3,852,393	2,805,195
Loans and advances to customers – gross	**251,120,501**	**241,055,734**
Loss allowances	(3,963,646)	(4,451,324)
Loans and advances to customers – net	**247,156,855**	**236,604,410**
Total financial assets at amortised cost	**345,278,736**	**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 (1,152,503) thousand and CZK (1,144,945) thousand as at 31 December 2019 and 2018, respectively.

(c) Reverse repo transactions

The Group advanced loans to Czech National Bank in the aggregate amount of CZK 86,140,417 thousand (2018: CZK 98,237,392 thousand) under reverse repo transactions. Reverse repo transactions with Czech National Bank are collateralised by securities at the fair value of CZK 85,527,000 thousand (2018: CZK 97,602,000 thousand).

Aggregate amount of loans advanced to customers under reverse repo transaction was CZK 91,371 thousand (2018: CZK 265,182 thousand). Reverse repo transactions with customers are collateralised by securities with the fair value of CZK 120,251 thousand (2018: CZK 365,114 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 was 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 amounted 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. 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 were of an interest nature and recognised in "*Interest expense and similar expense*", see note 7.

The Group had no equity investment in the newly-established entity and exercised no control or significant influence over it under IFRS. ROOF RBCZ 2015 S.à r.l. may have only performed specific limited-scope activities relevant to the transaction, which were defined in detail at the inception of the transaction, and the Group was unable to influence the activities. For these reasons, the Group did 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 reported no assets, liabilities or other balances in respect of ROOF RBCZ 2015 S.à r.l. that would have resulted 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 6,618,348 thousand as at 31 December 2019 (2018: CZK 6,434,757 thousand), of which the proportion of the Group amounted to CZK 2,494,927 thousand (2018: CZK 2,568,653 thousand) and the proportion of other syndicate members amounted to CZK 4,123,421 thousand (2018: CZK 3,866,104 thousand).

As at 31 December 2019, the aggregate amount of outstanding receivables under the syndicated loan facilities was CZK 4,506,647 thousand (2018: CZK 3,820,402 thousand), of which the proportion of the Group was CZK 1,595,094 thousand (2018: CZK 1,438,778 thousand) and the proportion of other syndicate members was CZK 2,911,553 thousand (2018: CZK 2,381,624 thousand).

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

(f) Receivables from finance leases

Time structure of receivables from finance leases is as follows:

CZK thousand	2019	2018
Gross investments in finance leases	**9,284,469**	**8,651,033**
– up to 3 months	700,927	616,106
– 3 months to 1 year	2,189,531	1,983,649
– 1 year to 5 years	5,920,230	5,667,597
– more than 5 years	473,781	383,681
Unrealised financial income	**(542,991)**	**(532,112)**
– up to 3 months	(63,987)	(61,822)
– 3 months to 1 year	(160,456)	(156,351)
– 1 year to 5 years	(285,487)	(292,491)
– more than 5 years	(33,061)	(21,448)
Net investments in finance leases – gross	**8,741,477**	**8,118,921**
Loss allowances	(115,130)	(140,187)
Net investments in finance leases – net	**8,626,347**	**7,978,734**

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

CZK thousand	2019	2018
Lease of motor vehicles	6,433,803	5,760,486
Lease of real estate	151,279	173,417
Lease of equipment	2,156,396	2,185,018
Total	**8,741,477**	**8,118,921**

24. HEDGING DERIVATIVES WITH POSITIVE FAIR VALUE

CZK thousand	2019	2018
Fair value hedge derivatives	**–**	**35,907**
Interest rate derivatives	–	35,907
Cash flow hedge derivatives	**–**	**11,729**
Interest rate derivatives	–	11,729
Portfolio hedge derivatives	**2,545,904**	**2,433,394**
Cash flow hedge	177,702	177,172
Fair value hedge	2,368,202	2,256,222
Total	**2,545,904**	**2,481,030**

25. 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 2019).

Deferred tax asset comprises the following items:

	Balance at 1/1/2019	Movement for the year - (expense)/ income	Movement for the year against equity	Balance at 31. 12. 2019		
CZK thousand	Net deferred tax asset/ (liability)			Deferred tax liability	Deferred tax asset	Net deferred tax asset/ (liability)
Loss allowances to loans	–	–	–	–	–	**–**
Outstanding security and health insurance and bonuses	96,306	15,566	–	–	111,872	**111,872**
Other provisions	116,825	(22,790)	–	–	94,035	**94,035**
Outstanding vacation days	4,076	454	–	–	4,530	**4,530**
Fair value reserve – cash flow hedge	(8,824)	–	(6,451)	(15,275)	–	**(15,275)**
Differences between accounting and tax carrying amounts of property and equipment and intangible assets	(208,076)	54,439	–	(153,637)	–	**(153,637)**
Movement in fair value reserve in equity from remeasurement of financial assets at FVOCI	(11,277)	–	(15,800)	(27,077)	–	**(27,077)**
Differences in book and tax values – leases	(108,629)	(67,465)		(176,094)	–	**(176,094)**
Loss allowances to loans	–	–	–	–	–	**–**
Fair value reserve – cash flow hedge	(2,229)	–	2,229	–	–	**–**
Deferred tax asset/ (liability)	**(121,828)**	**(19,796)**	**(20,022)**	**(372,083)**	**210,437**	**(161,646)**

CZK thousand	Balance at 1/1/2018 Net deferred tax asset/ (liability)	Movement for the year - (expense)/ income	Movement for the year against equity	Balance at 31/12/2018 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)**
Differences in book and tax values – leases	(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	2019	2018
Deferred tax asset reported in the balance sheet	10,895	9,300
Deferred tax liability reported in the balance sheet	(172,541)	(131,128)
Net deferred tax (liability)/asset	**(161,646)**	**(121,828)**

26. OTHER ASSETS

CZK thousand	2019	2018
Indirect tax receivables	36,994	84,606
Receivables arising from non-banking activities	307,569	213,471
Accrued expenses and deferred income	350,404	302,334
Receivables from securities trading	123,767	88,215
Settlement of cash transactions with other banks	436,195	497,745
Other	270,583	474,900
Total	**1,525,512**	**1,661,271**

"*Other*" includes contributions to the share capital of non-consolidated uncontrolled entities of Raiffeisen Leasing, s.r.o. (see note 3(e)) of CZK 56,508 thousand (2018: CZK 55,657 thousand).

27. EQUITY INVESTMENTS IN JOINT VENTURES

CZK thousand	2019	2018
Opening balance	**45,997**	**38,108**
Additions	–	–
Increase/(decrease) in net assets of joint ventures	–	13,589
Disposals	–	(559)
Sale of a joint venture	(45,997)	(5,141)
Closing balance	**–**	**45,997**

CZK thousand	Country	Assets	Liabilities	Revenues	Profit/ loss	Ownership percen- tage	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**

* measured using the equity method of accounting

Related party transactions of the Group with the above joint ventures are disclosed in note 46.

Nordica Office, s.r.o. – principal activities:
real estate activities

Karlín Park, a.s. – principal activities:
real estate activities

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28. INTANGIBLE ASSETS

CZK thousand	Software	Other intangible assets	Intangible assets under construction	Total
Cost				
At 1 January 2018	5,007,450	378,750	443,816	**5,830,016**
Additions	347,515	–	502,388	**849,903**
Disposals	(315)	–	–	**(315)**
Other changes (transfers)	347,212	792	(348,004)	**–**
At 31 December 2018	**5,701,862**	**379,542**	**598,200**	**6,679,604**
Additions	327,352	–	513,798	**841,150**
Disposals	(10,662)	–	–	**(10,662)**
Other changes (transfers)	453,349	–	(453,349)	**–**
At 31 December 2019	**6,471,901**	**379,542**	**658,649**	**7,510,092**
Accumulated amortisation				
At 1 January 2018	(3,265,621)	(195,183)	–	**(3,460,804)**
Additions – annual amortisation charges	(439,310)	(57,195)	–	**(496,505)**
Disposals	315	–	–	**315**
At 31 December 2018	**(3,704,616)**	**(252,378)**		**(3,956,994)**
Additions – annual amortisation charges	(664,381)	(120,223)	–	**(784,604)**
Disposals	4,546	–	–	**4,546**
At 31 December 2019	**(4,364,451)**	**(372,601)**	**–**	**(4,737,052)**
Net book value				
At 31 December 2018	**1,997,246**	**127,164**	**598,200**	**2,722,610**
At 31 December 2019	**2,107,450**	**6,941**	**658,649**	**2,773,040**

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 2019, internal costs of CZK 171,617 thousand (2018: CZK 146,760 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.

29. 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 2018	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**
At 1 January 2019	**1,699,920**	**212,348**	**1,918,065**	**384,873**	**4,215,206**
Recognition of right-of-use assets on initial application of IFRS 16	1,974,354	–	–	–	**1,974,354**
At 1 January 2019	3,674,274	212,348	1,918,065	384,873	**6,189,560**
Additions	332,839	8,316	624,497	143,982	**1,109,634**
Disposals	(11,949)	(25,006)	(414,949)	(86,363)	**(538,267)**
Other changes (transfers)	32,018	7,681	45,650	(85,349)	**–**
At 31 December 2019	**4,027,182**	**203,339**	**2,173,263**	**357,143**	**6,760,927**
Accumulated depreciation					
At 1 January 2018	(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)**
Additions	(418,618)	(11,475)	(278,826)		**(708,919)**
Disposals	3,054	23,714	235,445		**262,213**
At 31 December 2019	**(1,475,792)**	**(154,294)**	**(867,203)**	**(96,866)**	**(2,594,155)**
Loss allowances					
At 1 January 2018	–	–	–	–	**–**
Additions	–	–	(336)	–	**(336)**
At 31 December 2018	**–**	**–**	**(336)**	**–**	**(336)**
Additions	–	–	(2,370)	–	**(2,370)**
At 31 December 2019	**–**	**–**	**(2,706)**	**–**	**(2,706)**
Net book value					
At 31 December 2018	**639,692**	**45,815**	**1,093,907**	**288,007**	**2,067,421**
At 31 December 2019	**2,551,390**	**49,045**	**1,303,354**	**260,277**	**4,164,066**

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.

As at 31 December 2019, the carrying amount of right-of-use assets was CZK 1,940,338 thousand – see note 44.

(b) Property and equipment acquired under finance lease

The Group recorded no property and equipment under finance leases in the years ended 31 December 2019 and 2018.

30. INVESTMENT PROPERTY

CZK thousand	2019	2018
Cost		
At 1 January	870,070	864,158
Additions	4,117	5,912
Disposals	–	–
Effect from the change in the consolidation scope	(318,382)	–
Cost at 31 December	**555,805**	**870,070**
Accumulated depreciation and loss allowances		
At 1 January	(270,763)	(253,331)
Annual depreciation	(11,061)	(17,432)
Disposals	–	–
Loss allowance	–	–
Effect from the change in the consolidation scope	139,781	–
Accumulated depreciation and loss allowances at 31 December	**(142,043)**	**(270,763)**
Net book value at 31 December	**413,762**	**599,307**

The rental income from investment property as at 31 December 2019 amounts to CZK 39,464 thousand (31 December 2018: CZK 67,561 thousand). Expense related to the rental of the investment property as at 31 December 2019 amounts to CZK 2,561 thousand (31 December 2018: CZK 19,540 thousand).

The fair value of investment property as at 31 December 2019 amounts to CZK 473,000 thousand (31 December 2018: CZK 709,716 thousand). The fair value is measured based on the appraisals of internal experts with appropriate professional qualification, using one of 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.

31. FINANCIAL LIABILITIES HELD FOR TRADING

CZK thousand	2019	2018
Derivatives	**1,798,795**	**1,675,219**
Interest rate derivatives	1,296,700	1,159,458
Currency derivatives	502,095	515,761
Total	**1,798,795**	**1,675,219**

32. FINANCIAL LIABILITIES AT AMORTISED COST

(a) Deposits from banks

CZK thousand	2019	2018
Current accounts/One-day deposits	651,064	3,038,529
Term deposits of banks	16,910,065	29,863,239
Repo transactions	4,400,189	1,499,778
Total	**21,961,318**	**34,401,546**

(b) Deposits from customers

Analysis of deposits from customers by type

CZK thousand	2019	2018
Current accounts/One-day deposits	257,938,175	242,943,647
Term deposits	25,032,794	14,679,983
Deposits with notice	7,174,583	13,207,034
Change in the fair value of hedged items upon fair value hedging	41,995	89,896
Total	**290,187,547**	**270,920,560**

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 (1,270,121) thousand and CZK (1,757,940) thousand as at 31 December 2019 and 2018, respectively.

Analysis of deposits from customers by sector

CZK thousand	2019	2018
Government sector	8,847,334	7,110,497
Other financial institutions	12,634,231	9,722,897
Non-financial enterprises	101,747,783	99,548,525
Households	166,958,199	154,538,641
Total	**290,187,547**	**270,920,560**

Repo transactions

As at 31 December 2019 and 2018, 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	2019	2018
Mortgage bonds	12,672,258	19,551,265
Change in the fair value of hedged items upon fair value hedging	–	28,307
Non-hedged bonds issued	–	2
Deposit certificates and depository bills of exchange	20,225	20,005
Total	**12,692,483**	**19,599,578**

Analysis of mortgage bonds

CZK thousand							
	Maturity			Nominal value		Net carrying amount	
Issue date	date	ISIN code	Currency	2019	2018	2019	2018
5/11/2014	5/11/2019	XS1132335248	EUR	0	12,579,525	–	12,605,629
8/3/2017	8/3/2021	XS1574150261	EUR	5,336,100	5,145,000	5,351,666	5,152,028
8/3/2017	8/3/2023	XS1574150857	EUR	3,049,200	514,500	3,132,820	515,771
8/3/2017	8/3/2024	XS1574151236	EUR	4,065,600	1,286,250	4,187,772	1,277,837
8/3/2017	8/4/2022	XS1574149842	EUR	–	–	–	–
TOTAL				**12,450,900**	**19,525,275**	**12,672,258**	**19,551,265**

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

In 2019, the Group redeemed mortgage bonds of EUR 489,000 thousand. During 2019, the Group sold mortgage bonds from its own portfolio in the aggregate amount of EUR 220,000 thousand on the secondary market. The Group did not issue any new bonds in 2019.

As at 31 December 2019, the Group held issued EUR-denominated mortgage bonds totalling EUR 460,417 thousand (31 December 2018: EUR 943,256 thousand) that can be used as collateral in repurchase transactions with the European Central Bank. In addition, the Group used EUR-denominated mortgage bonds of EUR 249,583 thousand (31 December 2018: EUR 197,744 thousand) as collateral in repurchase transactions in the inter-banking market.

(d) Subordinated liabilities and bonds

Subordinated loan

CZK thousand	2019	2018
Raiffeisen Bank International AG (parent company)	2,481,549	1,932,944
Raiffeisenlandesbank Oberösterreich AG	827,183	644,315
Total	**3,308,732**	**2,577,259**

In December 2018 the Group obtained subordinated loan in nominal of EUR 100,000 thousand, out of which EUR 75,000 thousand was from Raiffeisen Bank International AG and EUR 25,000 thousand from Raiffeisenlandesbank Oberösterreich AG. The subordinated loan bears the interest of a 12 months EURIBOR and a margin of 3.7 per cent p.a. and has maturity after 10 years via balloon payment with option for the Group of early repayment after 5 years.

In June 2019 the Group obtained subordinated loan in nominal of EUR 30,000 thousand, out of which EUR 22,500 thousand was from Raiffeisen Bank International AG and EUR 7,500 thousand from Raiffeisenlandesbank Oberösterreich AG. The subordinated loan bears the interest of a 12 months EURIBOR and a margin of 3.7 per cent p.a. and has maturity after 10 years via balloon payment with option for the Group of early repayment after 5 years.

(e) Other financial liabilities

CZK thousand	2019	2018
Liabilities from securities trading	86,699	180,490
Liabilities from non-banking activities	197,445	346,665
Settlement and suspense clearing accounts	1,809,290	2,643,905
Lease liabilities	1,927,635	n/a
Total	**4,021,069**	**3,171,060**

33. HEDGING DERIVATIVES WITH NEGATIVE FAIR VALUE

CZK thousand	2019	2018
Positive fair value of portfolio hedge derivatives	2,667,682	3,204,463
Cash flow hedge	56,382	321,241
Fair value hedge	2,611,300	2,883,222
Total	**2,667,682**	**3,204,463**

34. PROVISIONS

CZK thousand	2019	2018
Provisions for commitments and financial guarantees provided	**403,594**	**544,773**
Other provisions	**718,020**	**812,304**
Provisions for legal disputes	10,323	800
Provision for outstanding vacation days	23,842	21,451
Payroll provisions	588,804	506,876
Provision for restructuring	10,447	14,560
Other	84,604	268,617
Total	**1,121,614**	**1,357,077**

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 43 *"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 2018	**83,046**	**24,874**	**469,059**	**16,459**	**302,122**	**895,560**
Establishment of provisions	–	16,486	506,876	–	15,805	**687,863**
Use of provisions	(52,541)	(18,198)	(431,242)	(1,615)	(24,585)	**(565,998)**
Release of redundant provisions	(30,627)	(1,711)	(37,817)	(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**
Establishment of provisions	9,523	18,870	588,804	–	54,619	**671,816**
Use of provisions	–	(16,479)	(434,054)	(3,163)	(38,498)	**(492,194)**
Release of redundant provisions	–	–	(72,822)	(950)	(200,134)	**(273,906)**
Foreign exchange gains/losses	–	–	–	–	–	**–**
31 December 2019	**10,323**	**23,842**	**588,804**	**10,447**	**84,604**	**718,020**

The Group recognises provisions for legal disputes based on an internal expert assessment of the current legal disputes conducted against the Group. 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.

35. OTHER LIABILITIES

CZK thousand	2019	2018
Estimated payables for payroll expenses	260,756	243,587
Accrued expenses and deferred income	75,489	72,654
Estimated payables – uninvoiced receipts for services/goods	587,601	474,938
Other	107,227	138,340
Total	**1,031,073**	**929,519**

36. EQUITY

(a) Share capital

The Bank's shareholder structure as at 31 December 2019:

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

The registered capital is fully paid. The ordinary shares are in accordance with Act No. 90/2012 Coll. on Business Corporations and Cooperatives and they do not have any special rights associated with them. The shareholder is entitled to a share of the Bank's profit (dividend), which the general meeting had approved for distribution according to the Bank's economic results. The Bank has not issued any convertible bonds or priority bonds within the meaning of Section 286 of Act No. 90/2012 Coll., on Business Corporations and Cooperatives. In 2019 and 2018, the Bank did not hold any of their own shares or issue any interim certificates.

On 29 April 2018, the Bank's general meeting approved the following allocation of the profit from individual financial statements as at 2018:

Net profit of the Bank for 2018	**3,364,971**
Approved allocation:	
Allocation to reserve funds	–
Allocation to retained earnings	2,390,235
Dividends paid to shareholders*	974,736
of which: Raiffeisen CEE Region Holding GmbH	731,052
RLB OÖ Sektorholding GmbH	243,684

* Dividends were paid out on 3 May 2019.

During 2019, 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 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 2019, the dividend per share amounted to CZK 881 (2018: CZK 1,374).

(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 2019, the Group placed another issue of AT1 capital investment certificates of CZK 767,250 thousand. As at 31 December 2019, the issue totalled CZK 3,382,604 thousand (31 December 2018: CZK 2,615,354 thousand). The Czech National Bank approved the inclusion of AT1 certificates in the Group's auxiliary Tier 1 capital. In 2019, the Group paid out a coupon of CZK 177,331 thousand (2018: CZK 178,675 thousand) from retained earnings to the holders of these certificates.

(c) Fair value reserve

Arising from cash flow hedges

CZK thousand	2019	2018
Fair value of the effective part of cash flow hedges at 1 January	58,168	(119,237)
Deferred tax asset/(liability) arising from fair value reserve at 1 January	(11,052)	29,076
Total balance at 1 January	**47,116**	**(90,161)**
Net gains/(losses) from the change in the fair value of a hedge instrument for the year		
Cross currency swaps	235,636	893,937
Interest rate swaps	9,512	49,316
Accumulated net gains/(losses) arising from cash flow hedges		
Cross currency swaps	(222,923)	(765,847)
Tax effect of cash flow hedges for the year	(4,222)	(40,129)
Fair value of the effective part of cash flow hedges at 31 December	80,393	58,168
Deferred tax asset/(liability) arising from fair value reserve at 31 December	(15,275)	(11,052)
Total balance at 31 December	**65,118**	**47,116**

From remeasurement of equity securities at FVOCI

CZK thousand	2019	2018
Fair value reserve from remeasurement of equity securities at FVOCI at 1 January	227,401	202,175
Deferred tax asset/(liability) arising from fair value reserve at 1 January	(11,277)	(6,218)
Total balance at 1 January	**216,124**	**195 957**
Net gain/(loss) from remeasurement of equity securities at FVOCI	106,111	25,226
Accumulated net gains/(losses)		
Tax effect of remeasurement of equity securities at FVOCI for the year	(15,800)	(5,059)
Fair value reserve from remeasurement of equity securities at FVOCI at 31 December	333,512	227,401
Deferred tax asset/(liability) arising from fair value reserve at 31 December	(27,077)	(11,277)
Total balance at 31 December	**306,435**	**216,124**

From the company transformation

CZK thousand	2019	2018
Fair value reserve from the company transformation at 1 January	–	–
Total balance at 1 January	**–**	**–**
Fair value reserve from the company transformation	200	–
Total balance at 31 December	**200**	**–**

37. 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	2019	2018
Cash and other cash values, balances with central banks and mandatory minimum provisions (see note 20)	12,277,118	9,101,845
Mandatory minimum provisions (see note 20)	(2,925,976)	(1,815,095)
Other demand deposits (see note 20)	1,857,511	3,004,102
Total cash and cash equivalents	**11,208,653**	**10,290,852**

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.

38. CONTINGENT LIABILITIES

(a) Legal disputes

The Group conducted a review of legal disputes outstanding against it as at 31 December 2019. 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 34) for significant litigations in the aggregate amount of CZK 10,323 thousand in 2019 (2018: CZK 800 thousand).

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

CZK thousand	2019	2018
Banks		
Commitments provided (irrevocable)	–	55,854
Provided guarantees	247,916	75,039
Letters of credit issued	105,660	157,443
Total	**353,576**	**288,336**
Customers		
Commitments provided (irrevocable)	31,348,333	28,787,191
Provided guarantees	15,400,089	16,304,566
Letters of credit issued	161,778	310,789
Total	**46,910,200**	**45,402,546**
Total	**47,263,776**	**45,690,882**

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

(c) Uncommitted credit commitments and guarantee commitments

CZK thousand	2019	2018
Banks	1,927,260	3,806,264
Customers	59,701,302	56,408,258
Total	**61,628,562**	**60,214,522**

39. 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 2019			
Interest rate			
Interest rate swaps	1,412,112	1,292,613	173,932,735
Interest rate forwards	6,613	4,087	18,000,000
Interest rate options	–	–	–
Interest rate	**1,418,725**	**1,296,700**	**191,932,735**
Cross currency swaps	719	694	509,699
Currency forwards and swaps	217,789	462,465	70,096,033
Currency options	37,526	38,936	12,650,963
Foreign exchange	**256,034**	**502,095**	**83,256,695**
Total	**1,674,759**	**1,798,795**	**275,189,430**

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**
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**

(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 2019				
Interest rate				
Interest rate swaps	64,544,609	88,100,804	21,287,322	**173,932,735**
Interest rate forwards	18,000,000	–	–	**18,000,000**
Interest rate options	–	–	–	**–**
Interest rate	**82,544,609**	**88,100,804**	**21,287,322**	**191,932,735**
Foreign exchange				
Cross currency swaps	509,699	–	–	**509,699**
Currency forwards and swaps	66,745,871	3,350,162	–	**70,096,033**
Currency options	11,555,523	1,095,440	–	**12,650,963**
Foreign exchange	**78,811,093**	**4,445,602**	**–**	**83,256,695**
Total financial derivatives	**161,355,702**	**92,546,406**	**21,287,322**	**275,189,430**

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**

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

During the year ended 31 December 2019, 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 2019			
Interest rate risk			
Interest rate swaps to hedge fair value	–	–	–
Fair value hedge derivatives	**–**	**–**	**–**
Interest rate swaps to hedge cash flows	177,702	81	20,124,720
Cross currency swaps to hedge cash flows	–	56,301	3,652,993
Interest rate swaps to hedge fair value	2,368,202	2,611,300	198,794,145
Portfolio hedge derivatives	**2,545,904**	**2,667,682**	**222,571,858**
Total	**2,545,904**	**2,667,682**	**222,571,858**

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**

(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 2019				
Interest rate risk				
Interest rate swaps to hedge fair value	–	–	–	**–**
Average interest rate	–	–	–	**–**
Fair value hedge derivatives	**–**	**–**	**–**	**–**
Interest rate swaps to hedge cash flows	3,303,300	16,643,550	177,870	**20,124,720**
Average interest rate	1.60%	(0.09)%	0.99%	**0.19%**
Cross currency swaps to hedge cash flows	943,329	2,709,664	–	**3,652,993**
Average interest rate	(0.51)%	(0.33)%	–	**(0.38)%**
Interest rate swaps to hedge fair value	31,286,439	131,122,282	36,385,424	**198,794,145**
Average interest rate	0.79%	1.10%	1.02%	**1.04%**
Portfolio hedge derivatives	**35,533,068**	**150,475,496**	**36,563,294**	**222,571,858**
Total financial derivatives	**35,533,068**	**150,475,496**	**36,563,294**	**222,571,858**

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**

(e) Fair value hedge

Hedging instruments

CZK thousand	2019					
	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	Line item in the statement of comprehensive income that includes the hedge ineffectiveness
		Assets	Liabilities			
Interest rate risk						
Fair value hedge derivatives						
Interest rate swaps	–	–	–	Hedging derivatives with positive fair value	(208)	Net gain from hedge accounting
Portfolio hedge derivatives						
Interest rate swaps	198,794,145	2,368,202	2,611,300	Hedging derivatives with positive/negative fair value	499,479	Net gain from hedge accounting

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	Line item in the statement of comprehensive income that includes the hedge ineffectiveness
		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

CZK thousand	2019					
	Carrying amount		Accumulated amount of remeasurement of the hedged items		Line item in the statement of financial position where the hedged item is located	Changes in fair value used for calculating hedge ineffectiveness
	Assets	Liabilities	Assets	Liabilities		
Interest rate risk						
Debt securities	6,020,627	–	124,997	–	Financial assets at amortised cost	30,623
Loans and advances to customers	81,805,072	–	(1,277,500)	–	Financial assets at amortised cost	(37,784)
Deposits from customers	–	65,025,924	–	(1,228,126)	Financial liabilities at amortised cost	(484,662)
Debt securities issued	–	–	–	–	Financial liabilities at amortised cost	–

CZK thousand	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	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 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

(f) Cash flow hedge

Hedging instruments

	2019									
CZK thousand	**Nominal value**	**Fair value**		**Line item in the statement of financial position where the hedging instrument is located**	**Change in fair value used to calculate the ineffective portion of the hedge**	**Changes in the value of the hedging instrument recognised in OCI**	**Ineffectiveness reported in the consolidated statement of comprehensive income**	**Line item in the statement of comprehensive income that includes the hedge ineffectiveness**	**Reclassified portion of the fair value hedges to profit or loss**	**Line item in the statement of comprehensive income affected by the reclassification**
		Assets	**Liabilities**							
Interest rate risk										
Cash flow hedge derivatives										
Interest rate swaps	–	–	–	–	(11,729)	(11,729)	–	Net gain from hedge accounting	–	Net gain from hedge accounting
Portfolio hedge derivatives										
Interest rate swaps	20,124,720	177,702	81	Hedging derivatives with positive/negative fair value	8,143	9,512	(1,369)	Net gain from hedge accounting	(1,369)	Net gain from hedge accounting
Cross currency swaps	3,652,993	–	56,301	Hedging derivatives with positive/negative fair value	24,442	24,442	–	Net gain from hedge accounting	–	Net gain from hedge accounting

CZK thousand	Nominal value	Fair value		Line item in the statement of financial position where the hedging instrument is located	Change in fair value used to calculate the ineffective portion of the hedge	Changes in the value of the hedging instrument recognised in OCI	Ineffectiveness reported in the consolidated statement of comprehensive income	Line item in the statement of comprehensive income that includes the hedge ineffectiveness	Reclassified portion of the fair value hedges to profit or loss	Line item in the statement of comprehensive income affected by the reclassification
		2018								
		Assets	Liabilities							
Interest rate risk										
Cash flow hedge derivatives										
Interest rate swaps	611,311	11,729	–	Hedging derivatives with positive/negative fair value	742	742	–	Net gain from hedge accounting	–	Net gain from hedge accounting
Portfolio hedge derivatives										
Interest rate swaps	12,913,950	177,172	2,489	Hedging derivatives with positive/negative fair value	47,575	48,573	(998)	Net gain from hedge accounting	(998)	Net gain from hedge accounting
Cross currency swaps	13,119,424	–	318,752	Hedging derivatives with positive/negative fair value	128,090	128,090	–	Net gain from hedge accounting	–	Net gain from hedge accounting

Hedged items

CZK thousand	2019		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	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	308	Financial liabilities at amortised cost	(717)
Portfolio hedge				
Loans and advances to customers	Financial assets at amortised cost	(54,297)	Financial assets at amortised cost	(125,283)
Deposits from customers	Financial assets at amortised cost	(2,764)	Financial assets at amortised cost	(13,455)
Debt securities issued	Financial assets at amortised cost	(20,630)	Financial assets at amortised cost	(52,067)

40. OTHER OFF-BALANCE SHEET ITEMS

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

In the years ended 31 December 2019 and 2018, the Group placed no assets under management, into administration or deposit.

(b) Assets accepted for management, administration and deposit

CZK thousand	2019	2018
Assets accepted for management	28,403,528	23,867,590
Assets accepted for administration	39,715,717	33,949,509
Assets accepted for deposit	1,483	808
Total	**68,120,728**	**57,817,907**

41. 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 (2019)

At 31 December 2019 CZK thousand	Corporate entities	Retail customers	Treasury and ALM	Other	Reconciliation to the statement of comprehensive income	Total
Income statement:						
Net interest income	2,821,816	5,375,769	318,911	571,534	(41,510)	**9,046,520**
Net fee and commission income	1,225,539	2,146,942	(39,988)	(11,456)	(1,406,376)	**1,914,661**
Net gain/(loss) from financial operations	(3,847)	(117)	(179,368)	(6,599)	1,406,376	**1,216,445**
Net gain from hedge accounting	–	–	5,989	–	–	**5,989**
Impairment losses on financial instruments	99,105	(447,928)	–	–	–	**(348,823)**
Gain or loss (-) from derecognition of financial assets measured at amortised cost	(2,687)	–	–	–	–	**(2,687)**
Other operating expenses	(1,581,963)	(4,860,668)	(212,592)	144,273	–	**(6,510,950)**
Dividend income	–	–	–	–	41,510	**41,510**
Gains/(losses) from disposal of subsidiaries and joint ventures	–	–	–	222 137	–	**222,137**
Gains/(losses) from non-current assets and disposed groups	–	–	–	11,386	–	**11,386**
Share in profit of joint ventures	–	–	–	–	–	**–**
Profit before tax	**2,557,963**	**2,213,998**	**(107,048)**	**931,275,**	**–**	**5,596,188**
Income tax	(439,749)	(450,918)	46,706	(21,076)	–	**(865,037)**
Profit after tax	**2,118,214**	**1,763,080**	**(60,342)**	**910,199**	**–**	**4,731,151**
Assets and liabilities:						
Total assets	**97,927,114**	**132,436,642**	**129,617,590**	**12,244,274**	**–**	**372,225,620**
Total liabilities	**80,484,612**	**191,985,348**	**57,222,305**	**8,178,649**	**–**	**337,870,914**

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 (-) from derecognition of financial assets measured at amortised cost	41,156	–	–	–	–	**41,156**
Other operating expenses	(1,459,529)	(4,043,529)	(223,761)	58,804	–	**(5,668,015)**
Dividend income	–	–	–	–	30,812	**30,812**
Gains/(losses) from disposal of subsidiaries and joint ventures	–	–	–	12 770	–	**12,770**
Share in profit fromjoint ventures	–	–	–	–	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**

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 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.

42. 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 39 (b) and 39 (d).

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

2019 (CZK thousand)	Carrying amount	Total contractual liability	0–3 months	3–12 months	1–5 years	Over 5 years
Deposits from banks	**21,961,318**	**21,974,496**	13,266,635	3,611,270	5,096,591	–
Deposits from customers	**290,187,547**	**290,314,080**	284,557,921	5,579,541	137,336	39,281
Debt securities issued	**12,692,483**	**13,086,655**	201,658	–	12,884,997	–
Subordinated liabilities and bonds	**3,308,732**	**4,429,101**	–	5954	608,551	3814596
Other financial liabilities	**4,021,069**	**4,115,520**	2,182,735	237,583	1,114,018	581,184
Other liabilities	**1,031,073**	**1,031,073**	1,031,073	–	–	–
Off-balance sheet items	**47,263,776**	**47,263,776**	5,686,864	10,043,729	18,568,883	12,964,301

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

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.

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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 42 (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:

2019	Level 1	Level 2	Level 3	Fair value	Carrying amount	Difference
Assets						
Cash in hand, balances with central banks and other demand deposits	–	–	14,134,629	14,134,629	14,134,629	–
Loans and advances to banks*	–	–	87,242,433	87,242,433	87,242,433	–
Loans and advances to customers*	–	–	253,227,806	253,227,806	247,156,855	6,070,951
Debt securities at amortised cost*	10,300,470	–	845,259	11,145,729	10,879,448	266,281
Liabilities						
Deposits from banks	–	–	21,976,736	21,976,736	21,961,318	15,418
Deposits from customers	–	–	290,182,128	290,182,128	290,187,547	(5,419)
Debt securities issued	–	–	12,980,845	12,980,845	12,692,483	288,362
Subordinated liabilities and bonds	–	–	3,488,935	3,488,935	3,308,732	180,203
Other financial liabilities**	–	–	2,093,434	2,093,434	2,093,434	–

*including loss allowances
**excluding lease liabilities

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

Financial instruments at fair value

CZK thousand	Fair value at 31 December 2019			Fair value at 31 December 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Positive fair value of trading derivatives	–	1,674,759	–	–	1,687,444	–
Securities held for trading	92,841	–	971	268,021	–	–
Positive fair value of hedging derivatives	–	2,545,904	–	–	2,481,030	–
Financial assets at FVOCI	–	–	734,991	–	–	628,880
Total	**92,841**	**4,220,663**	**735,962**	**268,021**	**4,168,474**	**628,880**

CZK thousand	Fair value at 31 December 2019			Fair value at 31 December 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Negative fair value of trading derivatives	–	1,798,795	–	–	1,675,219	–
Negative fair value of financial derivatives	–	2,667,682	–	–	3,204,463	–
Total	**–**	**4,466,477**	**–**	**–**	**4,879,682**	**–**

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).

2019

CZK thousand	Financial assets held for trading (debt securities)	Financial assets at FVOCI	Total
Balance at the beginning of the year	**–**	**628,880**	**628,880**
Transfer to Level 3	–	–	**–**
Purchases	971	–	**971**
Comprehensive income/(loss)	–	106,111	**106,111**
– in the income statement	–	–	**–**
– in equity (note 36)	–	106,111	**106,111**
Sales/settlement	–	–	**–**
Transfer from Level 3	–	–	**–**
Balance at the end of the year	**971**	**734,991**	**735,962**

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**

The Group measures financial assets held for trading and financial assets measured at FVOCI 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 496,200 thousand (2018: CZK 463,300 thousand) and the Group's membership in Visa Inc. association of CZK 237,953 thousand (2017: CZK 164,731 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 2019	Average 2019	At 31 December 2018	Average 2018
Total market risk VaR	73,381	90,768	116,619	50,798

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 2019	Average 2019	At 31 December 2018	Average 2018
Total interest rate position VaR	**6,988**	**8,057**	**23,274**	**9,435**
Interest rate position VaR – banking book	8,959	8,881	23,250	7,224
Interest rate position VaR – trading book	2,463	5,022	19,627	8,451

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 2019	Average 2019	At 31 December 2018	Average 2018
Foreign currency position VaR	**285**	**1,000**	**1,214**	**2,663**

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.

CZK thousand	At 31 December 2019	Average 2019	At 31 December 2018	Average 2018
Total market spread VaR	**76,463**	**92,749**	**98,003**	**48,748**
Market spread VaR – debt instruments	76,468	92,841	100,049	36,190
Market spread VaR – currency positions	7,930	4,484	29,785	24,483

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 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 2019, 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, to 1.75% from 1 January 2020 and to 1.00% from 1 April 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.

Information about regulatory capital

CZK thousand	2019	2018
Total equity	**34,354,706**	**29,899,916**
Deductions of common Tier 1 capital:		
Unusable profit	(2,696 308)	(2,472,737)
Intangible assets	(2,772 764)	(2,722,332)
Provision shortage for IRB positions	(263,628)	–
Additional valuation adjustment (AVA) according to CRR	(49,563)	(37,498)
Fair value reserve	(371,753)	(263,240)
Retained earnings/accumulated losses adjustment	(135,080)	53,246
Reserve fund adjustment	(300)	(357)
Other equity instruments	(3382,604)	(2,615,354)
Total common Tier 1 capital (after deductions)	**24,682,706**	**21,841,644**
Other equity instruments	3,382,604	2,615,354
Total Tier 1 capital (after deductions)	**28,065,310**	**24,456,998**
Subordinated debt	3,303,300	2,572,500
IRB excess of provisions over expected losses eligible	326,970	560,711
Total Tier 2 capital	**3,630,270**	**3,133,211**
Total regulatory capital	**31,695,580**	**27,590,209**

As a local supervisory authority, the CNB monitors whether the Group complies with capital adequacy on a separate as well as consolidated basis. In 2019, the Group met all regulatory requirements.

Internal capital adequacy assessment process

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 Group's general nature, size and risk profile. The key parameters are based on the Group's[1)] 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.

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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.
The Group's ALCO committee receives a report on ISC every month. The Bank applies the ICS both on a local (monthly) and a consolidated basis (quarterly).

43. 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 borrowers 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 43 (l) and 43 (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

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 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:

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.

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 – methodology valid from 30 November 2019

The definition of default used to calculate expected credit losses is the same definition of default used for internal credit risk management practices. Default is assessed by referring to quantitative and qualitative triggers. Firstly, a borrower is considered to be defaulted if they are assessed to be 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. Secondly, a borrower is considered to be defaulted if they meet the unlikeliness to pay criteria, which indicate that the borrower is in significant financial difficulty and unlikely to repay any credit obligation in full. 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 (12 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.

In 2016 the European Banking Authority published guidelines on the application of the definition of default (EBA/GL/2016/ 07). The guidelines contain a long list of clarifications and changes to default triggers, materiality thresholds and closely related topics including days past due criteria, indications of unlikeliness to repay, conditions for a return to nondefault status and restructuring. The new definition of default represents a material change in the IRB approach, further requiring banks to revise their models and submit them to supervisory authorities for approval (as per Delegated Regulation EU 529/2014) prior to their implementation. Two effects which arise as a result of the new default definition will be seen in profit and loss. The first is an increase or decrease in ECL provisions coming from the stage re-distribution, in particular the change in the volume of stage 3. The second is a decrease or increase in ECL provisions coming from the adjustments of the stage 1 and 2 models to the new default rates. Due to the nature of the changes there will not be full counterbalancing of the first effect with the second effect. Increased ECL provision effects occur as a result of a stricter days past due count, the pulling effect leading to cross default among several contracts of the same private individual obligor, and longer probation periods.

Definition of default and credit-impaired assets – methodology valid until 29 November 2019

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 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 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 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.

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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. 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. 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 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.

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. In this respect, all possible outcomes are taken into account, that are presented by each individual scenario. 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 Bank considers these forecasts to represent its best estimate of the future outcomes and cover any potential non-linearities and asymmetries within the Group's various portfolios.

The most significant assumptions used for the expected credit loss estimates at quarter end are shown below:

Real GDP	Scenario	2020	2021	2022
Czech Republic	Optimistic	3.0 %	2.9 %	3.1 %
	Base	0.1 %	(0.1) %	0.3 %
	Pessimistic	0.1 %	(0.6) %	0.2 %

Unemployment	Scenario	2020	2021	2022
Czech Republic	Optimistic	2.3 %	2.5 %	3.0 %
	Base	2.3 %	2.5 %	3.0 %
	Pessimistic	4.7 %	5.5 %	5.4 %

Lifetime Bond Rate	Scenario	2020	2021	2022
Czech Republic	Optimistic	(0.1) %	0.0 %	0.8 %
	Base	0.5 %	0.8 %	1.4 %
	Pessimistic	2.8 %	3.4 %	3.6 %

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.

Post-model adjustments

Post-model adjustments to expected credit loss allowance estimates are adjustments which are used in circumstances where existing inputs, assumptions and model techniques do not capture all relevant risk factors. Existing inputs, assumptions and model techniques might not capture all relevant risk factors due to transient circumstances, insufficient time to appropriately incorporate relevant new information into the rating, re-segmentation of portfolios and when lending exposures within a group of lending exposures react to factors or events differently than initially expected. The emergence of new macroeconomic, microeconomic or political events, along with expected changes to parameters, models or data that are not incorporated in current parameters, internal risk rating migrations or forward-looking information are examples of such circumstances. In general RBI Group units use post-model adjustments to allowances for expected credit losses only as an interim solution. In order to reduce the potential for bias post model adjustments are of a temporary nature and in general not longer than 1-2 years. All material adjustments are authorised by the Group Risk Committee (GRM). From an accounting point of view all post-model adjustments are based on collective assessment, but do not necessarily result in a stage movement of the allowance for expected credit losses. Furthermore, this amount includes a slightly higher expected default for mortgage loans due to the state-imposed rules for interest rates in case of retail customers in the Czech Republic.

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.

2019 – Accumulated impairment (Stage 1 & 2)

(CZK thousand)	Reported	Optimistic	Base	Pessimistic
Retail exposures	755,823	646,129	694,827	987,510
Non-retail exposures	517,817	487,411	510,792	562,273
Total	**1,273,640**	**1,133,540**	**1,205,619**	**1,549,782**

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).

2019 – Accumulated impairment (Stage 1 & 2)

(CZK thousand)	Reported	Accumulated impairment losses (Stage 1)	Impact of staging
Retail exposures	755,823	225,882	529,941
Non-retail exposures	517,817	419,619	98,198
Total	**1,273,640**	**645,501**	**628,139**

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).

2019 – Accumulated impairment (Stage 1 & 2)

(CZK thousand)	Reported	Accumulated impairment losses (Stage 2)	Impact of staging
Retail exposures	755,823	1,855,693	(1,099,869)
Non-retail exposures	517,817	1,583,064	(1,065,246)
Total	**1,273,640**	**3,438,756**	**(2,165,116)**

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 bankruptcy 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. In case there have not been any repayments during one year the owed amounts are written-off, but the written-off assets may still be legally enforced. For corporate exposure in terminated companies 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. In case there have not been any repayments during one year the owed amounts 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 132,596 thousand (2018: CZK 13,974 thousand).

(f) Financial assets at amortised cost and provisions for commitments and financial guarantees provided based on the stages of impairment

Financial assets at amortised cost

CZK thousand	31/12/2019				
	Gross carrying amount				
	Stage 1	Stage 2	Stage 3	POCI	Total
Debt securities	**10,883,716**	**–**	**–**	**–**	**10,883,716**
Government institutions	9,476,324	–	–	–	**9,476,324**
Non-financial enterprises	1,407,392	–	–	–	**1,407,392**
Loans and advances to banks	**87,242,459**	**–**	**–**	**–**	**87,242,459**
Central banks	86,140,417	–	–	–	**86,140,417**
Credit institutions	1,102,042	–	–	–	**1,102,042**
Loans and advances to customers	**199,165,644**	**47,012,458**	**4,606,440**	**335,959**	**251,120,501**
Government institutions	1,515,016	668	–	–	**1,515,684**
Other financial institutions	9,528,294	255,783	1,787	–	**9,785,864**
Non-financial enterprises	107,036,809	9,105,689	2,061,794	108,816	**118,313,108**
Households	81,085,525	37,650,318	2,542,859	227,143	**121,505,845**
Total	**297,291,819**	**47,012,458**	**4,606,440**	**335,959**	**349,246,676**

CZK thousand	31/12/2018				
	Gross carrying amount				
	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

	31/12/2019				
CZK thousand	Stage 1	Stage 2	Stage 3	POCI	Total
Debt securities	**(4,268)**	**–**	**–**	**–**	**(4,268)**
Government institutions	(450)	–	–	–	**(450)**
Non-financial enterprises	(3,818)	–	–	–	**(3,818)**
Loans and advances to banks	**(26)**	**–**	**–**	**–**	**(26)**
Central banks	0	–	–	–	**0**
Credit institutions	(26)	–	–	–	**(26)**
Loans and advances to customers	**(281,948)**	**(795,685)**	**(2,913,072)**	**27,059**	**(3,963,646)**
Government institutions	(148)	(2)	–	–	**(150)**
Other financial institutions	(5,009)	(3,867)	(1,787)	–	**(10,663)**
Non-financial enterprises	(180,939)	(139,290)	(1,136,967)	30,235	**(1,426,961)**
Households	(95,852)	(652,526)	(1,774,318)	(3,176)	**(2,525,872)**
Total loss allowances for financial assets at amortised cost	**(286,242)**	**(795,685)**	**(2,913,072)**	**27,059**	**(3,967,940)**
Provisions for off-balance sheet items	**(146,680)**	**(45,033)**	**(211,801)**	**(80)**	**(403,594)**
Total	**(432,922)**	**(840,718)**	**(3,124,873)**	**26,979**	**(4,371,534)**

	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 enterprises	(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)**

(g) Changes in the gross carrying amount and changes in loss allowances

CZK thousand			31/12/2019		
Gross carrying amount	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1/1/2019	**285,902,552**	**56,955,093**	**4,287,599**	**306,856**	**347,452,100**
Transfers	(4,938,077)	1,753,297	3,139,926	44,854	**–**
Increase due to origination and acquisition	174,159,634	145,204	56,614	315,018	**174,676,470**
Decrease due to derecognition and total repayment	(144,635,867)	(8,992,715)	(1,906,312)	(132,888)	**(155,667,782)**
Decrease in loss allowances due to write-offs	(35)	–	(368,215)	(116,193)	**(484,443)**
Partial repayment	(12,859,409)	(2,798,682)	(596,169)	(81,688)	**(16,335,948)**
Adjustments by foreign exchange gains/ losses	(336,979)	(49,739)	(7,003)	–	**(393,721)**
Balance at 31/12/2019	**297,291,819**	**47,012,458**	**4,606,440**	**335,959**	**349,246,676**

CZK thousand			31/12/2018		
Gross carrying amount	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1/1/2018	**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**

	31/12/2019				
CZK thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loss allowances					
Balance at 1/1/2019	**(340,183)**	**(1,039,589)**	**(3,042,528)**	**(32,333)**	**(4,454,633)**
Increase due to origination and acquisition	(107,085)	(70,258)	(200,807)	(769)	**(378,918)**
Decrease due to derecognition	89,673	146,875	711,984	35,490	**984,023**
Changes due to the change in credit risk (net)	79,527	286,695	8,800	(28,872)	**346,150**
Changes due to change in methodology	(10,503)	(158,942)	(523,747)	(66,684)	**(759,876)**
Changes due to modification without derecognition	–	–	(142,651)	–	**(142,651)**
Decrease in loss allowances due to write-offs	9,071	43,237	312,083	120,227	**484,618**
Impact of unwind	–	–	(3,721)	–	**(3,721)**
Adjustments by foreign exchange gains/ losses	(6,743)	(3,703)	(32,486)	–	**(42,932)**
Balance at 31/12/2019	**(286,242)**	**(795,685)**	**(2,913,072)**	**27,059**	**(3,967,940)**
Provisions for off-balance sheet items					
Balance at 1/1/2019	**(126,826)**	**(98,315)**	**(319,451)**	**(180)**	**(544,772)**
Increase due to origination and acquisition	(76,406)	(22,358)	(1,397)	(772)	**(100,933)**
Decrease due to derecognition	46,962	61,258	155,669	161	**264,050**
Changes due to the change in credit risk (net)	15,357	14,945	(42,259)	711	**(11,245)**
Adjustments by foreign exchange gains/ losses	(5,767)	(563)	(4,363)	–	**(10,693)**
Balance at 31/12/2019	**(146,680)**	**(45,033)**	**(211,801)**	**(80)**	**(403,594)**
Total	**(432,922)**	**(840,718)**	**(3,124,873)**	**26,979**	**(4,371,534)**

	31/12/2018				
CZK thousand	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loss allowances					
Balance at 1/1/2018	**(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 1/1/2018	**(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)**
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)**

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(h) 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 exposures and the borrower can thus be transferred to another credit risk grade during the relationship with the Group. 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 securities 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 for retail and non-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

Financial assets at amortised cost

CZK thousand	2019				
Gross carrying amount	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Excellent	95,816,225	–	–	–	**95,816,225**
Strong	42,107,247	13,857,419	–	–	**55,964,667**
Good	95,805,103	17,700,570	–	–	**113,505,673**
Satisfactory	60,446,568	10,226,818	–	–	**70,673,387**
Substandard	3,090,479	5,153,469	419	–	**8,244,366**
Credit-impaired	–	–	4,606,022	335,959	**4,941,981**
No rating	26,196	74,181	–	–	**100,377**
Total	**297,291,819**	**47,012,458**	**4,606,440**	**335,959**	**349,246,676**

CZK thousand Gross carrying amount	2018 Stage 1	Stage 2	Stage 3	POCI	Total
Excellent	103,077,056	–	–	–	**103,077,056**
Strong	15,778,328	1,547,375	–	–	**17,325,703**
Good	107,508,525	36,970,061	98,237	–	**144,576,823**
Satisfactory	56,754,807	11,328,050	54,337	–	**68,137,194**
Substandard	2,694,499	7,052,345	128,404	–	**9,875,248**
Credit-impaired	–	–	4,006,621	306,856	**4,313,477**
No rating	89,337	57,262	–	–	**146,599**
Total	**285,902,552**	**56,955,093**	**4,287,599**	**306,856**	**347,452,100**

Credit commitments and financial guarantees

CZK thousand Gross carrying amount	2019 Stage 1	Stage 2	Stage 3	POCI	Total
Excellent	62,200	15,518	–	–	**77,718**
Strong	29,516,676	803,976	–	–	**30,320,652**
Good	40,628,644	9,311,478	–	–	**49,940,122**
Satisfactory	23,883,338	2,440,227	–	–	**26,323,565**
Substandard	1,487,831	271,497	–	–	**1,759,328**
Credit-impaired	–	–	470,112	841	**470,953**
No rating	–	–	–	–	**–**
Total	**95,578,689**	**12,842,696**	**470,112**	**841**	**108,892,338**

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**

(i) 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	2019	2018
Financial assets modified during the year		
Amortised cost before the modification of contractual cash flows	256,572	308,439
Net modification gain	1,583	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	11,028	10,192

(j) Quantitative information on collateral for credit-impaired financial assets (Stage 3)

	2019		2018	
CZK thousand	Gross carrying amount	Collateral	Gross carrying amount	Collateral
Financial assets at amortised cost (Stage 3)	4,606,440	948,882	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.

(k) Concentration of credit risk by location

Loans and advances to customers

CZK thousand	2019	2018
Czech Republic	231,758,876	223,798,226
Slovakia	5,096,960	4,686,140
Other EU member countries	10,265,481	8,445,181
Other	3,999,184	4,126,187
Total gross carrying amount	**251,120,501**	**241,055,734**

(l) Analysis of loans and advances to customers by sector and type of collateral

2019	Cash collateral	State guarantees	Bank guarantees	Real estate	Company guarantee	Other collateral	Movable assets	Total collateral
Administrative and support activities	2,042	–	37,526	194,857	350,020	811,496	62,688	**1,458,629**
Private households with employed persons	–	–	–	93,768,793	–	272,761	–	**94,041,554**
Real estate	60,078	–	46,084	25,360,206	–	566,958	10,755	**26,044,081**
Transport and storage	320	–	141,543	1,372,101	137,321	4,207,180	124,963	**5,983,428**
Information and communication activities	2,403	–	77,384	164,105	223,011	425,465	–	**892,368**
Arts, entertainment and recreation	–	–	7,628	37,317	–	29,570	–	**74,515**
Other activities	–	–	29,921	188,455	–	144,812	21,904	**385,092**
Financial and insurance activities		–	3,078,658	584,844	1,015,665	475,749	–	**5,154,916**
Professional, scientific and technical activities	699	1,480,979	188,846	720,315	442,804	1,145,428	45,207	**4,024,278**
Construction	10,821	–	292,868	1,644,743	129,923	1,390,337	2,942	**3,471,634**
Mining and quarrying	–	–	2,355	–	–	77,511	–	**79,866**
Hotels and restaurants	730	–	125,888	2,342,270	–	108,618	29,589	**2,607,095**
Wholesale and retail trade; repair and maintenance of motor vehicles	20,335	7,101	743,309	3,511,949	405,992	5,531,897	373,204	**10,593,787**
Public administration and defence; compulsory social security	–	423,950	–	668	23,743	3,397	–	**451,758**
Electricity, gas, water and air conditioning supply	44,988	–	1,847	95,722	64,587	100,636	2,308,869	**2,616,649**
Education	–	–	8,462	32,822	–	14,008	–	**55,292**
Water supply, sewerage, waste management and remediation activities	–	–	19,781	107,685	10,371	277,809	6,665	**422,311**
Health and social work	–	1,051,647	37,829	243,564	128,895	199,219	–	**1,661,154**
Agriculture, forestry and fishing	1,635	–	103,664	1,270,453	41,444	709,467	14,355	**2,141,018**
Manufacturing	29,133	96,896	560,865	6,195,337	2,257,713	5,707,664	846,610	**15,694,218**
Total	**173,184**	**3,060,573**	**5,504,458**	**137,836,206**	**5,231,489**	**22,199,982**	**3,847,751**	**177,853,643**

For the purposes of reporting loans and advances to customers by sector and type of collateral, the Group uses the collateral in the discounted value reduced to the current amount of the collateralised exposure balance.

2018	Cash collateral	State guarantees	Bank guarantees	Real estate	Company guarantee	Other collateral	Movable assets	Total collateral
Administrative and support activities	–	–	29,750	176,432	–	662,420	2,347	**870,949**
Private households with employed persons	–	–	0	92,096,227	–	272,784	–	**92,369,011**
Real estate	79,417	–	73,254	22,621,070	225,652	534,716	13,866	**23,547,975**
Transport and storage	120	–	578,279	593,466	19,384	3,486,082	149,498	**4,826,829**
Information and communication activities	1,609	–	58,470	373,865	153,377	384,624	14,220	**986,165**
Arts, entertainment and recreation	575	–	6,932	57,099	954	26,002	3,800	**95,362**
Other activities	–	–	28,926	109,956	–	84,113	15,487	**238,482**
Financial and insurance activities		–	2,319,761	620,956	2,830,373	384,115	–	**6,155,205**
Professional, scientific and technical activities	57,011	1,556,916	165,287	1,840,527	135,434	775,133	104,735	**4,635,043**
Construction	4,018	–	204,908	1,654,253	23,150	1,163,359	42,058	**3,091,746**
Mining and quarrying	–	–	3,422	–	–	56,316	865	**60,603**
Hotels and restaurants	750	–	85,507	2,135,328	–	89,628	–	**2,311,213**
Wholesale and retail trade; repair and maintenance of motor vehicles	3,824	–	645,190	3,642,919	937,360	4,488,173	593,580	**10,311,046**
Public administration and defence; compulsory social security	–	581,948	–	867	23,639	4,971	–	**611,425**
Electricity, gas, water and air conditioning supply	41,338	–	2,725	80,612	679,050	202,496	2,755,689	**3,761,910**
Education	–	–	6,931	19,756	–	258,852	–	**285,539**
Water supply, sewerage, waste management and remediation activities	–	–	14,185	194,667	17,506	180,232	17,010	**423,600**
Health and social work	499	776,182	25,130	420,973	–	180,975	–	**1,403,759**
Agriculture, forestry and fishing	–	–	98,070	621,212	14,371	591,557	10,077	**1,335,287**
Manufacturing	128,149	–	352,560	5,104,883	2,750,537	5,896,471	609,204	**14,841,804**
Total	**317,310**	**2,915,046**	**4,699,287**	**132,365,068**	**7,810,787**	**19,723,019**	**4,332,436**	**172,162,953**

For the purposes of reporting loans and advances to customers by sector and type of collateral, the Group uses the collateral in the discounted value reduced to the current amount of the collateralised exposure balance.

(m) Analysis of loans provided to customers by default categories

CZK thousand 2019	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	195,498,516	3,667,128	–	–	–	–	**199,165,644**
Stage 2	45,487,599	1,274,931	249,928	–	–	–	**47,012,458**
Stage 3	1,671,852	377,145	194,353	380,776	246,688	1,735,626	**4,606,440**
POCI	205,834	40,801	12,978	8,168	11,086	57,092	**335,959**
Gross	**242,863,801**	**5,360,005**	**457,259**	**388,944**	**257,774**	**1,792,718**	**251,120,501**
Loss allowances	(1,485,874)	(271,645)	(153,816)	(204,769)	(171,418)	(1,676,124)	**(3,963,646)**
Net	**241,377,927**	**5,088,360**	**303,443**	**184,175**	**86,356**	**116,594**	**247,156,855**

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**

The proportion of loans and advances with default increased year-on-year from 19% to 2.0% of the total loan portfolio. The coverage by individual loss allowances for loans with default fell to 58.4% at the end of 2019 from 66.9% in 2018.

(n) 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 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

	Loans and advances to forborne customers				
CZK thousand 31/12/2019	**Performing exposure**	**Non-performing exposure**	**Total with forbearance**	**Loss allowances**	**Collateral**
Other financial institutions	12,906	–	**12,906**	(155)	12,741
Non-financial enterprises	1,030,157	541,277	**1,571,435**	(200,357)	1,333,185
Households	502,882	759,528	**1,262,410**	(504,774)	576,723
Total	**1,545,946**	**1,300,806**	**2,846,751**	**(705,286)**	**1,922,649**

	Loans and advances to forborne customers				
CZK thousand 31/12/2018	**Performing exposure**	**Non-performing exposure**	**Total with forbearance**	**Loss allowances**	**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**

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 25,222 thousand (2018: CZK 109,007 thousand).

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Development of loans and advances to forborne customers

CZK thousand 2019	Other financial institutions	Non-financial enterprises	Households	Total
Balance at 1 January	**–**	**2,005,114**	**1,682,925**	**3,688,039**
Additions (+)	12,375	89,876	171,730	**273,981**
Disposals (-)	–	(295,163)	(289,209)	**(584,372)**
Movements in exposures (+/-)	531	(228,392)	(303,036)	**(530,897)**
Balance at 31 December	**12,906**	**1,571,435**	**1,262,410**	**2,846,751**

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**

Carrying amount of loans and advances to forborne customers compared to the total loans and advances to customers

CZK thousand 2019	Loans and advances to customers	Loans and advances to forborne customers	Percentage of forborne loans and advances
Government institutions	1,515,684	–	**–**
Other financial institutions	9,785,864	12,906	**0.1 %**
Non-financial enterprises	118,313,108	1,571,435	**1.3 %**
Households	121,505,845	1,262,410	**1.0 %**
Total at 31 December 2019	**251,120,501**	**2,846,751**	**1.1 %**

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 %**

(o) 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 23 (d).

(p) Maximum exposure to credit risk

2019 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	14,134,629	–	14,134,629	–	–	–
Loans and advances to banks*	87,242,433	353,544	87,508,743	896,147		896,147
Loans and advances to customers*	247,156,855	45,664,410	291,306,980	177,853,643	16,443,144	194,296,787
Debt securities*	10,879,448	–	10,879,448			–
Positive fair values of financial derivatives	4,220,663	–	4,220,663	362,312		362,312
Securities held for trading	93,812	–	93,812	–	–	–
Financial assets at FVOCI	734,991	–	734,991	–	–	–
Tax receivables	28,017	–	28,017	–	–	–
Other assets	1,525,512	–	1,525,512	–	–	–

*including loss allowances and provisions

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	172,162,953	15,803,437	187,966,390
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

(q) 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.

2019 CZK thousand	Amount of an asset/ liability in the statement of financial position	Amount of an asset/liability offset in the statement of financial position	Related amount not offset in the statement of financial position Net amount in the consolidated statement of financial position	Financial instrument	Cash collateral received	Total
Assets						
Positive fair values of financial derivatives	3,946,239	–	3,946,239	3,579,317	362,312	**4,610**
Reverse repo transactions	86,231,788	–	86,231,788	85,647,251	–	**584,537**
Total assets	**90,178,027**	**–**	**90,178,027**	**89,226,568**	**362,312**	**589,147**
Liabilities						
Negative fair values of financial derivatives	4,103,802	–	4,103,802	3,579,317	458,466	**66,019**
Repo transactions	4,400,189	–	4,400,189	4,371,000	–	**29,189**
Total liabilities	**8,503,991**	**–**	**8,503,991**	**7,950,317**	**458,466**	**95,208**

2018 CZK thousand	Amount of an asset/ liability in the consolidated statement of financial position	Amount of an asset/liability offset in the consolidated statement of financial position	Related amount not offset in the consolidated statement of financial position Net amount 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 transactions	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 transactions	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**

44. LEASES

(a) Right-of-use assets

Right-of-use assets relate to the lease of immovable and movable assets which are part of property and equipment – see note 29.

CZK thousand	Real estate	Total
Cost		
At 1 January 2019	**1,974,354**	**1,974,354**
Additions	296,374	**296,374**
Disposals	(9,969)	**(9,969)**
At 31 December 2019	**2,260,759**	**2,260,759**
Accumulated depreciation		
Additions – annual depreciation charges	(321,866)	**(321,866)**
Disposals	1,445	**1,445**
At 31 December 2019	**(320,421)**	**(320,421)**
Net book value		
At 31 December 2019	**1,940,338**	**1,940,338**

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

2019 (CZK thousand)	Carrying amount	Total contractual liability	0–3 months	3–12 months	1–5 years	Over 5 years
Lease liabilities	1,927,635	2,023,103	90,319	237,583	1,114,017	581,184

(c) Values recognised in the consolidated statement of comprehensive income

CZK thousand	2019
Interest expense from lease liabilities	(29,117)
Depreciation of right-of-use assets	(321,866)
Short-term lease expense	(1,260)
Low-value asset lease expense	(1)

45. CHANGES IN THE CONSOLIDATED GROUP

(a) Newly consolidated entities

In 2019 and 2018, 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 2019

In 2019, the subsidiary PZ Projekt a.s. and joint ventures Karlín Park a.s. and Nordica Office, s.r.o. were sold.

Sale of PZ Projekt a.s.

CZK thousand	Fair value as at the date of disposal
Value of investment as at the date of disposal	109,279
Selling price of the equity investment	42,032
Profit/(loss) arising from the disposal	151,311
Cash inflow/(outflow) arising from the disposal	**42,032**

Sale of Karlín Park a.s.

CZK thousand	Fair value as at the date of disposal
Value of investment as at the date of disposal	(9,879)
Selling price of the equity investment	5,200
Profit/(loss) arising from the disposal	(4,679)
Cash inflow/(outflow) arising from the disposal	**5,200**

Sale of Nordica Office, s.r.o.

CZK thousand	Fair value as at the date of disposal
Value of investment as at the date of disposal	(36,118)
Selling price of the equity investment	111,623
Profit/(loss) arising from the disposal	75,505
Cash inflow/(outflow) arising from the disposal	**111,623**

(c) 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**

46. TRANSACTIONS WITH RELATED PARTIES

At 31 December 2019

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	Joint ventures	Board of directors, supervisory board and other managers	Other related parties	Total
Receivables	996,669	-	-	162,207	45,320	**1,204,196**
Positive fair values of financial derivatives	3,129,333	-	-	-	3,375	**3,132,708**
Liabilities	3,932,041	21,052	-	67,916	22,668,145	**26,689,154**
Negative fair values of financial derivatives	3,571,152	-	-	-	1,306	**3,572,458**
Other equity instruments	3,382,604	-	-	-	-	**3,382,604**
Subordinated liabilities and bonds	2,481,549	-	-	-	827,183	**3,308,732**
Guarantees issued	86,363	-	-	-	91,626	**177,989**
Guarantees received	243,268	-	-	-	1,461,687	**1,704,955**
Nominal values of financial derivatives (off-balance sheet receivables)	380,166,801	-	-	-	1,548,266	**381,715,067**
Nominal values of financial derivatives (off-balance sheet liabilities)	380,103,860	-	-	-	1,546,154	**381,650,014**
Irrevocable credit commitments provided	-	-	-	11,700	-	**11,700**
Interest income	4,082,911	1,998	-	2,556	7,898	**4,095,363**
Interest expense	(4,243,463)	(269)	-	(197)	(246,283)	**(4,490,212)**
Fee and commission income arising from	20,985	84	-	-	28,837	**49,906**
Fee and commission expense	(8,429)	-	-	-	(88,329)	**(96,758)**
Net gain or loss from financial operations	(89,378)	-	-	(89)	53,381	**(36,086)**
Net gain or loss from hedge accounting	507,635	-	-	-	-	**507,635**
General operating expenses	(209,927)	-	-	(94,659)	(17,976)	**(322,562)**
Other operating income, net	13,426	-	-	-	1,873	**15,299**

The receivables are principally composed of the following:

Credit balances on the current account maintained at:
- Raiffeisen Bank International AG (parent company) of CZK 996,669 thousand.

Nominal values of financial derivatives - off-balance sheet receivables:
- Raiffeisen Bank International AG (parent company) of CZK 380,166,801 thousand;
- Raiffeisenbank AO (Russia), (affiliated company) of CZK 134,395 thousand.
- Tatra Banka, as (affiliated company) of CZK 1,273,875 thousand.
- Raiffeisen Bank Zrt. (affiliated company) of CZK 134,540 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 259,989 thousand.

Term deposits:
- UNIQA Österreich Versicherungen AG (associated company to the parent company Raiffeisen Bank International AG) of CZK 2,087,125 thousand;
- UNIQA pojišťovna, a.s. (associated company of the parent company Raiffeisen Bank International AG) of CZK 763,913 thousand;
- Raiffeisenbank (Bulgaria) EAD (affiliated company) of CZK 2,231,459 thousand;
- Raiffeisen Bank Zrt. (affiliated company) of CZK 2,546,880 thousand.

Repo transactions:
- Tatra Banka, a.s. (affiliated company) of CZK 4,400,189 thousand.

Debt securities issued by the Group:
- Raiffeisenbank Hungary (affiliated company) of CZK 2,525,189 thousand;
- Raiffeisenbank (Bulgaria) EAD (affiliated company) of CZK 364,423 thousand;
- Raiffeisen Bank International AG (parent company) of CZK 3,383,087 thousand;
- Raiffeisen Bank Albania (affiliated company) of CZK 909,783 thousand.

Nominal values of financial derivatives - off-balance sheet liabilities:
- Raiffeisen Bank International AG (parent company) of CZK 380,103,860 thousand;

Subordinated debt from:
- Raiffeisen Bank International AG (parent company) of CZK 2,481,549 thousand.
- Raiffeisenlandesbank Oberösterreich Aktiengesellschaft of CZK 827,183 thousand.

Other equity instruments - subordinated unsecured AT1 capital investment certificates purchased:
- Raiffeisen Bank International AG (parent company) of CZK 3,382,604 thousand.

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	Joint ventures	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. (under joint control 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.

47. SUBSEQUENT EVENTS

Effective as of 1 January 2020, Mr. Tomáš Jelínek became a new member of the Bank›s board of directors, replacing Mr. Jan Pudil, whose term of office on the board of directors expired on 31 December 2019.

On 1 January 2020, Raiffeisen - Leasing, s.r.o. was split by merger with the successor company Janus Property, s.r.o. and part of the assets of Raiffeisen – Leasing, s.r.o. were splitt off and transfered to the successor company Janus Property, s.r.o. Book value of transferred assets of Raiffeisen - Leasing, s.r.o. to the successor company Janus Property, s.r.o. was CZK 157,299 thousand.

On 11 March 2020, the World Health Organisation declared the ongoing COVID-19 ("*coronavirus*") outbreak a pandemic. On 12 March 2020, the Czech government subsequently declared a state of emergency due to a significant threat to public health by the evidenced occurrence of COVID-19 in the Czech Republic. The state of emergency restricts the free movement of people from 16 March 2020, with the exceptions of commuting to and from work or to perform business or similar activities or to provide for basic life requirements or necessary visits to relatives, and limits their activities in public areas to essential minimum. The state of emergency also includes border controls and restrictions on foreign travel, measures relating to retail businesses, services, mandatory school attendance, and educational events, transport restrictions, and measures relating to health care and social services. The government further forbids the movement of people outside their place of residence without protective face gear. On 16 March 2020, the Czech National Bank (CNB) adopted stabilising measures in relation to the COVID-19 pandemic, including, among other things, a recommendation for the Czech banking sector not to pay dividends for 2019. The Group is in full agreement with this CNB measure. CNB further reduced its anti-cyclic provision to 1% and the discount rate by 75 b.p., to 1%. At present, the government is preparing a moratorium pertaining to deferments of payments from lending products.

The current economic situation will lead to a significant slump in several industries and service sectors, including the engineering, construction, transport and transportation, tourism, hospitality and entertainment industries. Car manufacturers and other manufacturers have halted production for several weeks. The current economic situation has resulted in a deterioration of the demand for products and services and in an increase of overall economic uncertainty, leading to price and exchange rate fluctuations. Many employers in the Czech Republic have decided to let their employees work from home to ensure their safety.

As at the date of the signing of the consolidated financial statements, the Group is fully operable. The Group assessed the current situation and the existing and planned measures taken by the Czech government and the CNB which might negatively impact the Group. Based on the publicly available information at the date these financial statements were approved by the Group, the Group's management considered a number of emergency but plausible scenarios with respect to the potential development of the outbreak and its expected impact on the Group and the economic environment in which it operates, including the measures already taken by the Czech government and the CNB. These scenarios include the possible impact of the above on the Group's liquidity and asset quality.

To ensure the safe continuation of all our operations and our liquidity position, the Group's management has implemented the following measures:

- implementation of essential technical measures to enable working from home for the majority of the Group's employees;
- suspension of all activities resulting in personal contact between employees and clients, incl. trainings, conferences, business travel;
- minimisation of personal contact, introducing shift work for employees who need to perform their work at the Group's premises;
- provision of essential protective and hygiene supplies for employees who need to perform their work at the Group's premises;
- temporary lock down of some Group establishments;
- adaption of Group processes to the current financial situation of our clients – implementation of payment deferment for lending products;
- continuous monitoring of current situation in relation to current and planned measures of the Czech government and the CNB.

The current outbreak of the COVID-19 pandemic in 2020 means a decrease in economic growth expectations and the related deterioration of economic activities which may lead to a significantly negative impact on the Group's revenues, a negative effect on the current ratings of credits, and therefore to significantly higher than expected adjustments and provisions to credit risk. The potential impact of the COVID-19 pandemic on the global economy may affect the Group's ability to meet its planned financial targets. At present, it is too early to try to quantify the potential impact of the rapidly spreading pandemic and the measures implemented by governments on the Group's business results in 2020 and further on. The economic impact on the Group will depend on the intensity and length of the spreading of the pandemic. Based on the assessment of the current situation and the plausible scenarios, the Group's management nonetheless expects that the 2020 business results will be sufficient to cover the Group's capital requirements, and there arises no significant uncertainty in relation with the events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. We cannot however preclude the possibility that extended lock down periods, an escalation in the severity of such measures, or a consequential adverse impact of such measures on the economic environment we operate in will not have an adverse effect on the Group, and its financial position and operating results, in the medium and longer term. We continue to monitor the situations closely and will respond to mitigate the impact of such events and circumstances as they occur.

No other events occurred subsequent to the reporting date that would have a material impact on the consolidated financial statements as at 31 December 2019.

KPMG Česká republika Audit, s.r.o.
Pobřežní 1a
186 00 Praha 8
Czech Republic
+420 222 123 111
www.kpmg.cz

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 Financial Statements

Opinion

We have audited the accompanying 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 statement of financial position as at 31 December 2019, and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the 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 financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, 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 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.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the 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 3,753 million as at 31 December 2019 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 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 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 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 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 and complete portfolio of credit cards using data analytics approach that was based on averaged inputs generated by the

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 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 21 (Financial assets at amortized cost) and note 40 (Financial instruments - credit risk) to the financial statements.	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. 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 the notes to the 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.

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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 financial statements, Raiffeisenbank a.s. has not prepared an annual report as at 31 December 2019, 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 Financial Statements

The statutory body of Raiffeisenbank a.s. is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the 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 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:

KPMG

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 2 years.

Consistency with Additional Report to Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of Raiffeisenbank a.s., which we issued on 3 March 2020 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 financial statements or annual report.

Statutory Auditor Responsible for the Engagement

Jindřich Vašina is the statutory auditor responsible for the audit of the financial statements of Raiffeisenbank a.s. as at 31 December 2019, based on which this independent auditor's report has been prepared.

Prague
3 March 2020

KPMG Česká republika Audit, s.r.o.

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

Ondřej Fikrle
Partner

Jindřich Vašina
Partner

Registration number 2059

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 2019

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 3 March 2020.

Statutory body of the entity

Igor Vida
Chairman of the board of directors

Martin Stotter
Member of the board of directors

Statement of Comprehensive Income For the Year Ended 31 December 2019

In thousands of CZK	Note	2019	2018
Interest income and similar income calculated using the effective interest rate method	5	13,095,497	10,227,046
Other interest income	5	2,474,116	1,533,343
Interest expense and similar expense	5	(7,030,404)	(4,470,300)
Net interest income		**8,539,209**	**7,290,089**
Fee and commission income	6	2,642,949	2,730,507
Fee and commission expense	6	(954,225)	(867,267)
Net fee and commission income		**1,688,724**	**1,863,240**
Net gain on financial operations	7	1,207,882	1,412,533
Net gain from hedge accounting	8	5,889	72,507
Dividend income	9	256,999	30,812
Impairment losses on financial assets	10	(329,585)	(809,464)
Gain/(loss) from derecognition of financial assets measured at amortised cost	11	(2,687)	41,156
Personnel expenses	12	(3,290,427)	(3,003,494)
General operating expenses	13	(2,053,482)	(2,159,156),
Depreciation and amortisation of property and equipment and intangible assets	14	(1,318,642)	(655,856)
Other operating income	15	258,502	126,630
Other operating expenses	16	(47,913)	(32,724)
Profit before tax		**4,914,469**	**4,176,273**
Income tax	17	(726,728)	(811,302)
Net profit for the year attributable to the Bank's shareholders		**4,187,741**	**3,364,971**
Other comprehensive income			
Items that will not be reclassified to profit or loss in future:			
Net gain/(loss) from remeasurement of equity securities at FVOCI	33	106,111	25,226
Deferred tax relating to items that will not be reclassified to profit or loss in following periods	33	(15,800)	(5,059)
Items that will be reclassified to profit or loss in future:			
Revaluation of cash flow hedges	33	33,954	176,663
Deferred tax relating to items that will be reclassified to profit or loss in following periods	33	(6,451)	(39,988),
Total other comprehensive income		**117,814**	**156,842**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**4,305,555**	**3,521,813**

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

Statement of Financial Position As at 31 December 2019

In thousands of CZK	Note	31. 12. 2019	31. 12. 2018
ASSETS			
Cash in hand, balances with central banks and other demand deposits	18	14,039,836	12,006,114
Financial assets held for trading	19	1,762,510	1,961,524
Trading derivatives	19,36	1,668,698	1,693,503
Securities held for trading	19	93,812	268,021
Financial assets at FVOCI	20	734,991	628,880
Financial assets at amortised cost	21	344,566,596	340,314,803
Loans and advances to banks	21	87,042,951	99,358,402
Loans and advances to customers	21	246,644,197	234,091,842
Debt securities	21	10,879,448	6,864,559
Fair value remeasurement of portfolio-remeasured items (loans to customers and debt securities)	36	(1,152,503)	(1,144,945)
Hedging derivatives with positive fair value	22	2,545,904	2,468,917
Other assets	24	1,167,757	1,136,996
Equity investments in subsidiaries	25	1,495,640	1,713,321
Intangible assets	26	2,718,307	2,691,030
Property and equipment	27	2,835,778	787,267
TOTAL ASSETS		**370,714,816**	**362,563,907**

In thousands of CZK	Note	31. 12. 2019	31. 12. 2018
LIABILITIES AND EQUITY			
Financial liabilities held for trading	28	1,801,356	1,752,469
Trading derivatives	28	1,801,356	1,752,469
Financial liabilities at amortised cost	29	332,655,986	328,375,042
Deposits from banks	29	21,900,262	32,135,721
Deposits from customers	29	290,690,817	271,118,509
of which: change in fair value of hedged items	29	*41,995*	*89,896*
Debt securities issued	29	12,692,483	19,599,578
of which: change in fair value of hedged items	29	–	*28,307*
Subordinated liabilities and bonds	29	3,308,732	2,577,259
Other financial liabilities	29	4,063,692	2,943,975
Fair value remeasurement of portfolio-remeasured items (deposits from customers)	36	(1,270,121)	(1,757,940)
Hedging derivatives with negative fair value	30	2,667,682	3,204,463
Provisions	31	1,059,191	1,306,265
Current tax liability	17	147,380	35,265
Deferred tax liability	23	13,344	36,311
Other liabilities	32	937,062	829,834
TOTAL LIABILITIES		**338,011,880**	**333,781,709**
EQUITY			
Share capital	33	11,060,800	11,060,800
Reserve fund		693,561	693,561
Fair value reserve	33	371,553	253,739
Retained earnings		13,006,677	10,793,773
Other equity instruments	33	3,382,604	2,615,354
Profit for the year		4,187,741	3,364,971
Total equity		**32,702,936**	**28,782,198**
TOTAL LIABILITIES AND EQUITY		**370,714,816**	**362,563,907**

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

Statement of Changes in Equity
For the Year Ended 31 December 2019

(In thousands of CZK)	Share capital	Reserve fund	Fair value reserve	Retained earnings	Other equity instruments	Profit for the year	Total equity
At 1 January 2018	**11 060 800**	**693 561**	**96 897**	**9 667 022**	**2 615 354**	**2 824 658**	**26 958 292**
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**
Other equity instruments increase	–	–	–	–	767,250	–	**767,250**
Dividends	–	–	–	–	–	(974,736)	**(974,736)**
Payment of coupon on other equity instruments	–	–	–	(177,331)	–	–	**(177,331)**
Allocation to retained earnings	–	–	–	2,390,235	–	(2,390,235)	**–**
Net profit for the year	–	–	–			4,187,741	**4,187,741**
Other comprehensive income, net	–	–	117,814	–	–	–	**117,814**
Total comprehensive income for the year	**–**	**–**	**117,814**	**–**	**–**	**4,187,741**	**4,305,555**
At 31 December 2019	**11,060,800**	**693,561**	**371,553**	**13,006,677**	**3,382,604**	**4,187,741**	**32,702,936**

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

Cash Flow Statement For the Year Ended 31 December 2019

(In thousand of CZK)	**2019**	**2018**
Profit before tax	**4,914,469**	**4,176,273**
Adjustments for non-cash transactions		
Creation of loss allowances and provisions for credit risks	329,585	809,464
Depreciation/amortisation expense	1,318,642	655,856
Creation of other provisions	(105,492)	(85,096)
Change in fair value of derivatives	(506,122)	124,478
Unrealised losses/(gains) on remeasurement of securities	673	2,244
Gain/(loss) on sale of property and equipment and intangible assets	10,756	4,228
Change in the remeasurement of hedged items upon fair value hedge	419,170	87,976
Remeasurement of foreign currency positions	(146,769)	920,511
Other non-cash changes	(920,477)	(136,102)
Operating profit before changes in operating assets and liabilities	***5,314,435***	***6,559,832***
Operating cash flow		
(Increase)/decrease in operating assets		
Mandatory minimum reserves with the Czech National Bank (CNB)	(1,110,881)	3,151,068
Loans and advances to banks	12,321,278	4,259,064
Loans and advances to customers	(13,075,090)	(21,016,682)
Debt securities held at amortised cost	(4,010,024)	(4,766,359)
Securities held for trading	161,626	(110,687)
Other assets	(30,762)	(45,099)
(Increase)/decrease in operating liabilities		
Deposits from banks	(9,978,818)	4,532,272
Deposits from customers	19,993,826	17,435,622
Other financial liabilities	(920,798)	(1,108,092)
Other liabilities	107,227	3,408
Net operating cash flow before tax	**8,772,019**	**8,894,347**
Income tax paid	(791,265)	(1,076,313)
Net operating cash flow	***7,980,754***	***7,818,034***
Cash flows from investing activities		
Sale/(acquisition) of equity investments	217,681	(370)
Acquisition of property and equipment and intangible assets	(837,512)	(998,948)
Proceeds from sale of non-current assets	688	3,331
Dividends received	256,999	30,812
Net cash flow from investing activity	***(362,144)***	***(965,175)***
Cash flows from financing activities		
Dividends paid and paid coupons on other equity instruments	(1,152,067)	(1,697,907)
Increase in other equity instruments	767,250	–
Debt securities issued	5,828,930	–
Repayment of debt securities issued	(12,581,387)	–
Repayment of subordinated debt	–	(2,554,000)
Withdrawal of subordinated debt	771,750	2,572,500
Repayment of subordinated bonds	–	(125,000)
Lease liabilities	(373,263)	n/a
Net cash flow from financing activities	***(6,738,787)***	***(1,804,407)***
Net (decrease)/increase in cash and cash equivalents	**879,823**	**5,048,452**
Cash and cash equivalents at the beginning of the year (note 34)	10,191,019	5,223,899
Foreign exchange gains/losses on cash and cash equivalents at the beginning of the year	43,018	(81,332)
Cash and cash equivalents at the end of the year (note 34)	**11,113,860**	**10,191,019**

Interest received	16,113,859	11,488,201
Interest paid	(7,152,989)	(4,532,852)

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

	At 1 January 2019	Cash flows		Non-cash changes		At 31 December 2019
		Inflow	Outflow	Remeasure-ment of fore-ign currency positions	Other non-cash changes	
Debt securities issued	19,599,578	5,828,930	(12,581,387)	(156,944)	2,306	12,692,483
Subordinated debt	2,577,259	771,750	–	(41,017)	740	3,308,732

	At 1 January 2018	Cash flows		Non-cash changes		At 31 December 2018
		Inflow	Outflow	Remeasure-ment of fore-ign currency positions	Other non-cash changes	
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),	–	–

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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 2019, the performance or provision of the Bank's activities and services were not restricted or suspended by the Czech National Bank.

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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 i.

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 40 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 31.

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 rate 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 expense 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

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 the related transaction costs. All loans and advances are recognised when cash is advanced to borrowers (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 rate 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) "*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) "*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, potentially, all other debt securities that are held and could be sold before their maturity if market conditions are favourable.

(iii) "*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) "*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) "*Derivatives held for risk management purposes*"
Derivative transactions categorised as falling in the "*derivatives held for risk management purposes*" category 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.

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.

The calculation of expected credit losses is described in detail in note 40 (e).

Modifications of financial assets

Financial assets are modified when there are between date of origination and maturity date new or else modified contractual terms related to cash flows from financial asset.

To determine whether there is significant or insignificant modification to the contractual terms, Bank assess changes in contractual cash flows from financial assets based on qualitative measures such as change in currency or type of the instrument, and quantitative criteria such as change in net present value. In case of significant modification, the original financial asset is derecognised and a new financial asset is recognised (including new classification and new impairment stage determination) in fair value as at the date of modification. Insignificant modifications of contractual terms do not result in derecognition, but to change in gross carrying amount of the financial asset calculated using original effective interest rate.

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.

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 rate 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 "Financial liabilities at amortised cost" - "*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 "Financial liabilities at amortised cost" - "*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 with 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 and similar income calculated using the effective interest rate 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*". 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.

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.

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 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 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 "*Revaluation of 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 interestbearing 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 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. 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 "*Other 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) Leases – methods effective as of 01 January 2019

Under IFRS 16, in assessing whether the contract contains a lease, the economic basis of the transaction is taken in to account, i.e. whether the contract conveys the right to control and to use an identified asset for a period of time in exchange for consideration.

A lessee recognises a right-of-use asset and a lease liability. A a right-of-use asset is initially measured at cost and is subsequently depreciated until the end of its useful life or until the end of the lease contract term. Right-of-use assets are reported by the Bank in the statement of financial position line "*Property and equipment*".

The lease liability is initially measured at the present value of the lease payments which have not been paid as at the effective date of the lease contract, 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. Lease payments entering into the calculation of the lease liability measurement include fixed lease payments, variable lease payments that depend on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option that the lessee is reasonably certain to exercise and payments for terminating the lease if the lease term reflects early termination.

Subsequently, the lease liability is measured at carrying amount plus the relevant interest and less lease payments made, and remeasured to take into account a modification or reassessment of the lease.

Lease liabilities are reported in the statement of financial position line "*Other financial liabilities*", which is included in the line "*Financial liabilities at amortised cost*". Interest is reported in the statement of comprehensive income in "*Interest expense and similar expense*".

In applying IFRS 16, the Bank applies exemptions for lease terms of 12 months or less and not containing a purchase option (short-term leases) and exemptions for leases when the underlying asset has a low value when new. The Bank set the low-value limit to CZK 100 thousands. In such cases, the right-of-use asset or the relating liability is not reported and the relevant payments are reported in the statement of comprehensive income in "*General operating expenses*".

In applying IFRS 16, the Bank is the lessee. Cases where the Bank would be the lessor are currently not expected. The exception is a sublease where the Bank acts as an intermediate lessor. In this case, the Bank accounts for a leases and a sublease as about two separate contracts. All subleases are classified as operating leases.

(l) 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.

(m) 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*".

Provisions 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.

(n) 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.

(o) 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.

(p) 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.

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(q) 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 38.

(r) 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.

(s) Cash and cash equivalents

The Bank considers cash in hand, deposits with central banks, and deposits with other banks with one-day maturity to be cash equivalents. For the purpose of determining the balance of cash and cash equivalents, the mandatory minimum reserves with CNB are not included as a cash equivalent due to restrictions on its utilisation.

(t) 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, respectively mortgage network, receive monthly and quarterly bonuses. Branch managers and mortgage office managers receive quarterly bonuses.Call centers employees receive monthly bonuses. Employees from the division Operations with short term goals receive monthly bonuses. Employees from Risk department with short term goals receive monthly or quarterly bonuses. 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. 50% of the variable wage component of a member of the Board of Directors is calculated and paid out on the methodology Value in Use (ViU). This method is based on Dividend Discount Model (DDM) and is the sum of Net Present Value (NPV) of dividends in the following five years since the evaluation year and the ongoing value. This wage component is awarded based on this scheme: 60% is deferred by 18 months from the conclusion of the financial year for which is awarded, the remaining 40% is paid out over next five years, with one fifth being paid each year. The other half of the variable wage component is awarded under the scheme: 60% non-delayed, the remaining 40% is paid out over next five years, with one fifth being paid each year. 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 2019

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

IFRS 16 Leases – effective for periods beginning on or after 1 January 2019 replaced IAS 17. Under IFRS 16 a lessee recognises a right-of-use asset and a lease liability. 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 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.

As at 1 January 2019, the Bank recorded right-of-use assets of CZK 2,079 million and lease payments of the same amount. The impact on retained earnings due to transition to IFRS 16 was zero. The Bank applied the modified retrospective approach in the transition to IFRS 16. Comparative figures have not been adjusted. In applying IFRS 16, the Bank applies exemptions for lease terms of 12 months or less and (short-term leases) and exemptions for leases when the underlying asset has a low value when new. The Bank set the low-value limit to CZK 100 thousands. In such cases, the right-of-use asset or the relating liability is not reported. Average weighted incremental interest rate applied for a calculation of the lease liability as at 1 January 2019 is at approximately 1.5%.

Reconciliation of future payments from operating lease (IAS 17) and lease liabilities (IFRS 16):

In thousands of CZK	
Future payments from operating leases as at 31.12.2018	1,162,100
Future payments from operating lease as at 31.12.2018 discounted as at 1.1.2019	1,121,025
Adjustments for:	
Short-term leases	(9,580)
Extension and termination options reasonably certain to be exercised	967,473
Lease liabilities recognised as at k 1.1.2019	**2,078,918**

The impact of the transition to IFRS 16 on the statement of financial positions is as follows:

Line	IAS 17 31 Dec 2018	Transition to IFRS 16	IFRS 9 1 Jan 2019
Property and equipment	**787,267**	2,078,918	**2,866,185**
Other financial liabilities	**2,943,975**	2,078,918	**5,022,893**

The new accounting policies for leases are described in note 3.

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

During the year ended 31 December 2019, the following amended standards issued by IASB and adopted by the EU were effective:

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

- **Amendments to IAS 28 Long-term Investments in Associates and Joint Ventures** (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);

- Annual improvement of IFRS for the 2015-2017 cycle (effective for annual periods beginning on or after 1 January 2019), including amendments to IAS 23, IAS 12, IFRS 3 and IFRS 11;

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

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

(c) 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 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);

- **Amendments to IFRS 9 Financial instruments, IAS 39 Financial instruments and IFRS 7 Financial instruments: Disclosures** (effective for annual periods beginning on or after 1 January 2020);

- **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 IFRS 3 Business combinations** (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

In thousands of CZK	2019	2018
Interest income and similar income calculated using the effective interest rate method		
Financial assets measured at amortised cost	**9,964,582**	**8,230,008**
from debt securities	228,440	114,910
from loans and advances to banks	1,925,881	1,182,150
from loans and advances to customers	7,810,261	6,932,948
Negative interest from financial liabilities measured at amortised cost	**15,126**	**14,538**
Hedging interest rate derivatives	**3,115,789**	**1,982,500**
Interest income calculated using the effective interest rate	**13,095,497**	**10,227,046**
Other interest income		
Financial assets held for trading	**2,474,116**	**1,533,343**
trading derivatives	2,471,997	1,530,131
of which derivatives in bank's portfolio	49,797	67,643
debt securities	2,119	3,212
Other interest income	**2,474,116**	**1,533,343**
Interest expense		
Financial liabilities held for trading	**(2,443,301)**	**(1,118,525)**
trading derivatives	(2,443,301)	(1,118,510)
of which derivatives in bank's portfolio	(22,757)	(13,325)
debt securities	-	(15)
Financial liabilities at amortised cost	**(1,436,997)**	**(999,715)**
from deposits from banks	(247,406)	(289,790)
from deposits from customers	(973,480)	(488,452)
from debt securities issued	(104,952)	(138,973)
subordinated liabilities	(111,159)	(82,500)
From lease liabilities	**(30,218)**	**n/a**
From securitisation	**(762)**	**(255,889)**
Hedging interest rate derivatives	**(3,113,423)**	**(2,092,108)**
Negative interest from financial assets measured at amortised cost	**(5,703)**	**(4,063)**
Total interest expense and similar expense	**(7,030,404)**	**(4,470,300)**
Net interest income	**8,539,209**	**7,290,089**

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 from hedging financial derivatives upon a cash flow hedge of CZK (122,816) thousand (2018: CZK (105,343) thousand), net interest income from hedging financial derivatives upon a fair value hedge of mortgage loans of CZK 776,585 thousand (2018: CZK (100,212) 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 (651,402) thousand (2018: CZK (142,115 thousand), and net interest income from hedging financial derivatives upon a fair value hedge of securities issued of CZK 0 thousand (2018: CZK 37,638 thousand).

Interest income additionally includes interest on impaired assets (primarily loans and advances to customers) of CZK 63,120 thousand (2018: CZK 7,607 thousand).

6. NET FEE AND COMMISSION INCOME

CZK thousands	2019	2018
Fee and commission income arising from		
Securities transactions	209,710	219,683
Clearing and settlement	69,808	83,654
Asset management	40,417	32,283
Administration, custody and safekeeping of values	46,433	40,898
Payments	1,759,278	1,759,508
Product distribution for customers	135,283	132,753
Loan administration	219,676	245,078
Guarantees provided	141,403	151,176
Other	20,941	65,474
Total fee and commission income	**2,642,949**	**2,730,507**
Fee and commission expense arising from		
Clearing and settlement	(60,721)	(72,215)
Administration, custody and safekeeping of values	(2,824)	(2,515)
Payments	(742,700)	(756,719)
Guarantees received	(13,724)	(6,496)
Other	(134,255)	(29,322)
Total fee and commission expense	**(954,225)**	**(867,267)**
Net fee and commission income	**1,688,724**	**1,863,240**

7. NET GAIN ON FINANCIAL OPERATIONS

In thousands of CZK	2019	2018
Interest rate and currency derivatives and FX spots	**38,152**	**232,032**
Profit/(loss) from foreign currency transactions	**1,146,697**	**1,171,488**
of which: Customer foreign currency result	*1,104,288*	*1,105,006*
FX proprietary P/L	*42,409*	*66,482*
Gain/(loss) from transactions with securities	**11,911**	**(3,261)**
of which: portfolio of securities held for trading	*11,911*	*(3,261)*
Liabilities from short sales transactions	**62**	**3,746**
Equity instruments held for trading	**11,060**	**8,528**
Total	**1,207,882**	**1,412,533**

"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.

8. NET PROFIT FROM HEDGE ACCOUNTING

In thousands of CZK	2019	2018
Change in the fair value of hedging derivatives upon fair value hedge	499,479	(6,466)
Change in the fair value of hedged items upon fair value hedge	(492,221)	79,971
Gains/ (losses) from cash flow hedges – ineffective part	(1,369)	(998)
Total	**5,889**	**72,507**

9. DIVIDEND INCOME

In 2019, "*Income from other shares and equity investments*" amounted to CZK 256,999 thousand (2018: CZK 30,812 thousand). The amount includes a dividend from Raiffeisen stavební spořitelna a.s. of CZK 30,000 thousand (2018: CZK 30,000 thousand), a dividend from Raiffeisen – Leasing, s.r.o. of CZK 175,000 thousand (2018: CZK 0 thousand), a dividend from CREF B.V. of CZK 50,614 (in 2018: CZK 0 thousand) and a dividend from Visa Inc. of CZK 1,385 thousand (2018: CZK 812 thousand).

10. IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

In thousands of CZK	2019	2018
Changes in loss allowances		
Additions to loss allowances	(2,042,994)	(2,287,844)
Release of loss allowances	1,531,514	1,729,715
Use of loss allowances	1,056,381	1,068,844
Nominal value of assigned and written-off receivables	(1,056,558)	(1,072,629)
of which: direct write-offs of receivables	*(177)*	*(3,785)*
Income from written-off/sold receivables	36,901	77,977
Total changes in loss allowances	**(474,756)**	**(483,937)**
Provisions for off-balance sheet credit risks		
Establishment of provisions	(254,313)	(411,542)
Release of provisions	(399,484)	86,015
Total changes in provisions for off-balance sheet credit risks	**145,171**	**(325,527)**
Total impairment losses on financial instruments	**(329,585)**	**(809,464)**

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

In thousands of CZK	2019	2018
Gain/(loss) from sales of financial assets measured at amortised cost	(2,687)	41,156
Total	**(2,687)**	**41,156**

12. PERSONNEL EXPENSES

In thousands of CZK	2019	2018
Wages and salaries	(2,391,262)	(2,181,269)
Social and health insurance	(771,316)	(695,158)
Other personnel expenses	(127,849)	(127,067)
Total	**(3,290,427)**	**(3,003,494)**
of which wages, salaries and remuneration paid to:		
Members of the board of directors	(88,137)	(85,047)
Members of the supervisory board	(6,522)	(4,030)
Total	**(94,659)**	**(89,077)**

As at 31 December 2019 and 2018, the recalculated average number of the Bank's employees was as follows:

	2019	2018
Employees	2,972	2,934
Members of the Bank's board of directors	7	7
Members of the supervisory board	12	7

The financial arrangements between the Bank and members of the board of directors and supervisory board are disclosed in note 42.

13. GENERAL OPERATING EXPENSES

In thousands of CZK	2019	2018
Rent, repairs and other office management services	(193,526)	(521,365)
Marketing expenses	(506,544)	(370,311)
Costs of legal and advisory services	(367,220)	(323,861)
of which: statutory audit of financial statements	*(4,538)*	*(4,473)*
other assurance services provided by the auditor	*(3,695)*	*(2,848)*
IT support costs	(459,990)	(370,491)
Deposit and transaction insurance	(53,565)	(46,771)
Telecommunication, postal and other services	(78,985)	(77,643)
Security costs	(54,754)	(51,619)
Training costs	(36,153)	(31,022)
Office equipment	(23,264)	(19,376)
Travel costs	(23,392)	(22,731)
Costs of company cars operation	(7,943)	(37,629)
Contribution to the crisis resolution fund	(221,666)	(257,825)
Other administrative expenses	(26,480)	(28,512)
Total	**(2,053,482)**	**(2,159,156)**

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

Except for the statutory audit, the auditor provided the Bank with the following services in 2019:
- Review of the interim Financial Information of Raiffeisenbank a.s., reporting package, prepared for consolidation purposes for the period from 01 January 2019 to 30 June 2019 in conformity with the instructions issued by group management of Raiffeisen Bank International;
- Review of the consolidated and unconsolidated Financial Information Reporting of Raiffeisenbank a.s. as at 31 December 2019 to the Czech National Bank;
- And others.

14. DEPRECIATION AND AMORTISATION OF PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

In thousands of CZK	2019	2018
Depreciation expense	(193,046)	(164,727)
Amortisation expense	(779,756)	(491,129)
Depreciation of right-of-use assets	(345,840)	n/a
Total	**(1,318,642)**	**(655,856)**

15. OTHER OPERATING INCOME

In thousands of CZK	2019	2018
Change in operating provisions	130,759	26,639
Income from reinvoicing	41,610	28,673
Income related to banking products	16,944	24,039
Other	69,189	47,279
Total	**258,502**	**126,630**

16. OTHER OPERATING EXPENSES

In thousands of CZK	2019	2018
Change in loss allowances to operating receivables	(19,970)	(16,230)
Gain/(loss) on sale of property and equipment and intangible assets	(10,756)	(4,228)
Other	(17,187)	(12,266)
Total	**(47,913)**	**(32,724)**

17. INCOME TAX

(a) Income tax expense

In thousands of CZK	2019	2018
Current income tax	(991,000)	(831,867)
Adjustment to the tax payable/(additionally assessed tax) relating to the previous year	–	(26,478)
Release of previous year provision	219,054	24,742
(Expense)/income in respect of deferred tax	45,218	22,301
Total income tax	**(726,728)**	**(811,302)**

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

In thousands of CZK	2019	2018
Profit before tax (general tax base)	**4,914,469**	**4,176,273**
Total profit before tax	**4,914,469**	**4,176,273**
Tax calculated at the tax rate for the general tax base – 19% (2018: 19%)	**(933,749)**	**(793,492)**
Non-taxable income (tax effect)	448,557	330,550
Non-tax deductible expenses (tax effect)	(473,085)	(349,478)
Tax relief and offsets	12,495	2,854
Tax liability for the year	**(945,782)**	**(809,566)**
Tax (underpayment)/overpayment from previous years, use of tax relief and offsets, including adjustment to the tax payable for previous years	–	(26,478)
Release of previous year provision	219,054	24,742
Total income tax	**(726,728)**	**(811,302)**
Effective tax rate	**14.79%**	**19.43%**

(b) Income tax liability/asset

In thousands of CZK	2019	2018
Tax liability for the year	**(945,782)**	**(809,566)**
Deferred tax	(45,218)	(22,301)
Provision for additional income tax	(32,832)	(258,207)
Advances for income tax	876,452	1,077,756
Tax impact of IFRS9	–	(22,947)
Total income tax (liability)/asset	**(147,380)**	**(35,265)**

In 2018, the tax impact of the transition to IFRS9 of CZK (22,947) thousand was presented in the statement of changes in equity under"*Impact of transition to IFRS 9*" totalling CZK (228,698) thousand.

For additional details on the deferred tax, refer to note 23.

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

In thousands of CZK	2019	2018
Cash in hand and other cash equivalents	2,701,723	3,373,826
Balances with central banks (including one-day deposits)	6,647,979	3,897,632
Mandatory minimum reserves with the Czech National Bank (CNB)	2,925,976	1,815,095
Other demand deposits	1,764,158	2,919,561
Total	**14,039,836**	**12,006,114**

Mandatory minimum reserves 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 reserves which exceeds the actual average amount of the mandatory minimum reserves 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 34.

19. FINANCIAL ASSETS HELD FOR TRADING

In thousands of CZK	2019	2018
Derivatives	**1,668,698**	**1,693,503**
Interest rate derivatives	1,412,676	1,248,723
Currency derivatives	256,022	444,780
Debt securities	**93,812**	**268,021**
Government institutions	92,841	268,021
Other non-financial enterprises	971	–
Total	**1,762,510**	**1,961,524**

Securities pledged as collateral

As at 31 December 2019 and 2018, the Bank provided no pledge of securities as collateral as part of repurchase and similar transactions with other banks and customers.

20. FINANCIAL ASSETS MEASURED AT FVOCI

In thousands of CZK	2019	2018
Equity instruments	**734,991**	**628,880**
Shares	734,991	628,880
Total	**734,991**	**628,880**

"*Financial assets measured at FVOCI*" include the Bank's investment in Raiffeisen stavební spořitelna a.s. of CZK 496,200 thousand (2018: CZK 463,300) and its membership in Visa Inc. of CZK 237,953 thousand (2018: CZK 164,731 thousand).

21. FINANCIAL ASSETS MEASURED AT AMORTISED COST

(a) Financial assets at amortised cost by segment

	2019		
In thousands of CZK	Gross carrying amount	Loss allowances	Net carrying amount
Debt securities	**10,883,716**	**(4,268)**	**10,879,448**
Government institutions	9,476,324	(450)	**9,475,874**
Non-financial enterprises	1,407,392	(3,818)	**1,403,574**
Loans and advances to banks	**87,042,977**	**(26)**	**87,042,951**
Central banks	86,140,417	--	**86,140,417**
Credit institutions	902,560	(26)	**902,534**
Loans and advances to customers	**250,396,985**	**(3,752,788)**	**246,644,197**
Government institutions	1,513,898	(149)	**1,513,749**
Other financial institutions	29,764,501	(8,165)	**29,756,336**
Non-financial enterprises	99,809,278	(1,246,238)	**98,563,040**
Households	119,309,308	(2,498,236)	**116,811,072**
Total	**348,323,678**	**(3,757,082)**	**344,566,596**

	2018		
In thousands of CZK	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 enterprises	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 institutions	1,400,963	(258)	**1,400,705**
Other financial institutions	25,600,366	(20,603)	**25,579,763**
Non-financial enterprises	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

In thousands of CZK	2019	2018
Debt securities		
Debt securities	10,883,716	6,867,590
Debt securities - gross	**10,883,716**	**6,867,590**
Loss allowances	(4,268)	(3,031)
Debt securities - net	**10,879,448**	**6,864,559**
Loans and advances to banks		
Term deposits	896,413	1,121,288
Factoring	6,147	-
Reverse repurchase transactions with Czech National Bank	86,140,417	98,237,392
Loans and advances to banks - gross	**87,042,977**	**99,358,680**
Loss allowances	(26)	(278)
Loans and advances to banks - net	**87,042,951**	**99,358,402**
Loans and advances to customers		
Current account overdrafts	3,982,815	4,496,013
Term loans	143,529,920	133,214,081
Mortgage loans	95,242,435	93,528,230
Reverse repurchase	91,371	265,182
Credit card receivables	3,698,052	4,032,129
Other	3,852,392	2,805,195
Loans and advances to customers - gross	**250,396,985**	**238,340,830**
Loss allowances	(3,752,788)	(4,248,988)
Loans and advances to customers - net	**246,644,197**	**234,091,842**
Total financial assets at amortised cost	**344,566,596**	**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 (1,152,503) thousand and CZK (1,144,945) thousand as at 31 December 2018 and 2018, respectively.

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(c) Reverse repo transactions

The Bank advanced loans to Czech National Bank in the aggregate amount of CZK 86,140,417 thousand (2018: CZK 98,237,392 thousand) under reverse repo transactions. Reverse repo transactions with Czech National Bank are collateralised by securities with the fair value of CZK 85,527,000 thousand (2018: CZK 97,602,000 thousand).

Aggregate amount of loans advanced to customers under reverse repo transaction was CZK 91,371 thousand (2018: CZK 265,182 thousand). Reverse repo transactions with customers are collateralised by securities with the fair value of CZK 120,251 thousand (2018: CZK 365,114 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 was 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 until 30 December 2018. 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 were of an interest nature and were recognised in "*Interest expense and similar expense*"; refer to note 5.

The Bank had no equity investment in the newly-established entity and exercised 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 did 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 reported 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, 618,348 thousand as at 31 December 2019 (2018: CZK 6,434,757 thousand), of which the proportion of the Bank amounted to CZK 2,494,927 thousand (2018: CZK 2,568,653 thousand) and the proportion of other syndicate members was CZK 4,123,421 thousand (2018: CZK 3,866,104 thousand).

As at 31 December 2019, the aggregate amount of outstanding receivables under the syndicated loan facilities was CZK 4,506,647 thousand (2018: CZK 3,820,402 thousand), of which the proportion of the Bank was CZK 1, 595,094 thousand (2018: CZK 1,438,778 thousand) and the proportion of other syndicate members was CZK 2,911,553 thousand (2018: CZK 2,381,624 thousand.

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

22. HEDGING DERIVATIVES WITH POSITIVE FAIR VALUE

In thousands of CZK	2019	2018
Fair value hedge derivatives	**–**	**35,523**
Interest rate derivatives	–	35,523
Portfolio hedge derivatives	**2,545,904**	**2,433,394**
Cash flow hedge	177,702	177,172
Fair value hedge	2,368,202	2,256,222
Total	**2,545,904**	**2,468,917**

23. 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 2019 and 2018).

Deferred tax asset comprises the following items:

	Balance at 01/01/2019			Balance at 31/12/2019		
In thousands of CZK	**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	–	–	–	–	–	**–**
Provision for salary bonuses	90,462	13,736	–	–	104,198	**104,198**
Other provisions	111,456	(22,758)	–	–	88,728	**88,728**
Outstanding vacation days	3,132	86	–		3,218	**3,218**
Fair value reserve – cash flow hedge	(8,824)	–	(6,451)	(15,275)	–	**(15,275)**
Differences between accounting and tax carrying amounts of property and equipment and intangible assets	(221,260)	54,124	–	(167,136)	–	**(167,136)**
Movement in fair value reserve in equity from remeasurement of financial assets at FVOCI	(11,277)	–	(15,800)	(27,077)	–	**(27,077)**
Deferred tax asset/ (liability)	**(36,311)**	**45,218**	**(22,251)**	**(209,488)**	**196,144**	**(13,344)**

In thousands of CZK	Balance at 01/01/2018 Net deferred tax asset / (liability)	Movement for the year - (expense)/ income	Movement for the year against equity	Balance at 31/12/2018 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)**

24. OTHER ASSETS

In thousands of CZK	2019	2018
Indirect tax receivables	5,105	10,533
Receivables arising from non-banking activities	292,896	199,976
Deferred expenses and accrued income	169,840	215,232
Receivables from securities trading	123,767	88,215
Settlement of cash transactions with other banks	436,195	497,745
Other	139,954	125,295
Total	**1,167,757**	**1,136,996**

25. EQUITY INVESTMENTS IN SUBSIDIARIES

(a) Equity investments

In thousands of CZK	2019	2018
Balance at 1 January	**1,713,321**	**1,712,951**
Acquisition/addition to equity investments	–	370
Derecognition/liquidation of equity investments	(217,681)	–
Addition to loss allowance for equity investments	–	–
At 31 December	**1,495,640**	**1,713,321**

The Bank regularly tests equity investments for impairment. No impairment of equity investments was identified in 2019 and 2018.

In June 2019, Raiffeisen Direct Investments CZ s.r.o. returned the additional charge to the registered capital of CZK 217,000 thousand, to the Bank.

On 1 August 2019, Kairos Property, s.r.o. as the successor company merged with Raiffeisen Direct Investments CZ s.r.o. as the dissolving company in connection with the merger by acquisition. Due to the merger the dissolving company Raiffeisen Direct Investments CZ s.r.o. ceased to exist without liquidation and its corporate assets and liabilities were transferred to the successor company Kairos Property, s.r.o. Subsequently, Kairos Property, s.r.o. was renamed to Raiffeisen Direct Investments CZ s.r.o. Raiffeisen – Leasing, s.r.o.became the direct owner of the new company Raiffeisen Direct Investments CZ s.r.o. This fact resulted in the derecognition of the Bank's investment in Raiffeisen Direct Investments CZ s.r.o. The impact of the derecognition of this investment on the Statement of Comprehensive income amounted to CZK 210 thousand.

On 22 August 2018, the Bank purchased an 80% investment in Czech Real Estate Fund (CREF) B.V. from NOTIC Finance B.V. The acquisition totalled CZK 370 thousand. In December 2019, CREF B.V. was liquidated.

(b) Subsidiaries (equity investments with controlling influence)

In thousands of CZK Company name	Registered office	Equity	Of which: Share capital	Share of the share capital	Share of voting power	Carrying amount
Raiffeisen – Leasing, s.r.o.	Praha 4, Hvězdova 1716/2b	2,235,381	450,000	100%	100%	1,455,640
Raiffeisen investiční společnost a.s.	Praha 4, Hvězdova 1716/2b	299,968	40,000	100%	100%	40,000
Total at 31 December 2019						**1,495,640**
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
Total at 31 December 2018						**1,713,321**

Czech Real Estate Fund B.V. – principal activities:
- real estate activities; and
- business, financial, organisational and economic advisory.

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.

26. INTANGIBLE ASSETS

In thousands of CZK	Software	Other intangible assets	Intangible assets under construction	Total
Cost				
At 1 January 2018	4,922,010	378,750	443,616	**5,774,376**
Additions	333,029	–	502,388	**835,417**
Disposals	(315)	–	–	**(315)**
Other changes (transfers)	347,212	792	(348,004)	**–**
At 31 December 2018	**5,601,936**	**379,542**	**598,000**	**6,579,478**
Additions	299,351	–	513,798	**813,149**
Disposals	(10,662)	–	–	**(10,662)**
Other changes (transfers)	453,349	–	(453,349)	**–**
At 31 December 2019	**6,343,974**	**379,542**	**658,449**	**7,381,965**
Accumulated amortisation				
At 1 January 2018	(3,202,451)	(195,183)	–	**(3,397,634)**
Additions – annual amortisation charges	(433,934)	(57,195)	–	**(491,129)**
Disposals	315	–	–	**315**
At 31 December 2018	**(3,636,070)**	**(252,378)**	**–**	**(3,888,448)**
Additions – annual amortisation charges	(659,533)	(120,223)	–	**(779,756)**
Disposals	4,546	–	–	**4,546**
At 31 December 2019	**(4,291,057)**	**(372,601)**	**–**	**(4,663,658)**
Net book value				
At 31 December 2018	**1,965,866**	**127,164**	**598,000**	**2,691,030**
At 31 December 2019	**2,052,917**	**6,941**	**658,449**	**2,718,307**

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 2019, internal costs totalling CZK 171,617 thousand (2018: CZK 146,760 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.

27. PROPERTY AND EQUIPMENT

(a) Movements in property and equipment

In thousands of CZK	Land, buildings and technical improvements on buildings	Fixtures and fittings	Machinery and equipment	Property and equipment under construction	Total
Cost					
At 1 January 2018	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**	**212,106**	**927,388**	**104,675**	**2,399,659**
At 1 January 2019	**1,155,490**	**212,106**	**927,388**	**104,675**	**2,399,659**
Reporting of right-of-use assets in IFRS 16 initial application	2,045,390	–	33,528	–	**2,078,918**
At 1 January 2019	**3,200,880**	**212,106**	**960,916**	**104,675**	**4,478,577**
Additions	347,711	8,231	87,140	81,873	**524,955**
Disposals	(11,974)	(25,006)	(190,154)	–	**(227,134)**
Other changes (transfers)	32,018	7,681	45,650	(85,349)	**–**
At 31 December 2019	**3,568,635**	**203,012**	**903,552**	**101,199**	**4,776,398**
Accumulated depreciation					
At 1 January 2018	(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)**
Additions	(403,630)	(11,400)	(123,856)	–	**(538,886)**
Disposals	3,169	23,376	184,113	–	**210,657**
At 31 December 2019	**(1,253,123)**	**(153,934)**	**(533,563)**	**–**	**(1,940,620)**
Net book value					
At 31 December 2018	**302,828**	**46,196**	**333,568**	**104,675**	**787,267**
At 31 December 2019	**2,315,512**	**49,078**	**369,989**	**101,199**	**2,835,778**

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.

As at 31. December 2019 carrying amount of Right-of-Use assets was CZK 2,052,744 thousands – see Note 41.

(b) Property and equipment acquired under finance lease

The Bank recorded no property and equipment under finance leases in the year ended 31 December 2018.

28. FINANCIAL LIABILITIES HELD FOR TRADING

In thousands of CZK	2019	2018
Derivatives	**1,801,356**	**1,752,469**
Interest rate derivatives	1,296,704	1,236,162
Currency derivatives	504,652	516,307
Total	**1,801,356**	**1,752,469**

29. FINANCIAL LIABILITIES AT AMORTISED COST

(a) Liabilities to bank institutions

In thousands of CZK	2019	2018
Current accounts/One-day deposits	651,064	3,038,529
Term deposits of banks	16,849,009	27,597,414
Repurchase transactions	4,400,189	1,499,778
Total	**21,900,262**	**32,135,721**

(b) Liabilities to customers

Liabilities to customers by type

In thousands of CZK	2019	2018
Current accounts/One-day deposits	258,450,772	243,451,140
Term deposits	25,023,467	14,370,439
Term deposits with maturity	7,174,583	13,207,034
Change in the fair value of hedged items upon fair value hedge	41,995	89,896
Total	**290,690,817**	**271,118,509**

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. As at 31 December 2019, the remeasurement of the hedged items amounted to: CZK (1,270,121) thousand (as at 31 December 2018: CZK (1,757,940) thousand).

Analysis of deposits from customers by sector

In thousands of CZK	2019	2018
Government institutions	8,847,334	7,110,497
Other financial institutions	13,057,086	10,219,418
Non-financial enterprises	101,828,197	99,249,954
Households	166,958,200	154,538,640
Total	**290,690,817**	**271,118,509**

Repurchase transactions

As at 31 December 2019 and 2018, the Bank received no loans from customers as part of repurchase transactions.

(c) Debt securities issued

Analysis of issued debt securities by type

In thousands of CZK	2019	2018
Mortgage bonds	12,672,258	19,551,265
Change in the fair value of hedged items upon fair value hedge	-	28,307
Non-hedged bonds issued	-	2
Deposit certificates and depository bills of exchange	20,225	20,004
Total	**12,692,483**	**19,599,578**

Analysis of mortgage bonds

In thousands of CZK							
				Nominal value		Net carrying amount	
Issue date	Maturity date	ISIN	Currency	2019	2018	2019	2018
05/11/2014	05/11/2019	XS1132335248	EUR	-	12,579,525	-	12,605,629
08/03/2017	08/03/2021	XS1574150261	EUR	5,336,100	5,145,000	5,351,666	5,152,028
08/03/2017	08/03/2023	XS1574150857	EUR	3,049,200	514,500	3,132,820	515,771
08/03/2017	08/03/2024	XS1574151236	EUR	4,065,600	1,286,250	4,187,772	1,277,837
08/03/2017	08/04/2022	XS1574149842	EUR	-	-	-	-
TOTAL				**12,450,900**	**19,525,275**	**12,672,258**	**19,551,265**

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

In 2019, the Bank redeemed mortgage bonds of EUR 489,000 thousand. During 2019, the Bank sold mortgage bonds from its own portfolio in the aggregate amount of EUR 220,000 thousand on the secondary market. The Bank hadn't issued any new bonds in 2019.

As at 31 December 2019, the Bank held issued EUR-denominated mortgage bonds totalling EUR 460,417 thousand (as at 31 December 2018: EUR 943,256 thousand), which can be used as collateral as part of repurchase transactions with the European Central Bank. Apart from this, the Bank used issued EUR-denominated mortgage bonds of CZK 249,583 thousand (as as of 31 December 2018: EUR 197,744 thousand) as collateral as part of repurchase transactions on the interbank market.

(d) Subordinated liabilities and bonds

Subordinated loan

In thousands of CZK	2019	2018
Raiffeisen Bank International AG (parent company)	2,481,549	1,932,944
Raiffeisenlandesbank Oberösterreich AG	827,183	644,315
Total	**3,308,732**	**2,577,259**

In December 2018 the Bank obtained subordinated loan in nominal of EUR 100,000 thousands, out of which EUR 75,000 thousands was from Raiffeisen Bank International AG and EUR 25,000 thousands from Raiffeisenlandesbank Oberösterreich AG. The subordinated loan bears the interest of a 12 months EURIBOR and a margin of 3.7 per cent p.a. and has maturity after 10 years via balloon payment with option for the Bank of early repayment after 5 years.

In June 2019 the Bank obtained subordinated loan in nominal of EUR 30,000 thousands, out of which EUR 22,500 thousands was from Raiffeisen Bank International AG and EUR 7,500 thousands from Raiffeisenlandesbank Oberösterreich AG. The subordinated loan bears the interest of a 12 months EURIBOR and a margin of 3.7 per cent p.a. and has maturity after 10 years via balloon payment with option for the Bank of early repayment after 5 years.

(e) Other financial liabilities

In thousands of CZK	2019	2018
Liabilities from trading with securities	86,699	180,490
Liabilities from non-banking activities	127,187	119,580
Settlement and suspense clearing accounts	1,809,290	2,643,905
Lease liabilities	2,040,516	n/a
Total	**4,063,692**	**2,943,975**

30. HEDGING DERIVATIVES WITH NEGATIVE FAIR VALUE

In thousands of CZK	2019	2018
Positive fair value of portfolio hedge derivatives	2,667,682	3,204,463
Cash flow hedge	56,382	321,241
Fair value hedge	2,611,300	2,883,222
Total	**2,667,682**	**3,204,463**

31. PROVISIONS

In thousands of CZK	2019	2018
Provisions for commitments and financial guarantees provided	**400,743**	**542,326**
Other provisions	**658,448**	**763,939**
Provisions for legal disputes	10,323	800
Provision for outstanding vacation days	16,939	16,482
Provisions for payroll bonuses	548,409	476,115
Provision for restructuring	10,447	14,560
Other	72,330	255,982
Total	**1,059,191**	**1,306,265**

The Bank 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 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 40 "*Financial instruments – credit risk*".

Overview of other provisions

In thousands of CZK	Provisions for legal disputes	Provision for outstanding vacation days	Provisions for salary bonuses	Provision for restructuring	Other provisions	Total
1 January 2018	**82,910**	**18,194**	**444,324**	**16,459**	**287,148**	**849,035**
Establishment of provisions	–	16,482	476,115	–	14,951	**507,548**
Use of provisions	(52,542)	(18,194)	(371,609)	(1,615)	(23,603)	**(467,563)**
Release of redundant provisions	(30,490)	–	(72,715)	(284)	(22,598)	**(126,087)**
Foreign exchange gains/losses	922	–	–	–	84	**1,006**
31 December 2018	**800**	**16,482**	**476,115**	**14,560**	**255,982**	**763,939**
Establishment of provisions	9,523	16,939	548,409	–	48,737	**623,608**
Use of provisions	–	(16,482)	(416,669)	(3,163)	(38,454)	**(474,798)**
Release of redundant provisions	–	–	(59,416)	(950)	(193,935)	**(254,301)**
Foreign exchange gains/losses	–	–	–	–	–	**–**
31 December 2019	**10,323**	**16,939**	**548,409**	**10,447**	**72,330**	**658,448**

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.

32. OTHER LIABILITIES

In thousands of CZK	2019	2018
Estimated payables for payroll costs	260,756	243,587
Accrued expenses and deferred income	71,541	71,149
Estimated payables – uninvoiced receipts for services/goods	552,002	458,339
Other	52,763	56,759
Total	**937,062**	**829,834**

33. EQUITY

(a) Share capital

The Bank's shareholder structure as at 31 December 2019:

Name	Registered office	Number of ordinary shares	Nominal value (In thousands of CZK)	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

The registered capital is fully paid. The ordinary shares are in accordance with Act No. 90/2012 Coll. on Business Corporations and Cooperatives and they do not have any special rights associated with them. The shareholder is entitled to a share of the Bank's profit (dividend), which the General Meeting had approved for distribution according to the Bank's economic results. The Bank has not issued any convertible bonds or priority bonds within the meaning of paragraph 286 of Act No. 90/2012 Coll., On Bussiness Corporations and Cooperatives. In 2019 and 2018, the Bank did not hold any of their own shares or issue any interim certificates.

On 29 April 2019, the Bank's general meeting approved the following allocation of the profit generated in 2018:

Net profit for 2018	**3,364,971**
Approved allocation:	
Allocation to reserve funds	–
Allocation to retained earnings	2,390,235
Dividends paid to shareholders*	974,736
of which: Raiffeisen CEE Region Holding GmbH	*731,052*
RLB OÖ Sektorholding GmbH	*243,684*

* Dividends were paid out on 3 May 2019.

During 2019, 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 2019, the dividend per share amounted to CZK 881 (in 2018: CZK 1,374).

(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 2019, the Bank placed another issue of AT1 capital investment certificates of CZK 767,250 thousand. As at 31 December 2019, the issue totalled CZK 3,382,604 thousand (as as of 31 December 2018: CZK 2,615,354 thousand). The Czech National Bank approved the inclusion of AT1 certificates in the Bank's auxiliary Tier 1 capital. In 2019, the Bank paid out a coupon of CZK 177,331 thousand (2018: CZK 178,675 thousand) from retained earnings to the holders of these certificates.

(c) Fair value reserve

Arising from cash flow hedges

In thousands of CZK	2019	2018
Fair value of the effective part of cash flow hedges at 1 January	46,439	(130,224)
Deferred tax asset/(liability) arising from fair value reserve at 1 January	(8,824)	31,164
Total balance at 1 January	**37,615**	**(99,060)**
Net gains/(losses) from the change in the fair value of a hedge instrument for the year		
Cross currency swaps	235,636	893,937
Interest rate swaps	9,512	48,573
Accumulated net gains/losses arising from cash flow hedges		
Cross currency swaps	(211,194)	(765,847)
Tax effect of cash flow hedges for the year	(6,451)	(39,988)
Fair value of the effective part of cash flow hedges at 31 December	80,393	46,439
Deferred tax asset/(liability) arising from fair value reserve at 31 December	(15,275)	(8,824)
Total balance at 31 December	**65,118**	**37,615**

From remeasurement of equity securities at FVOCI

In thousands of CZK	2019	2018
Fair value reserve from remeasurement of equity securities at FVOCI at 1 January	227,401	202,175
Deferred tax asset/(liability) arising from fair value reserve at 1 January	(11,277)	(6,218)
Total balance at 1 January	**216,124**	**195,957**
Net gain/(loss) from remeasurement of equity securities at FVOCI	106,111	25,226
Accumulated net gains/losses		
Tax effect of remeasurement of equity securities at FVOCI for the year	(15,800)	(5,059)
Fair value reserve from remeasurement of equity securities at FVOCI at 31 December	333,512	227,401
Deferred tax asset/(liability) arising from fair value reserve at 31 December	(27,077)	(11,277)
Total balance at 31 December	**306,435**	**216,124**

34. CASH IN HAND AND CASH EQUIVALENTS

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

In thousands of CZK	2019	2018
Cash in hand and other cash equivalents, balances with central banks and mandatory minimum reserves (see note 18)	12,275,678	9,086,553
Mandatory minimum reserves (see note 18)	(2,925,976)	(1,815,095)
Loans and advances to banks repayable on demand (see note 18)	1,764,158	2,919,561
Total cash in hand and cash equivalents	**11,113,860**	**10,191,019**

35. CONTINGENT LIABILITIES

(a) Legal disputes

The Bank conducted a review of legal proceedings outstanding against it as at 31 December 2019. 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 31) for significant litigations of CZK 10,323 thousand in 2019 (2018: CZK 800 thousand).

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

In thousands of CZK	2019	2018
Banks		
Commitments provided (irrevocable)	–	55,854
Guarantees provided	247,916	75,039
Letters of credit issued	105,660	157,443
Total	**353,576**	**288,336**
Customers		
Commitments provided (irrevocable)	30,689,117	27,794,622
Guarantees provided	15,214,226	16,565,014
Letters of credit issued	161,778	310,789
Total	**46,065,121**	**44,670,425**
Total	**46,418,697**	**44,958,761**

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

(c) Uncommitted credit commitments and guarantee commitments

In thousands of CZK	2019	2018
Banks	1,927,260	3,806,264
Customers	66,400,737	64,415,928
Total	**68,327,997**	**68,222,192**

36. FINANCIAL DERIVATIVES

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

In thousands of CZK	Fair value – assets	Fair value – liabilities	Nominal value
At 31 December 2019			
Interest rate			
Interest rate swaps	1,406,063	1,292,617	173,520,768
Interest rate forwards	6,613	4,087	18,000,000
Interest rate	**1,412,676**	**1,296,704**	**191,520,768**
Cross currency swaps	719	694	509,699
Currency forwards and swaps	217,777	465,022	70,096,033
Currency options	37,526	38,936	12,650,963
Foreign exchange	**256,022**	**504,652**	**83,256,695**
Total	**1,668,698**	**1,801,356**	**274,777,463**

In thousands of CZK	Fair value – assets	Fair value – liabilities	Nominal value
At 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**
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	**1,693,503**	**1,752,469**	**296,505,383**

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

In thousands of CZK	Up to 1 year	From 1 to 5 years	Over 5 years	Total
At 31 December 2019				
Interest rate				
Interest rate swaps	64,132,642	88,100,804	21,287,322	**173,520,768**
Interest rate forwards	18,000,000	–	–	**18,000,000**
Interest rate	**82,132,642**	**88,100,804**	**21,287,322**	**191,520,768**
Foreign exchange				
Cross currency swaps	509,699	–	–	**509,699**
Currency forwards and swaps	66,745,871	3,350,162	–	**70,096,033**
Currency options	11,555,523	1,095,440	–	**12,650,963**
Foreign exchange	**78,811,093**	**4,445,602**	**–**	**83,256,695**
Total trading derivatives	**160,943,735**	**92,546,406**	**21,287,322**	**274,777,463**

In thousands of CZK	Up to 1 year	From 1 to 5 years	Over 5 years	Total
At 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**

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

During the year ended 31 December 2019, 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.

In thousands of CZK	Fair value – assets	Fair value – liabilities	Nominal value
At 31 December 2019			
Interest rate risk			
Interest rate swaps to hedge fair value	–	–	–
Fair value hedge derivatives	**–**	**–**	**–**
Interest rate swaps to hedge cash flow	177,702	81	20,124,720
Cross currency swaps to hedge cash flow	–	56,301	3,652,993
Interest rate swaps to hedge fair value	2,368,202	2,611,300	198,794,145
Portfolio hedge derivatives	**2,545,904**	**2,667,682**	**222,571,858**
Total	**2,545,904**	**2,667,682**	**222,571,858**

In thousands of CZK	Fair value – assets	Fair value – liabilities	Nominal value
At 31 December 2018			
Interest rate risk			
Interest rate swaps to hedge fair value	35,523	–	6,431,250
Fair value hedge derivatives	**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
Portfolio hedge derivatives	**2,433,394**	**3,204,463**	**230,892,856**
Total	**2,468,917**	**3,204,463**	**237,324,106**

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

In thousands of CZK	Up to 1 year	From 1 to 5 years	Over 5 years	Total
At 31 December 2019				
Interest rate risk				
Interest rate swaps to hedge fair value	–	–	–	**–**
Average interest rate	–	–	–	**–**
Fair value hedge derivatives	**–**	**–**	**–**	**–**
Interest rate swaps to hedge cash flow	3,303,300	16,643,550	177,870	**20,124,720**
Average interest rate	1.60%	(0.09)%	0.99%	**0.19**
Cross currency swaps to hedge cash flow	943,329	2,709,664	–	**3,652,993**
Average interest rate	(0.51)%	(0.33)%	–	**(0.38)%**
Interest rate swaps to hedge fair value	31,286,439	131,122,282	36,385,424	**198,794,145**
Average interest rate	0.79%	1.10%	1.02%	**1.04**
Portfolio hedge derivatives	**35,533,068**	**150,475,496**	**36,563,294**	**222,571,858**
Total trading derivatives	**35,533,068**	**150,475,496**	**36,563,294**	**222,571,858**

In thousands of CZK	Up to 1 year	From 1 to 5 years	Over 5 years	Total
At 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%**
Fair value hedge derivatives	**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%**
Portfolio hedge derivatives	**47,284,451**	**137,852,128**	**45,756,277**	**230,892,856**
Total trading derivatives	**53,715,701**	**137,852,128**	**45,756,276**	**237,324,106**

(e) Fair value hedge

Hedging instruments

In thousands of CZK	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	Line item(s) in profit or loss (that include(s) hedge ineffectiveness)
		2019				
		Assets	Liabilities			
Interest rate risk						
Fair value hedge derivatives						
Interest rate swaps	–	–	–	Hedge derivatives with positive fair value	–	Net income from hedge accounting
Portfolio hedge derivatives						
Interest rate swaps	198,794,145	2,368,202	2,611,300	Hedge derivatives with positive/ negative fair value	499,479	Net income from hedge accounting

In thousands of CZK	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	Line item(s) in profit or loss (that include(s) hedge ineffectiveness)
		2018				
		Assets	Liabilities			
Interest rate risk						
Fair value hedge derivatives						
Interest rate swaps	6,431,250	35,523	–	Hedge derivatives with positive fair value	(29,084)	Net income from hedge accounting
Portfolio hedge derivatives						
Interest rate swaps	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

	2019					
	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 item is located	Changes in fair value used for calculating hedge ineffectiveness
In thousands of CZK	Assets	Liabilities	Assets	Liabilities		
Interest rate risk						
Debt securities	6,020,627	–	124,997	–	Financial assets at amortised cost	30,623
Loans and advances to customers	81,805,072	–	(1,277,500)	–	Financial assets at amortised cost	(38,181)
Deposits from customers	–	65,025,924	–	(1,228,126)	Financial liabilities at amortised cost	(484,662)
Debt securities issued	–	–	–	–	Financial liabilities at amortised cost	–

	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 item is located	Changes in fair value used for calculating hedge ineffectiveness
In thousands of CZK	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	76,770,481	–	(1,239,320)	–	Financial assets at amortised cost	20,315
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

(f) Cash flow hedge

Hedging instruments

In thousands of CZK	2019 Nominal value	Fair value Assets	Liabilities	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
Interest rate risk										
Interest rate swaps	20,124,720	177,702	81	Hedging derivatives with positive/negative fair value	8,143	9,512	(1,369)	Net income from hedge accounting	(1,369)	Net income from hedge accounting
Cross currency swaps	3,652,993	–	56,301	Hedging derivatives with positive/negative fair value	24,442	24,442	–	Net income from hedge accounting	–	Net income from hedge accounting

In thousands of CZK	2018 Nominal value	Fair value Assets	Liabilities	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
Interest rate risk										
Interest rate swaps	12,913,950	177,172	2,489	Hedging 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	Hedging derivatives with positive/negative fair value	128,090	128,090	–	Net income from hedge accounting	–	Net income from hedge accounting

Hedged items

In thousands of CZK	2019		2018	
	Line item in the statement of financial position where the hedged item is located	Changes in fair value used for calculating hedge ineffectiveness	Line item in the statement of financial position where the hedged item is located	Changes in fair value used for calculating hedge ineffectiveness
Interest rate risk				
Loans and advances to customers	Financial assets at amortised cost	(54,297)	Financial assets at amortised cost	(125,283)
Deposits from customers	Financial liabilities at amortised cost	(2,764)	Financial liabilities at amortised cost	(13,455)
Debt securities issued	Financial liabilities at amortised cost	(20,630)	Financial liabilities at amortised cost	(52,067)

37. OTHER OFF-BALANCE SHEET ITEMS

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

In the years ended 31 December 2019 and 2018, the Bank placed no assets under management, into administration or deposit.

(b) Assets accepted for management, administration and deposit

In thousands of CZK	2019	2018
Assets accepted for management	9,910,984	9,404,776
Assets accepted for custody	256	233
Assets accepted for administration	57,824,895	47,900,712
Assets accepted for deposit	2,031	1,712
Total	**67,738,166**	**57,307,433**

38. 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 (2019)

At 31 December 2019 **In thousands of CZK**	**Corporate entities**	**Retail customers**	**Treasury and ALM**	**Other**	**Reconciliation to the statement of comprehensive income**	**Total**
Income statement:						
Net interest income	2,673,834	5,177,621	192,953	751,800	(256,999)	**8,539,209**
Net fee and commission income	1,214,471	1,926,617	(34,532)	(11,456)	(1,406,376)	**1,688,724**
Net gain/(loss) from financial operations	(3,847)	(30)	(188,018)	(6,599)	1,406,376	**1,207,882**
Net income from hedge accounting	–	–	5,889	–	–	**5,889**
Impairment losses on financial instruments	127,951	(457,536)	–	–	–	**(329,585)**
Gain or loss (-) arising from derecognition of financial assets measured at amortised cost	(2,687)	–	–	–	–	**(2,687)**
Other operating expenses	(1,702,572)	(4,664,795)	(212,109)	127,514	–	**(6,451,962)**
Dividend income	–	–	–	–	256,999	**256,999**
Profit before tax	**2,307,150**	**1,981,877**	**(235,817)**	**861,259**	**–**	**4,914,469**
Income tax	(439,749)	(420,870)	46,706	87,185	–	**(726,728)**
Profit after tax	**1,867,401**	**1,561,007**	**(189,111)**	**948,444**	**–**	**4,187,741**
Assets and liabilities:						
Total assets	**107,741,327**	**122,270,489**	**129,048,807**	**11,654,193**	**–**	**370,714,816**
Total liabilities	**101,925,687**	**191,846,535**	**36,730,412**	**7,509,246**	**–**	**338,011,880**

Selected items by segment (2018)

At 31 December 2018 In thousands of CZK	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 income from hedge accounting	–	–	72,507	–	–	**72,507**
Impairment losses on financial instruments	(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 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**

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*” and “*Dividend 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 property and equipment and intangible assets*” and “*General operating expenses*” presented in the statement of comprehensive income in separate lines.

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.

39. 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 39 (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 39 (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. Analysis of remaining maturity of derivatives is disclosed in the tables in notes 36 (b) and 36 (d).

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

2019 (In thousands of CZK)	Carrying amount	Total contractual liability	0–3 months	3–12 months	1–5 years	Over 5 years
Deposits from banks	**21,900,262**	**21,922,045**	13,270,335	3,566,034	5,085,676	–
Deposits from customers	**290,690,817**	**290,818,368**	285,077,414	5,576,478	125,195	39,281
Debt securities issued	**12,692,483**	**13,086,655**	201,658	–	12,884,997	–
Subordinated liabilities and bonds	**3,308,732**	**4,429,101**	–	5,954	608,551	3,814,596
Other financial liabilities	**4,063,692**	**4,167,639**	2,120,145	255,031	1,173,785	618,678
Other liabilities	**937,062**	**937,062**	937,062			
Off-balance sheet items	**46,418,697**	**46,418,697**	5,499,742	9,645,371	18,392,537	12,881,047

2018 (In thousands of CZK)	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

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. More detailed policies applied in managing this risk are included in "*Risk management methods*" in note 39 (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 39 (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.

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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:

2019	Level 1	Level 2	Level 3	Fair value	Carrying amount	Difference
Assets						
Cash in hand, balances with central banks and other demand deposits	–	–	14,039,836	14,039,836	14,039,836	–
Loans and advances to banks*	–	–	87,042,951	87,042,951	87,042,951	–
Loans and advances to customers*	–	–	252,715,148	252,715,148	246,644,197	6,070,951
Debt securities at amortised cost*	10,300,470	–	845,259	11,145,729	10,879,448	266,282
Liabilities						
Deposits from banks	–	–	21,915,680	21,915,680	21,900,262	15,418
Deposits from customers	–	–	290,685,398	290,685,398	290,690,817	(5,419)
Debt securities issued	–	–	12,980,845	12,980,845	12,692,483	288,362
Subordinated liabilities and bonds	–	–	3,488,935	3,488,935	3,308,732	180,203
Other financial liabilities**	–	–	2,023,177	2,023,177	2,023,177	–

*including loss allowances
**excluding lease liabilities

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

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Financial instruments at fair value

In thousands of CZK	Fair value at 31 December 2019			Fair value at 31 December 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Positive fair value of trading derivatives		1,668,698	–	–	1,693,503	–
Securities held for trading	92,841	–	971	268,021	–	–
Positive fair value of hedging derivatives	–	2,545,904	–	–	2,468,917	–
Financial assets at FVOCI	–	–	734,991	–	–	628,880
Total	**92,841**	**4,214,602**	**735,962**	**268,021**	**4,162,420**	**628,880**

In thousands of CZK	Fair value at 31 December 2019			Fair value at 31 December 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Negative fair value of trading derivatives	–	1,801,356	–	–	1,752,469	–
Negative fair value of financial derivatives	–	2,667,682	–	–	3,204,463	–
Total	**–**	**4,469,038**	**–**	**–**	**4,956,932**	**–**

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).

2019

In thousands of CZK	Financial assets held for trading (debt securities)	Financial assets at FVOCI	Total
Balance at the beginning of the year	**–**	**628,880**	**628,880**
Transfer to Level 3	–	–	**–**
Purchases	971	–	**971**
Comprehensive income/(loss)	–	106,111	**106,111**
– in the income statement	–	–	**–**
– in equity (note 33)	–	106,111	**106,111**
Sales/settlement	–	–	**–**
Transfer from Level 3	–	–	**–**
Balance at the end of the year	**971**	**734,991**	**735,962**

2018

In thousands of CZK	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 33)	–	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**

The Bank measures financial assets held for trading and financial assets measured at FVOCI 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 496,200 thousand (2018: CZK 463,300) and its membership in Visa Inc. of CZK 237,953 thousand (2018: CZK 164 731 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).

In thousands of CZK	At 31 December 2019	Average 2019	At 31 December 2018	Average 2018
Total market risk VaR	73,381	90,768	116,619	50,798

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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.

In thousands of CZK	At 31 December 2019	Average 2019	At 31 December 2018	Average 2018
Total interest rate position VaR	**6,988**	**8,057**	**23,274**	**9,435**
Interest rate position VaR - banking book	8,959	8,881	23,250	7,224
Interest rate position VaR - trading book	2,463	5,022	19,627	8,451

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.

In thousands of CZK	At 31 December 2019	Average 2019	At 31 December 2018	Average 2018
Foreign currency position VaR	285	1,000	1,214	2,663

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.

In thousands of CZK	At 31 December 2019	Average 2019	At 31 December 2018	Average 2018
Total market risk VaR	**76,463**	**92,749**	**98,003**	**48,748**
Market spread VaR - debt instruments	76,468	92,841	100,049	36,190
Market spread VaR - currency positions	7,930	4,484	29,785	24,483

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 Bank is planning to file the application for the regulator's approval of this approach in coordination with the 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 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 2019, 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, to 1.75% from 1 January 2020 and to 2.00% from 1 July 2020.

The Bank manages its capital adequacy with a view to ensuring its sufficient amount 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.

Information about regulatory capital

In thousands of CZK	2019	2018
Total equity	**32,702,936**	**28,782,198**
Deductions of common Tier 1 capital:		
Unusable profit	(2,152,896)	(2,022,689)
Intangible fixed assets	(2,718,307)	(2,691,030)
Provision shortage for IRB positions	(267,067)	-
Additional valuation adjustment (AVA) according to CRR	(49,563)	(37,498)
Valuation gains or losses	(371,553)	(253,739)
Other capital instruments	(3,382,604)	(2,615,354)
Total common Tier 1 capital (after deductions)	**23,760,946**	**21,161,888**
Other capital instruments	3,382,604	2,615,354
Total Tier 1 capital (after deductions)	**27,143,550**	**23,777,242**
Subordinated loans	3,303,300	2,572,500
IRB Excess of provisions over expected losses eligible	326,970	559,665
Total Tier 2 capital	**3,630,270**	**3,132,165**
Total regulatory capital	**30,773,820**	**26,909,407**

As a local supervisory authority, the CNB monitors whether the Bank complies with capital adequacy on a separate as well as consolidated basis. In 2019, 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[1)], 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 Bank's ALCO committee and 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.
The Bank's ALCO committee receives a report on ISC every month. The Bank applies the ICS both on a local (monthly) and a consolidated basis (quarterly).

40. 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 40(k) and 40(l).

(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

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.

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 – methodology valid since 30 November 2019

The definition of default used to calculate expected credit losses is the same definition of default used for internal credit risk management practices. Default is assessed by referring to quantitative and qualitative triggers. Firstly, a borrower is considered to be defaulted if they are assessed to be 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. Secondly, a borrower is considered to be defaulted if they meet the unlikeliness to pay criteria, which indicate that the borrower is in significant financial difficulty and unlikely to repay any credit obligation in full. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout RBI's expected loss calculations. A credit obligation is considered to no longer be in default after a probation period of minimum three months (twelve 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.

In 2016 the European Banking Authority published guidelines on the application of the definition of default (EBA/GL/2016/ 07). The guidelines contain a long list of clarifications and changes to default triggers, materiality thresholds and closely related topics including days past due criteria, indications of unlikeliness to repay, conditions for a return to nondefault status and restructuring. The new definition of default represents a material change in the IRB approach, further requiring banks to revise their models and submit them to supervisory authorities for approval (as per Delegated Regulation EU 529/2014) prior to their implementation. Two effects which arise as a result of the new default definition will be seen in profit and loss. The first is an increase or decrease in ECL provisions coming from the stage re-distribution, in particular the change in the volume of stage 3. The second is a decrease or increase in ECL provisions coming from the adjustments of the stage 1 and 2 models to the new default rates. Due to the nature of the changes there will not be full counterbalancing of the first effect with the second effect. Increased ECL provision effects occur as a result of a stricter days past due count, the pulling effect leading to cross default among several contracts of the same private individual obligor, and longer probation periods. As the new models are at varying stages of adjustment and authorization by regulators the effects of the change will be seen over the next several quarters in the consolidated profit/loss. In accordance with IAS 8, this represents an estimate change which must be applied prospectively and thus fully recognized in profit or loss.

Definition of default and credit-impaired assets – methodology valid until 29 November 2019

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. 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.
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. In this respect, all possible outcomes are taken into account, that are presented by each individual scenario. 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	2020	2021	2022
Czech Republic	Optimistic	3.0 %	2.9 %	3.1 %
	Base	0.1 %	(0.1) %	0.3 %
	Pessimistic	0.1 %	(0.6) %	0.2 %

Unemployment	Scenario	2020	2021	2022
Czech Republic	Optimistic	2.3 %	2.5 %	3.0 %
	Base	2.3 %	2.5 %	3.0 %
	Pessimistic	4.7 %	5.5 %	5.4 %

Lifetime Bond Rate	Scenario	2020	2021	2022
Czech Republic	Optimistic	(0,1) %	0.0 %	0.8 %
	Base	0.5 %	0.8 %	1.4 %
	Pessimistic	2.8 %	3.4 %	3.6 %

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.

Post model adjustments

Post-model adjustments to expected credit loss allowance estimates are adjustments which are used in circumstances where existing inputs, assumptions and model techniques do not capture all relevant risk factors. Existing inputs, assumptions and model techniques might not capture all relevant risk factors due to transient circumstances, insufficient time to appropriately incorporate relevant new information into the rating, re-segmentation of portfolios and when lending exposures within a group of lending exposures react to factors or events differently than initially expected. The emergence of new macroeconomic, microeconomic or political events, along with expected changes to parameters, models or data that are not incorporated in current parameters, internal risk rating migrations or forward-looking information are examples of such circumstances. In general RBI Group units use post-model adjustments to allowances for expected credit losses only as an interim solution. In order to reduce the potential for bias post model adjustments are of a temporary nature and in general not longer than 1-2 years. All material adjustments are authorized by the Group Risk Committee (GRM). From an accounting point of view all post-model adjustments are based on collective assessment, but do not necessarily result in a stage movement of the allowance for expected credit losses

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.

2019 – Accumulated impairment (Stage 1 & 2)

(In thousands of CZK)	Reported	Optimistic	Base	Pessimistic
Retail exposures	752,837	643,140	691,734	984,740
Non-retail exposures	463,223	434,654	456,521	505,199
Total	**1,216,060**	**1,077,794**	**1,148,255**	**1,489,939**

2018 – Accumulated impairment (Stage 1 & 2)

(In thousands of CZK)	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).

2019 – Accumulated impairment (Stage 1 & 2)

(In thousands of CZK)	Reported	All Performing Loans in Stage 1	Impact of Staging
Retail exposures	752,837	223,014	529,823
Non-retail exposures	463,223	365,025	98,198
Total	**1,216,060**	**588,039**	**628,021**

2018 – Accumulated impairment (Stage 1 & 2)

(In thousands of CZK)	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). Due to the absence of historical data relevant for the usage of Stages, it is currently not possible to predict an appropriate increase in impairment. However, we do not assume that the assets categorized in Stage 2 will ever reach 100%.

2019 – Accumulated impairment (Stage 1 & 2)

(In thousands of CZK)	Reported	All Performing Loans in Stage 2	Impact of Staging
Retail exposures	752,837	1,797,771	(1,044,934)
Non-retail exposures	463,223	1,473,865	(1,010,642)
Total	**1,216,060**	**3,271,636**	**(2,055,576)**

2018 – Accumulated impairment (Stage 1 & 2)

(In thousands of CZK)	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 bankruptcy 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. In case there have not been any repayments during one year the owed amounts are written-off, but the written-off assets may still be legally enforced. For corporate exposure in terminated companies 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. In case there have not been any repayments during one year the owed amounts are written-off.

The contractual owed amount of financial assets that were written off during the reporting period and are still subject to legal enforcement in the amount of CZK 132 596 thousand. (2018: CZK 13 974 thousand).

(f) Financial assets at amortised cost and provisions for commitments and financial guarantees provided based on the stages of impairment

Financial assets measured at amortised cost

	31/12/2019				
In thousands of CZK	Gross carrying amount				
	Stage 1	Stage 2	Stage 3	POCI	Total
Debt securities	**10,883,716**	**–**	**–**	**–**	**10,883,716**
Government institutions	9,476,324	–	–	–	**9,476,324**
Non-financial enterprises	1,407,392	–	–	–	**1,407,392**
Loans and advances to banks	**87,042,977**	**–**	**–**	**–**	**87,042,977**
Central banks	86,140,417	–	–	–	**86,140,417**
Credit institutions	902,560	–	–	–	**902,560**
Loans and advances to customers	**200,331,398**	**45,759,786**	**3,969,842**	**335,959**	**250,396,985**
Government institutions	1,513,230	668	–	–	**1,513,898**
Other financial institutions	29,654,118	108,613	1,787	–	**29,764,518**
Non-financial enterprises	89,955,263	8,242,517	1,502,665	108,816	**99,809,261**
Households	79,208,787	37,407,988	2,465,390	227,143	**119,309,308**
Total	**298,258,091**	**45,759,786**	**3,969,842**	**335,959**	**348,323,678**

	31/12/2018				
In thousands of CZK	Gross carrying amount				
	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	503,166	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	8,860,122	1,925,200	–	**96,473,294**
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

	31/12/2019				
In thousands of CZK	Stage 1	Stage 2	Stage 3	POCI	Total
Debt securities	**(4,268)**	**–**	**–**	**–**	**(4,268)**
Government institutions	(450)	–	–	–	**(450)**
Non-financial enterprises	(3,818)	–	–	–	**(3,818)**
Loans and advances to banks	**(26)**	**–**	**–**	**–**	**(26)**
Central banks	–	–	–	–	**–**
Credit institutions	(26)	–	–	–	**(26)**
Loans and advances to customers	**(252,803)**	**(770,102)**	**(2,756,942)**	**27,059**	**(3,752,788)**
Government institutions	(147)	(2)	–	–	**(149)**
Other financial institutions	(6,032)	(383)	(1,787)	–	**(8,202)**
Non-financial enterprises	(151,727)	(123,609)	(1,001,100)	30,235	**(1,246,201)**
Households	(94,897)	(646,108)	(1,754,055)	(3,176)	**(2,498,236)**
Total loss allowances for financial assets at amortised cost	**(257,097)**	**(770,102)**	**(2,756,942)**	**27,059**	**(3,757,082)**
Provisions for off-balance sheet items	**(144,072)**	**(44,789)**	**(211,802)**	**(80)**	**(400,743)**
Total	**(401,169)**	**(814,891)**	**(2,968,744)**	**26,979**	**(4,157,825)**

	31/12/2018				
In thousands of CZK	Stage 1	Stage 2	Stage 3	POCI	Total
Debt securities	**(3,031)**	**–**	**–**	**–**	**(3,032)**
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	**(296,333)**	**(1,002,383)**	**(2,917,939)**	**(32,333)**	**(4,248,988)**
Government institutions	(38)	(221)	–	–	**(259)**
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)	(800,457)	(1,664,925)	(32,333)	**(2,583,350)**
Total loss allowances for financial assets at amortised cost	**(299,393)**	**(1,002,632)**	**(2,917,939)**	**(32,333)**	**(4,252,297)**
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)**

(g) Changes in gross carrying amount and changes in loss allowances

In thousands of CZK	31/12/2019				
Gross carrying amount	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 01/01/2019	**284,091,866**	**56,236,174**	**3,932,204**	**306,856**	**344,567,100**
Transfers	(4,142,434)	1,450,244	2,647,336	44,854	–
Increase due to origination and acquisition	170,480,842	5,387	18,380	315,018	170,819,627
Decrease due to derecognition and overall payment	(142,641,368)	(9,470,162)	(1,873,157)	(132,888)	(154,117,575)
Decrease in allowance due to write-offs	–	–	(350,970)	(116,193)	(467,163)
Partial repayment	(9,272,261)	(2,419,675)	(399,180)	(81,688)	(12,172,804)
Adjustments by foreign exchange gains/ losses	(258,554)	(42,182)	(4,771)	–	(305,507)
Balance at 31/12/2019	**298,258,091**	**45,759,786**	**3,969,842**	**335,959**	**348,323,678**

In thousands of CZK	31/12/2018				
Gross carrying amount	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 01/01/2018	**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 and overall payment	(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 31/12/2018	**284,091,866**	**56,236,174**	**3,932,204**	**306,856**	**344,567,100**

In thousands of CZK			31/12/2019		
Loss allowances	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Financial assets measured at amortised cost					
Balance at 01/01/2019	**(299,393)**	**(1,002,632)**	**(2,917,939)**	**(32,333)**	**(4,252,297)**
Increase due to origination and acquisition	(91,892)	(67,544)	(198,921)	(769)	**(359,126)**
Decrease due to derecognition	84,227	139,469	688,576	35,490	**947,762**
Changes due to the change in credit risk (net)	58,137	280,011	79,144	(28,872)	**388,420**
Changes due to the change in methodology	(10,503)	(158,942)	(523,747)	(66,684)	**(759,876)**
Changes due to modification without derecognition (net)	–	–	(142,651)	–	**(142,651)**
Decrease in loss allowances due to write-offs	9,071	43,237	294,804	120,227	**467,339**
Impact of unwind	–	–	(3,721)	–	**(3,721)**
Adjustments by foreign exchange gains/losses	(6,743)	(3,703)	(32,488)	–	**(42,934)**
Balance at 31/12/2019	**(257,097)**	**(770,102)**	**(2,756,942)**	**27,059**	**(3,757,082)**
Provisions for off-balance sheet items					
Balance at 01/01/2019	**(124,419)**	**(98,276)**	**(319,451)**	**(180)**	**(542,326)**
Increase due to origination and acquisition	(76,406)	(22,358)	(1,397)	(772)	**(100,933)**
Decrease due to derecognition	46,962	61,258	155,669	161	**264,050**
Changes due to the change in credit risk (net)	15,558	15,150	(42,259)	711	**(10,839)**
Adjustments by foreign exchange gains/losses	(5,767)	(563)	(4,363)	–	**(10,693)**
Balance at 31/12/2019	**(144,072)**	**(44,789)**	**(211,802)**	**(80)**	**(400,743)**
Total	**(401,169)**	**(814,891)**	**(2,968,744)**	**26,979**	**(4,157,825)**

In thousands of CZK			31/12/2018		
Loss allowances	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Financial assets measured at amortised cost					
Balance at 01/01/2018	**(288,594)**	**(864,057)**	**(3,565,545)**	**(128,190)**	**(4,846,386)**
Increase due to origination and acquisition	(40,901)	(3,349)	–	(58,216)	**(102,465)**
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 31/12/2018	**(299,393)**	**(1,002,632)**	**(2,917,939)**	**(32,333)**	**(4,252,297)**
Provisions for off-balance sheet items					
Balance at 01/01/2018	**(37,817)**	**(33,198)**	**(151,544)**	**(57)**	**(222,616)**
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)	(123)	**(321,916)**
Adjustments by foreign exchange gains/losses	437	477	1,292	–	**2,206**
Balance at 31/12/2018	**(124,419)**	**(98,276)**	**(319,451)**	**(180)**	**(542,326)**
Total	**(423,812)**	**(1,100,908)**	**(3,237,390)**	**(32,513)**	**(4,794,623)**

(h) 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, suppliers and liabilities, intragroup transactions, competitors, management etc.;
- Internally collected data – overdue status, fulfilment of financial covenants, internal monitoring of the credit exposure and periodiv 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 and non-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

Financial assets measured at amortised cost

In thousands of CZK	2019				
Gross carrying amount	Stage 1	Stage 2	Stage 3	POCI	Total
Excellent	95,616,743	–	–	–	**95,616,743**
Strong	61,833,594	13,856,169	–	–	**75,689,763**
Good	82,658,800	17,390,383	–	–	**100,049,183**
Satisfactory	55,115,304	9,593,631	–	–	**64,708,935**
Substandard	3,033,650	4,919,603	10	–	**7,953,263**
Credit-impaired	–	–	3,969,832	335,959	**4,305,791**
Total	**298,258,091**	**45,759,786**	**3,969,842**	**335,959**	**348,323,678**

In thousands of CZK Gross carrying amount	2018				
	Stage 1	Stage 2	Stage 3	POCI	Total
Excellent	102,906,960	–	–	–	**102,906,960**
Strong	31,091,717	2,228,454	–	–	**33,320,171**
Good	95,792,820	36,890,263	5,130	–	**132,688,213**
Satisfactory	51,957,203	10,468,211	54,337	–	**62,479,751**
Substandard	2,343,166	6,649 246	98,620	–	**9,091,032**
Credit-impaired	–	–	3,774,117	306,856	**4,080,973**
Total	**284,091,866**	**56,236,174**	**3,932,204**	**306,856**	**344,567,100**

Loan commitments and financial guarantees

In thousands of CZK Gross carrying amount	2019				
	Stage 1	Stage 2	Stage 3	POCI	Total
Excellent	62,200	15,518	–	–	**77,718**
Strong	36,216,111	803,976	–	–	**37,020,087**
Good	40,005,426	9,311,028	–	–	**49,316,454**
Satisfactory	23,668,682	2,434,377	–	–	**26,103,059**
Substandard	1,487,831	270,592	–	–	**1,758,423**
Credit-impaired	–	–	470,112	841	**470,953**
Total	**101,440,250**	**12,835,491**	**470,112**	**841**	**114,746,694**

In thousands of CZK Gross carrying amount	2018				
	Stage 1	Stage 2	Stage 3	POCI	Total
Excellent	38,880	–	–	–	**38,880**
Strong	27,987,377	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**
Total	**93,105,194**	**19,538,729**	**537,029**	**–**	**113,180,952**

(i) 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:

In thousands of CZK	2019	2018
Financial assets modified during the year		
Amortised cost before the modification of contractual cash flows	256,572	308,439
Net modification profit	1,583	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	11,028	10,192

(j) Qualitative information on collateral for credit-impaired financial assets (Stage 3)

	2019		2018	
In thousands of CZK	Gross carrying amount	Collateral	Gross carrying amount	Collateral
Financial assets at amortised cost (Stage 3)	3,969,842	948,882	3,932,204	822,994

he principal type of collateral for credit-impaired financial assets is the pledge of real estate, movable property and company guarantees.

(k) Concentration of credit risk by location

Loans and advances to customers

In thousands of CZK	2019	2018
Czech Republic	231,035,360	221,083,322
Slovakia	5,096,960	4,686,140
Other EU member countries	10,265,481	8,445,181
Other	3,999,184	4,126,187
Total gross carrying amount	**250,396,985**	**238,340,830**

(l) Analysis of loans and advances to customers by sector and type of collateral

2019	Cash collateral	State guarantees	Bank guarantees	Real estate	Company guarantee	Other collateral	Movable assets	Total collateral
Administrative and support activities	2,042	–	37,526	194,857	350,020	441,961	62,688	**1,089,094**
Private households with employed persons	–	–	–	93,768,793	–	125,740	–	**93,894,533**
Real estate	60,078	–	46,084	24,940,964	–	256,182	10,755	**25,314,063**
Transport and storage	320	–	141,543	1,372,101	137,321	633,203	124,963	**2,409,451**
Information and communication activities	2,403	–	77,384	164,105	223,011	327,731	–	**794,634**
Arts, entertainment and recreation	–	–	7,628	37,317	–	2,715	–	**47,660**
Other activities	–	–	29,921	79,077	–	9,679	21,904	**140,581**
Financial and insurance activities	–	–	3,078,658	584,844	1,015,665	475,749	–	**5,154,916**
Professional, scientific and technical activities	699	1,480,979	188,846	720,315	442,804	789,506	45,207	**3,668,356**
Construction	10,821	–	292,868	1,644,743	129,923	571,419	2,942	**2,652,716**
Mining and quarrying	–	–	2,355	–	–	3,510	–	**5,865**
Hotels and restaurants	730	–	125,888	2,342,270	–	–	29,589	**2,498,477**
Wholesale and retail trade; repair and maintenance of motor vehicles	20,335	7,101	743,309	3,401,465	405,992	4,122,605	373,204	**9,074,011**
Public administration and defence; compulsory social security	–	423,950	–	668	23,743	–	–	**448,361**
Electricity, gas, water and air conditioning supply	44,988	–	1,847	95,722	64,587	2,201	2,308,869	**2,518,214**
Education	–	–	8,462	32,822	–	5,354	–	**46,638**
Water supply, sewerage, waste management and remediation activities	–	–	19,781	107,685	10,371	123,026	6,665	**267,528**
Health and social work	–	1,051,647	37,829	243,564	128,895	7,237	–	**1,469,172**
Agriculture, forestry and fishing	1,635	–	103,664	1,270,453	41,444	298,170	14,355	**1,729,721**
Manufacturing	29,133	96,896	560,865	6,177,306	2,257,713	3,917,995	846,610	**13,886,518**
Total	**173,184**	**3,060,573**	**5,504,458**	**137,179,071**	**5,231,489**	**12,113,983**	**3,847,751**	**167,110,509**

For the purposes of reporting loans and advances to customers by sector and type of collateral, the Bank uses the collateral in discounted value decreased to the current balance of the collateralised exposure.

2018	Cash collateral	State guarantees	Bank guarantees	Real estate	Company guarantee	Other collateral	Movable assets	Total collateral
Administrative and support activities	–	–	29,750	176,432	–	353,772	2,347	**562,301**
Private households with employed persons	–	–	–	92,096,227	–	177,071	–	**92,273,298**
Real estate	79,417	–	73,254	22,498,382	225,652	179,615	13,866	**23,070,186**
Transport and storage	120	–	578,279	593,466	19,384	452,954	149,498	**1,793,701**
Information and communication activities	1,609	–	58,470	373,865	153,377	309,084	14,220	**910,625**
Arts, entertainment and recreation	575	–	6,932	57,099	954	172	3,800	**69,532**
Other activities	–	–	28,926	109,956	–	16,580	15,487	**170,949**
Financial and insurance activities	–	–	2,319,761	620,956	2,830,373	384,115	–	**6,155,205**
Professional, scientific and technical activities	57,011	1,556,916	165,287	1,840,527	135,434	472,854	104,735	**4,332,764**
Construction	4,018	–	204,908	1,621,815	23,150	526,267	42,058	**2,422,216**
Mining and quarrying	–	–	3,422	–	–	3,505	865	**7,792**
Hotels and restaurants	750	–	85,507	2,135,328	–	2,163	–	**2,223,748**
Wholesale and retail trade; repair and maintenance of motor vehicles	3,824	–	645,190	3,642,919	937,360	2,975,516	593,580	**8,798,389**
Public administration and defence; compulsory social security	–	581,948	–	867	23,639	–	–	**606,454**
Electricity, gas, water and air conditioning supply	41,338	–	2,725	80,612	679,050	78,070	2,755,689	**3,637,484**
Education	–	–	6,931	19,756	–	–	–	**26,687**
Water supply, sewerage, waste management and remediation activities	–	–	14,185	194,667	17,506	83,605	17,010	**326,973**
Health and social work	499	776,182	25,130	420,973	–	3,012	–	**1,225,796**
Agriculture, forestry and fishing	–	–	98,070	621,212	14,371	283,446	10,077	**1,027,176**
Manufacturing	128,149	–	352,560	4,946,972	2,750,537	4,679,394	609,204	**13,466,816**
Total	**317,310**	**2,915,046**	**4,699,287**	**132,052,031**	**7,810,787**	**10,981,195**	**4,332,436**	**163,108,092**

For the purposes of reporting loans and advances to customers by sector and type of collateral, the Bank uses the collateral in discounted value decreased to the current balance of the collateralised exposure.

(m) Analysis of loans provided to customers by default categories

In thousands of CZK 2019	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	199,898,351	433,047	–	–	–	–	**200,331,398**
Stage 2	44,945,330	410,910	403,546	–	–	–	**45,759,786**
Stage 3	1,471,704	191,212	56,641	341,962	211,986	1,696,337	**3,969,842**
POCI	202,801	40,191	13,378	6,455	13,497	59,637	**335,959**
Gross	**246,518,186**	**1,075,360**	**473,565**	**348,417**	**225,483**	**1,755,974**	**250,396,985**
Loss allowances	(1,470,507)	(181,460)	(60,018)	(211,828)	(168,488)	(1,660,487)	**(3,752,788)**
Net	**245,047,679**	**893,900**	**413,547**	**136,589**	**56,995**	**95,487**	**246,644,197**

In thousands of CZK 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	735,616	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	**232,626,062**	**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	**231,203,874**	**2,047,881**	**327,654**	**213,388**	**187,760**	**111,285**	**234,091,842**

The proportion of loans and advances with default decreased year-on-year to 1.7 % from 1.8 % of the total loan portfolio. The coverage by individual loss allowances for loans with default fell to 63.4 % at the end of 2019 from 69.6 % in 2018.

(n) 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 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

In thousands of CZK	Loans and advances to forborne customers				
31/12/2019	Performing exposure	Non-performing exposure	Total with forbearance	Loss allowances	Collateral
Other financial institutions	12,906	–	**12,906**	(155)	12,741
Non-financial enterprises	1,028,199	479,230	**1,507,429**	(174,244)	1,333,185
Households	502,882	747,956	**1,250,838**	(501,693)	576,723
Total	**1,543,987**	**1,227,186**	**2,771,173**	**(676,092)**	**1,922,649**

In thousands of CZK	Loans and advances to forborne customers				
31/12/2018	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**

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 21,751 thousand (2018: CZK 105,763 thousand).

Development of loans and advances to forborne customers

In thousands of CZK 2019	Other financial institutions	Non-financial enterprises	Households	Total
Balance at 1 January	**–**	**1,733,907**	**1,682,925**	**3,416,832**
Additions (+)	12,375	82,839	160,158	**255,372**
Disposals (-)	–	(154,153)	(289,209)	**(443,362)**
Movements in exposures (+/-)	531	(155,164)	(303,036)	**(457,669)**
At 31 December	**12,906**	**1,507,429**	**1,250,838**	**2,771,173**

In thousands of CZK 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)**
At 31 December	**–**	**1,733,907**	**1,682,925**	**3,416,832**

Carrying amount of loans and advances to forborne customers compared to the total loans and advances to customers

In thousands of CZK 2019	Loans and advances to customers	Loans and advances to forborne customers	Percentage of forborne loans and advances
Government institutions	1,513,898	–	–
Other financial institutions	29,764,501	12,906	0.0%
Non-financial enterprises	99,809,278	1,507,429	1.5%
Households	119,309,308	1,250,838	1.0%
Total at 31 December 2019	**250,396,985**	**2,771,173**	**1.1%**

In thousands of CZK 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	25,600,365	–	–
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%**

(o) 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 21 (d).

(p) Maximum exposure to credit risk

2019 In thousands of CZK	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	14,039,836	–	14,039,836	–	–	–
Loans and advances to banks*	87,042,951	353,544	87,396,495	896,147	–	896,147
Loans and advances to customers*	246,644,197	45,664,410	292,308,607	167,110,509	16,443,144	183,553,653
Debt securities*	10,879,448	–	10,879,448	–	–	–
Positive fair value of financial derivatives	4,214,602	–	4,214,602	362,312	–	362,312
Securities held for trading	93,812	–	93,812	–	–	–
Financial assets at FVOCI	734,991	–	734,991	–	–	–
Other assets	1,167,757	–	1,167,757	–	–	–

*including loss allowances and provisions

2018 In thousands of CZK	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	163,108,092	15,803,437	178,911,529
Debt securities*	6,864,559	–	6,864,559	–	–	–
Positive fair value of financial 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

(q) 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.

2019 In thousands of CZK	Amount of an asset/ liability in the statement of financial position	Amount of an asset/liability offset in the statement of financial position	Related amount not 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	3,946,239	–	3,946,239	3,579,317	362,312	4,610
Reverse repo	86,231,788	–	86,231,788	85,647,251	–	584,537
Total assets	**90,178,027**	**–**	**90,178,027**	**89,226,568**	**362,312**	**589,147**
Liabilities						
Negative fair values of financial derivatives	4,103,802	–	4,103,802	3,579,317	458,466	66,019
Repo transactions	4,400,189	–	4,400,189	4,371,000	–	29,189
Total liabilities	**8,503,991**	**–**	**8,503,991**	**7,950,317**	**458,466**	**95,208**

2018 In thousands of CZK	Amount of an asset/ liability in the statement of financial position	Amount of an asset/liability offset in the statement of financial position	Related amount not 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	3,740,988	–	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
Repurchase transactions	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**

41. LEASES

(a) Right-of-use assets

Right-of-use assets relate to the lease of immovable and movable assets which are part of property and equipment – see note 27.

In thousands of CZK	Real estate	Motor vehicles	Total
Acquisition cost			
At 1 January 2019	**2,045,390**	**33,528**	**2,078,918**
Additions	311,464	17,512	**328,976**
Disposals	(10,253)	(759)	**(11,012)**
At 31 December 2019	**2,346,601**	**50,281**	**2,396,882**
Accumulated depreciation			
Additions – annual depreciation charges	(329,958)	(15,882)	**(345,840)**
Disposals	1,560	142	**1,702**
At 31 December 2019	**(328,398)**	**(15,740)**	**(344,138)**
Net book value			
At 31 December 2019	**2,018,203**	**34,541**	**2,052,744**

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

2019 In thousands of CZK	Carrying amount	Total contractual liability	0–3 months	3–12 months	1–5 years	Over 5 years
Lease liabilities	2,040,516	2,144,462	96,967	255,032	1,173,785	618,678

(c) Analysis of lease receivables from subleases according to remaining maturity (undiscounted cash flows)

2019 In thousands of CZK	Total	0–3 months	3–12 months	1–5 years	Over 5 years
Receivables from operating subleasing	51,713	2,351	7,052	37,609	4,701

(d) Values recognised in total comprehensive income

In thousands of CZK	2019
Sublease income	11,000
Interest expense from lease liabilities	(30,218)
Depreciation of Right-of-use asstes	(345,840)
Short-term lease expense	(7,101)
Low-value asset lease expense	(1)

42. TRANSACTIONS WITH RELATED PARTIES

At 31 December 2019

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.

In thousands of CZK	Parent companies	Companies with significant influence over the Bank	Subsidiaries	Board of directors, supervisory board and other managers	Other related parties	Total
Receivables	986,213	-	20,433,034	162,207	45,320	**21,626,774**
Positive fair values of financial derivatives	3,129,333	-	870	-	3,375	**3,133,578**
Liabilities	3,899,997	21,052	637,484	67,916	22,668,145	**27,294,594**
Negative fair values of financial derivatives	3,571,152	-	2,561	-	1,306	**3,575,019**
Other equity instruments	3,382,604	-	-	-	-	**3,382,604**
Subordinated liabilities and bonds	2,481,549	-	-	-	827,183	**3,308,732**
Guarantees issued	86,363	-	-	-	91,626	**177,989**
Guarantees received	211,225	-	-	-	1,461,687	**1,672,912**
Nominal values of financial derivatives (off-balance sheet receivables)	380,166,801	-	511,170	-	1,548,266	**382,226,237**
Nominal values of financial derivatives (off-balance sheet liabilities)	380,103,860	-	514,100	-	1,546,154	**382,164,114**
Irrevocable credit commitments provided	-	-	-	11,700	-	**11,700**
Interest income	4,082,911	1,998	82,584	2,556	7,898	**4,177,947**
Interest expense	(4,243,095)	(269)	(9,746)	(197)	(246,283)	**(4,499,590)**
Fee and commission income	20,985	84	12,748	-	28,837	**62,654**
Fee and commission expense	(8,116)	-	(4,776)	-	(88,329)	**(101,221)**
Net gain or loss from financial operations	(89,378)	-	200	(89)	53,381	**(35,886)**
Net gain or loss from hedge accounting	507,635	-	-	-	-	**507,635**
General operating expenses	(207,360)	-	(31,573)	(94,659)	(17,976)	**(351,568)**
Other operating income, net	13,426	-	22,211	-	1,873	**37,510**

The receivables are principally composed of the following:

Credit balances on the current account maintained at:
- Raiffeisen Bank International AG (parent company) of CZK 986,213 thousand.

Provided loan:
- Raiffeisen Leasing, s.r.o. (subsidiary) of CZK 20,433,034 thousand.

Nominal values of financial derivatives - off-balance sheet receivables:
- Raiffeisen Bank International AG (parent company) of CZK 380,166,801 thousand.
- Raiffeisen Leasing, s.r.o. (subsidiary) of CZK 511,170 thousand.
- Raiffeisenbank AO (Russia), (affiliated company) of CZK 134,395 thousand.
- Tatra Banka, a.s. (affiliated company) of CZK 1,273,875 thousand.
- Raiffeisen Bank Zrt. (affiliated company) of CZK 134,540 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 259,989 thousand.
- Raiffeisen Leasing, s.r.o. (subsidiary) of CZK 316,164 thousand.
- Raiffeisen investiční společnost a.s. (subsidiary) of CZK 21,131 thousand.

Term deposits:
- UNIQA Österreich Versicherungen AG (associated company to the parent company Raiffeisen Bank International AG) of CZK 2,087,125 thousand.
- UNIQA pojišťovna, a.s. (associated company to the parent company Raiffeisen Bank International AG) of CZK 763,913 thousand.
- Raiffeisenbank (Bulgaria) EAD (affiliated company) of CZK 2,231,459 thousand.
- Raiffeisen Bank Zrt. (affiliated company) of CZK 2,546,880 thousand.

Repo transactions:
- Tatra Banka, a.s. (affiliated company) of CZK 4,400,189 thousand.

Debt securities of the Bank issued:
- Raiffeisenbank Hungary (affiliated company) of CZK 2,525,189 thousand.
- Raiffeisenbank (Bulgaria) EAD (affiliated company) of CZK 364,423 thousand.
- Raiffeisen Bank International AG (parent company) of CZK 3,383,087 thousand.
- Raiffeisen Bank Albania (affiliated company) of CZK 909,783 thousand.

Nominal values of financial derivatives - off-balance sheet liabilities:
- Raiffeisen Bank International AG (parent company) of CZK 380,103,860 thousand.
- Raiffeisen Leasing, s.r.o. (subsidiary) of CZK 514,100 thousand.

Subordinated debt from:
- Raiffeisen Bank International AG (parent company) of CZK 2,481,549 thousand,
- Raiffeisenlandesbank Oberösterreich AG of CZK 827,183 thousand.

Other equity instruments - subordinated unsecured AT1 capital investment certificates purchased:
- Raiffeisen Bank International AG (parent company) of CZK 3,382,604 thousand.

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.

In thousands of CZK	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 1,499,778 thousand.

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. (subsidiary) 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.

43. SUBSEQUENT EVENTS

Effective as of 1 January 2020, Mr. Tomáš Jelínek became a new member of the Bank's Board of Directors, replacing Mr. Jan Pudil, whose term of office on the Board of Directors expired on 31 December 2019.

No other events occurred subsequent to the reporting date that would have a material impact on the separate financial statements as at 31 December 2019.

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 2019, the Bank was a party to 15 legal proceedings as a defendant with a total claimed amount of CZK 1,149 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 35 – "Contingent liabilities". As of 31 December 2019, the Group was a party to 15 legal proceedings as a defendant with a total claimed amount of CZK 1,149 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 2019, including Raiffeisenbank (set at 1.00 % 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, 1.75% from 1 January 2020 and to 1.00 % from 1 April 2020.

Consolidated Capital and Risk Weighted Assets

Consolidated regulatory capital for the capital adequacy calculation as at 31 December 2019 amounted to almost CZK 31.7 billion. The consolidated capital adequacy of the Group amounted to17.8 %, and consolidated Core Tier 1 ratio amounted to 13.9 %. Risk weighted assets of the Group reached as at the end of 2019 CZK 178.3 billion (2018: CZK 171.5 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. 2019**	**at 31. 12. 2018**
Share capital	11,060,800	11,060,800
Retained earnings	13,006,677	10,793,773
Reserve fund	693,561	693,561
Valuation gains or losses	371,553	253,739
Other capital instruments	3,382,604	2,615,354
Profit for the year	4,187,741	3,364,971
Non-controlling interests	–	–
Total shareholders' equity	**32,702,936**	**28,782,198**
Total Adjustments to Common equity tier 1		
Unusable profit	(2,152,896)	(2,022,689)
Intangible fixed assets	(2,718,307)	(2,691,030)
Deferred tax assets	–	–
Provision shortage for IRB positions	(267,067)	–
Additional valuation adjustment (AVA) according to CRR	(49,563)	(37,498)
Securitization - junior tranche (with 1 250% risk weight)	–	–
Valuation gains or losses	(371,553)	(253,739)
Retained earnings adjustment	–	–
Reserve fund adjustment	–	–
Non-controlling interests	–	–
Other capital instruments	(3,382,604)	(2,615,354)
Common equity tier 1 (after deductions)	**23,760,946**	**21,161,888**
Other capital instruments	3,382,604	2,615,354
Tier 1 (after deductions)	**27,143,550**	**23,777,242**
Subordinated loans	3,303,300	2,572,500
IRB Excess of provisions over expected losses eligible	326,970	559,665
Aggregate amount of Tier 2 capital	**3,630,270**	**3,132,165**
Total capital	**30,773,820**	**26,909,407**

Information about capital requirements	**unconsolidated**	**unconsolidated**
CZK thousand	**at 31. 12. 2019**	**at 31. 12. 2018**
Total capital requirement for credit risk	11,670,823	11,162,487
–Internal rating approach (IRB)	11,330,308	10,992,080
– Standardized approach (STA)	333,400	162,130
– credit value adjustment (CVA risk)	7,115	8,277
Total capital requirement related to position, foreign exchange and commodity risks	82,460	219,259
Total capital requirement for operational risk	1,395,968	1,344,805
Total capital requirement	**13,149,251**	**12,726,551**

Risk weighted assets	unconsolidated	unconsolidated
CZK thousand	**at 31. 12. 2019**	**at 31. 12. 2018**
Internal rating approach (IRB)	**141,628,845**	**137,400,997**
Central governments and central banks exposures	10,125	14,066
Bank exposures	2,500,677	2,713,872
Corporate customer exposures	97,186,164	95,922,564
Retail customer exposures	39,102,865	35,490,813
Equity exposures	2,829,014	3,259,682
Exposures related to securitization	–	–
Other exposures	–	–
Standardized approach (STA)	**4,167,506**	**2,026,630**
Regional governments and municipalities exposures	1,110	1,462
Bank exposures	–	–
Corporate customer exposures	7,962	10,757
Retail customer exposures	–	–
Exposures secured by immovable property	7,283	9,174
Exposures at default	–	–
Equity exposures	–	–
Other exposures	4,151,151	2,005,237
Total Risk weighted assets for credit risk	**145,796,351**	**139,427,627**
Credit value adjustment (CVA risk)	**88,943**	**103,468**
Risk weighted assets for position, foreign exchange and commodity risks	1,030,754	2,740,737
Risk weighted assets for the operating risk	17,449,599	16,810,067
Total risk weighted assets	**164,365,647**	**159,081,899**

Capital ratios	unconsolidated	unconsolidated
	at 31. 12. 2019	**at 31. 12. 2018**
Core Tier 1 capital adequacy ratio	14.46 %	13.30 %
Tier 1 capital adequacy ratio	16.51 %	14.95 %
Total capital adequacy ratio	18.72 %	16.92 %

Ratio indicators	unconsolidated	unconsolidated
	at 31. 12. 2019	**at 31. 12. 2018**
Return of average assets (ROAA)	1.33 %	1.19 %
Return of average Tier 1 capital after tax (ROAE)	17.18 %	15.63 %
Assets per one employee (CZK thousand)	124,993	121,993
General administrative expenses per one employee (CZK thousand)	2,237	1,978
Net profit or loss per one employee (CZK thousand)	1,406	1,144

	consolidated	consolidated
CZK thousand	**at 31. 12. 2019**	**at 31. 12. 2018**
Share capital	11,060,800	11,060,800
Retained earnings	14,114,537	11,451,586
Reserve fund	693,861	693,918
Valuation gains or losses	371,753	263,240
Other capital instruments	3,382,604	2,615,354
Profit for the year	4,731,151	3,815,018
Total shareholders' equity	**34,354,706**	**29,899,916**
Total Adjustments to Common equity tier 1		
Profit for the year	(2,696,307)	(2,472,737)
Intangible fixed assets	(2,772,764)	(2,722,332)
Deferred tax assets	–	–
Provision shortage for IRB positions	(263,628)	–
Additional valuation adjustment (AVA) according to CRR	(49,563)	(37,498)
Securitization - junior tranche (with 1 250% risk weight)	–	–
Valuation gains or losses	(371,753)	(263,240)
Retained earnings adjustment	(135,080)	53,246
Reserve fund adjustment	(300)	(357)
Non-controlling interests	–	–
Other capital instruments	(3,382,604)	(2,615,354)
Common equity tier 1 (after deductions)	**24,682,706**	**21,841,644**
Other capital instruments	3,382,604	2,615,354
Tier 1 (after deductions)	**28,065,310**	**24,456,998**
Subordinated loans	3,303,300	2,572,500
IRB Excess of provisions over expected losses eligible	326,970	560,711
Aggregate amount of Tier 2 capital	**3,630,270**	**3,133,211**
Total capital	**31,695,580**	**27,590,209**

Information about Capital and Capital Requirements pursuant to Article 438 (c) to (f) of Regulation (EU) 575/2013

Information about capital requirements	**consolidated**	**consolidated**
CZK thousand	**at 31. 12. 2019**	**at 31. 12. 2018**
Total capital requirement for credit risk	12,657,515	12,040,260
– Internal rating approach (IRB)	10,722,595	10,426,265
– Standardized approach (STA)	1,927,805	1,605,718
– credit value adjustment (CVA risk)	7,115	8,277
Total capital requirement related to position, foreign exchange and commodity risks	82,460	219,259
Total capital requirement for operational risk	1,520,793	1,458,880
Total capital requirement	**14,260,768**	**13,718,399**

Risk weighted assets	consolidated	consolidated
CZK thousand	**at 31. 12. 2019**	**at 31. 12. 2018**
Internal rating approach (IRB)	**134,032,435**	**130,328,303**
Central governments and central banks exposures	10,125	14,066
Bank exposures	2,500,677	2,713,872
Corporate customer exposures	91,541,075	90,801,192
Retail customer exposures	39,102,865	35,490,813
Equity exposures	877,693	1,308,361
Exposures related to securitization	–	–
Other exposures	–	–
Standardized approach (STA)	**24,097,567**	**20,071,478**
Regional governments and municipalities exposures	1,237	1,462
Bank exposures	60,582	55,612
Corporate customer exposures	13,202,525	12,437,278
Retail customer exposures	3,516,205	3,451,153
Exposures secured by immovable property	212,352	374,833
Exposures at default	505,487	242,656
High risk exposures	780,140	–
Equity exposures	57,345	56,074
Other exposures	5,761,694	3,452,410
Total Risk weighted assets for credit risk	**158,130,002**	**150,399,781**
Credit value adjustment (CVA risk)	**88,943**	**103,468**
Risk weighted assets for position, foreign exchange and commodity risks	1,030,754	2,740,737
Risk weighted assets for the operating risk	19,009,907	18,236,000
Total risk weighted assets	**178,259,606**	**171,479,986**

Capital ratios	consolidated	consolidated
	at 31. 12. 2019	**at 31. 12. 2018**
Core Tier 1 capital adequacy ratio	13.85 %	12.74 %
Tier 1 capital adequacy ratio	15.74 %	14.26 %
Total capital adequacy ratio	17.78 %	16.09 %

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/povinne-zverejnovane-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 2019, 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 pursuant to the provisions of Sec. 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 2019 to 31 December 2019

Raiffeisenbank a.s., having its registered office at Hvězdova 1716/2b, Prague 4, 140 78, corporate ID: 49240901, entered on 25 June 1993 in the Commercial Register maintained by the Municipal Court of Prague, 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 Sec. 82 of the Act on Commercial Corporations and with regard to the legal definition of trade secret according to Sec. 504 of Act No. 89/2012 Coll., the Civil Code.

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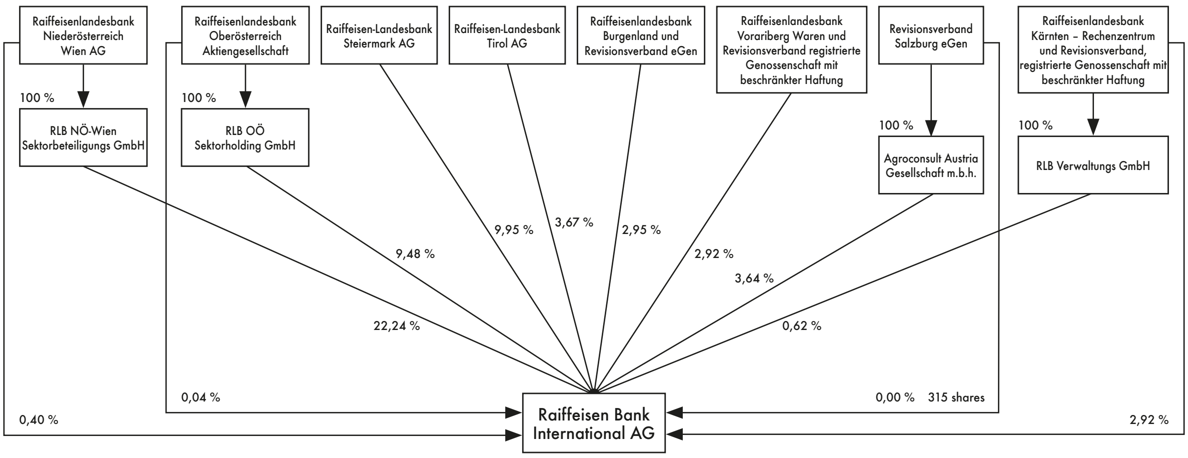
1. CONTROLLING ENTITIES



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
Raiffeisen-Landesbank Steiermark AG*, having its registered office at Graz, Kaiserfeldgasse 5, 8010, Republic of Austria
Raiffeisen-Landesbank Tirol AG*, having its registered office at Innsbruck, Adamgasse 1-7, 6020, Republic of Austria
Raiffeisenlandesbank Burgenland und Revisionsverband eGen*, having its registered office at Eisenstadt, Friedrich Wilhelm Raiffeisen-Strasse 1, 7000, Republic of Austria
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 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*" – these became indirectly controlling entities based on a declaration of acting in concert with RBI

8. 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 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*") company dissolved through merger by amalgamation with Kairos Property, s.r.o. as of 1 August 2019	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

Parties related 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
Aglaia Property, s.r.o. (acquired as of 1 November 2019)	Prague 4, Hvězdova 1716/2b, 140 78
Ananké Property, s.r.o. (acquired as of 29 January 2019)	Prague 4, Hvězdova 1716/2b, 140 78
Appolon Property, s.r.o.	Prague 4, Hvězdova 1716/2b, 140 78
Argos Property, s.r.o. (acquired as of 22 August 2019)	Prague 4, Hvězdova 1716/2b, 140 78
Beroe Property, s.r.o. (acquired as of 14 November 2019)	Prague 4, Hvězdova 1716/2b, 140 78
Cranto Property, s.r.o. (acquired as of 14 November 2019)	Prague 4, Hvězdova 1716/2b, 140 78
Démétér Property, s.r.o. (acquired as of 5 February 2019)	Prague 4, Hvězdova 1716/2b, 140 78
Dero Property, s.r.o. (acquired as of 14 November 2019)	Prague 4, Hvězdova 1716/2b, 140 78
Fidurock Residential a.s. (acquired as of 17 December 2019)	Prague 4, Hvězdova 1716/2b, 140 78
Folos Property, s.r.o. (acquired as of 22 August 2019)	Prague 4, Hvězdova 1716/2b, 140 78
Gaia Property, s.r.o.	Prague 4, Hvězdova 1716/2b, 140 78
Hefaistos Property, s.r.o. (acquired as of 1 November 2019)	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
Kalypso Property s.r.o.	Prague 4, Hvězdova 1716/2b, 140 78
Kétó Property, s.r.o. (acquired as of 22 May 2019)	Prague 4, Hvězdova 1716/2b, 140 78
Létó Property s.r.o.	Prague 4, Hvězdova 1716/2b, 140 78
Ligea Property, s.r.o. (acquired as of 14 November 2019)	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
Médea Property, s.r.o.	Prague 4, Hvězdova 1716/2b, 140 78
Orchideus Property, s.r.o.	Prague 4, Hvězdova 1716/2b, 140 78
Plutos Property, s.r.o. (acquired as of 4 November 2019)	Prague 4, Hvězdova 1716/2b, 140 78
Raiffeisen Direct Investments CZ, s.r.o. (formerly Kairos Property s.r.o.; renamed to Raiffeisen Direct Investments CZ, s.r.o.after merger by amalgamation with Raiffeisen Direct Investments CZ, s.r.o. as of 1 August 2019)	Prague 4, Hvězdova 1716/2b, 140 78
Raiffeisen FinCorp s.r.o.	Prague 4, Hvězdova 1716/2b, 140 78
RDI Czech 1 s.r.o.	Prague 4, Hvězdova 1716/2b, 140 78
RDI Czech 3 s.r.o. (55% sold to Karlín Park, a.s. on 20 December 2019)	Prague 4, Hvězdova 1716/2b, 140 78
RDI Czech 4 s.r.o.	Prague 4, Hvězdova 1716/2b, 140 78
RDI Czech 5 s.r.o.	Prague 4, Hvězdova 1716/2b, 140 78
RDI Czech 6 s.r.o.	Prague 4, Hvězdova 1716/2b, 140 78
RDI Management 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
Thaumas Property s.r.o. (acquired as of 4 November 2019)	Prague 4, Hvězdova 1716/2b, 140 78
Theseus Property, s.r.o. (acquired as of 11 April 2019)	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 entities controlled by Raiffeisen – Leasing, s.r.o. according to the International Financial Reporting Standards (IFRS):

ALT POHLEDY s.r.o., Apaté Property, s.r.o., Ares Property, s.r.o. (acquired as of 11 April 2019), Astra Property, s.r.o., Até Property, s.r.o., Boreas Property, s.r.o., Belos Property, s.r.o. (acquired as of 22 August 2019), Carolina Corner s.r.o. (formerly Sapfó s.r.o., 12 March 2019), Credibilis a.s., CRISTAL PALACE Property s.r.o., Dafné Property, s.r.o., Daimon Property, s.r.o. (acquired as of 22 August 2019), Dike Property, s.r.o., Don Giovanni Properties, s.r.o. (terminated as of 19 February 2019), Éós Property, s.r.o., Erató Property, s.r.o., Eunomia Property, s.r.o., Euros Property, s.r.o. (terminated as of 9 December 2019), Exit 90 SPV s.r.o., FIDUROCK Projekt 18, s.r.o. (acquired as of 14 November 2019), FIDUROCK Projekt 20, s.r.o. (acquired as of 14 November 2019), Fobos Property, s.r.o., Foibe Property, s.r.o. (acquired as of 11 April 2019), FORZA SOLE s.r.o. (terminated as of 17 June 2019), FVE Cihelna s.r.o., GEONE Holešovice Two s.r.o. (acquired as of 22 May 2019), GHERKIN, s.r.o. (terminated as of 15 February 2019), Grainulos s.r.o., GRENA REAL s.r.o., GS55 Sazovice s.r.o., Harmonia Property, s.r.o., Hébé Property, s.r.o., Heméra Property, s.r.o. (merged with Terasa LAVANDE s.r.o. as of 1 August 2019 and renamed to Terasa LAVANDE s.r.o.), Holečkova Property, s.r.o., Hyperion Property, s.r.o. (terminated as of 6 June 2019), 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. (formerly Polymnia Property, s.r.o.), Kaliopé Property, s.r.o., KAPMC s.r.o., Kappa Estates, s.r.o., KARAT, s.r.o. (acquired as of 30 July 2019), Kleió Property, s.r.o., Logistický areál Hostivař, s.r.o., Landia – Jordanska, s.r.o. (terminated as of 9 October 2019), Maloja investment SICAV a.s. (terminated as of 21 March 2019), Melete Property, s.r.o. merged with GRENA REAL s.r.o. (successor as of 21 May 2019), Melpomené Property, s.r.o., Morfeus Property, s.r.o., Na Stárce, s.r.o., Nemesis Property, s.r.o. (merger with Steffany´s Court, s.r.o. and later terminated as of 15 May 2019), Neptun Property, s.r.o. (terminated as of 14 October 2019), Nereus Property, s.r.o., Niobé Property, s.r.o., Nyx Property, s.r.o., Ofion Property, s.r.o., Onyx Energy projekt II. s.r.o., Onyx Energy s.r.o., OSTROV PROPERTY a.s. (formed by splitting off a part of assets of PILSENINVEST SICAV a.s.), Pontos Property, s.r.o., Palace Holding, s.r.o., Peito Property, s.r.o. (terminated as of 21 March 2019), Photon Energie s.r.o., Photon SPV 10 s.r.o., Photon SPV 11 s.r.o. (terminated as of 28 June 2019), 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. (merger with SIGMA PLAZA, s.r.o., successor company SIGMA PLAZA, s.r.o. as of 1 August 2019), Rheia Property, s.r.o., RLRE Beta Property s.r.o., RLRE Eta Property, s.r.o., RLRE Jota Property, s.r.o. (terminated as of 27 November 2019), RLRE Ypsilon Property, s.r.o., SeEnergy PT, s.r.o., Selene Property, s.r.o., SIGMA PLAZA s.r.o. NATUM Alfa, s.r.o. (terminated as of 20 February 2019), Sirius Property, s.r.o., Stará 19 s.r.o., Steffany's Court s.r.o. (terminated as of 15 May 2019), Strašnická realitní a.s., Teresa LAVANDE s.r.o. (Hemera Property, s.r.o. acquired 100% of the company as of 23 April 2018), Theia Property, s.r.o., UPC Real, s.r.o., Vlhká 26, s.r.o. (acquired as of 19 December 2019), Zátiší Rokytka s.r.o., Zefyros Property, 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 and Raiffeisen - Leasing, s.r.o. is not exposed to risks related to the entities, for which reason they do not represent controlled entities, jointly controlled entities or associates. These entities were provided loans.

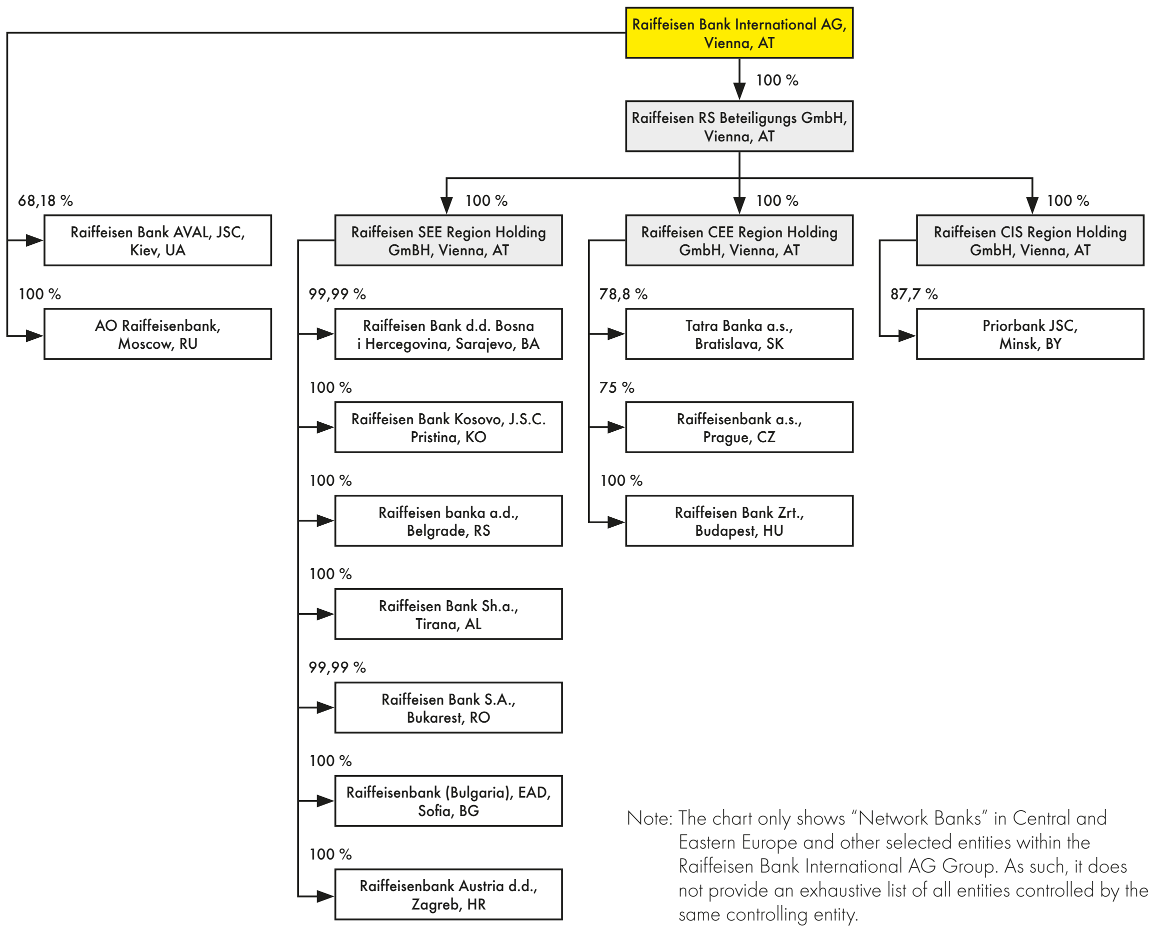
Other countries:

Raiffeisen Bank Zrt.	Akadémia utca 6, Budapest, Hungary
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, Slovakia
Centralised Raiffeisen International Services and Payments S.R.L.	Dimitre Pompei Bld. No. 9-9A, 020335, Bucharest, Romania
Regional Card Processing Centre, s.r.o.	Hodžovo námestie 3, 811 06, Bratislava, Slovakia
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, Slovakia
Raiffeisen Centrobank AG	Tegetthoffstrasse l, 1020, Vienna, Austria
Raiffeisen – Leasing International GmbH	Am Stadtpark 9, 1030, Vienna, Austria
Raiffeisen-Leasing Finanzierungs GmbH (formerly Raiffeisen-Leasing Bank AG)	Mooslackengasse 12, 1190, Vienna, Austria
AO Raiffeisenbank (formerly ZAO Raiffeisenbank)	Smolenskaya-Sennaya 28, Moscow, Russian Federation
Raiffeisen Informatik Consulting GmbH	Lillienbrunngasse 7-9, A-1020, Vienna, Austria
Raiffeisen Kapitalanlage-Gesellschaft m.b.H (Raiffeisen Kag)	Mooslackengasse 12, 1190, Vienna, Austria
Ukrainian Processing Center	Moskovsky av., 9, Kyiv, 04073, Ukraine
Raiffeisenbank Sh. A	*"Rruga e Kavajës"*, Tiranë, Albania
STRABAG SE **Czech Real Estate Fund (CREF) B.V.** (dissolved by liquidation as of 28 December 2019)	Triglavstrasse 9, 9500 Villach, Austria Naritaweg 165, Amsterdam, Netherlands

Note: The above list only discloses the entities with which the Bank maintains active economic relations. It is not an exhaustive 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 Entities



Note: The chart only shows "Network Banks" in Central and Eastern Europe and other selected entities within the Raiffeisen Bank International AG Group. As such, it does not provide an exhaustive 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 states of the region, Raiffeisen Bank International AG renders banking services through a total of 13 majority-owned legal entities holding a banking license, so called Network Banks. Raiffeisenbank a.s. is one of the Network Banks 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 2019 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 particular areas of the Master Agreement
Service Agreement	Raiffeisen Bank International AG	3 January 2011	Agreement on the provision of defined services in selected areas / payment of contractual fee
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 (replaced by new versions in 2016)	Raiffeisen Bank International AG	31 October 2011	Detailed description of cooperation in respect of specific IT applications
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 / payment of contractual fees
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 1 January 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 and 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 fee
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 to 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 fee
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 and 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 Agreement	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 fee
Amendment to the 2012 Service Agreement	Raiffeisen Bank International AG	1 January 2014	Extension of provided services

Legal act	Counterparty	Date concluded	Performance / Counter-performance
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 the International Group Marketing Agreement	Raiffeisen Bank International AG	14 March 2014	Amendment to the International Group Marketing Agreement / payment of contractual fee
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 fee
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
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	The 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 certain types 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
Reimbursement Agreement	Raiffeisen Bank International AG	7 April 2015	Rotation programme within RBI

Legal act	Counterparty	Date concluded	Performance / Counter-performance
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 bank guarantee maturity	Raiffeisen Bank International AG	6 May 2015	Raiffeisen Bank International AG limit approval – extending the maturity of a 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 at 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 to terminate the contract for automatic balance transfers	Raiffeisen Bank International AG	16 October 2015	Agreement to terminate the contract for automatic balance transfers of 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 on reimbursement of expenses related to marketing research data analysis / payment of contractual fees
FWR Contract	Raiffeisen Bank International AG	12 November 2015	Agreement on 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 in respect of automatic balance transfers between accounts maintained by Raiffeisenbank a.s.
Agreement for rendering the CRS Group Program	Raiffeisen Bank International AG	16 December 2015	Mutual provision of services in the Common Reporting Standard project / 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
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

Legal act	Counterparty	Date concluded	Performance / Counter-performance
Extension of maturity	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 of the guarantee issued
Master IT Cooperation Agreement	Raiffeisen Bank International AG	19 April 2016	Definition of terms of cooperation in IT services / payment of contractual fees
Limit approval	Raiffeisen Bank International AG	10 May 2016	Settlement limit increase
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
Service Desription Lotus Notes International Domino Hub	Raiffeisen Bank International AG	20 September 2016	Lotus Notes International Domino Hub service
Service Description TIGER Operating	Raiffeisen Bank International AG	20 September 2016	Provision of the Tiger platform
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
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
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

Legal act	Counterparty	Date concluded	Performance / Counter-performance
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
Subordinated Unsecured Addititonal Tier 1 Certificates	Raiffeisen Bank International AG	19 January 2017	Subordinated debt contract
Amendment of Service Agreement 2012	Raiffeisen Bank International AG	16 February 2017	Change of contractual fees
Service Description MIS Support and Maintenance	Raiffeisen Bank International AG	20 February 2017	Definition of detailed terms of cooperation as part of MIS system administration and support
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 International Group Marketing Agreement	Raiffeisen Bank International AG	9 May 2017	Amendment to the International Group Marketing Agreement / payment of 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 Amendment of Service Agreement 2012	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 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 (Section 9.1 in 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
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

Legal act	Counterparty	Date concluded	Performance / Counter-performance
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 detailed terms of cooperation as part of RIAH system administration and support
Amendment of Service Description TIGER Operating	Raiffeisen Bank International AG	22 August 2017	Amendment to the valid TIGER IT service agreement adjusting the annual service fee from 1 January 2017 onwards
Agreement for rendering the Project "4AML" – Implementation 4th EU Anti-Money Laundering Directive	Raiffeisen Bank International AG	25 August 2017	Supplies from RBI as part of 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 a 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 a 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 Service Agreement 2012	Raiffeisen Bank International AG	5 December 2017	Update to supplied Raiffeisen Research services / 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	Applicable to 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	Agreement on marketing expenses
Letter of intent	Raiffeisen Bank International AG	18 April 2018	Participation in the BCBS 239 joint project
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
Amendment of service agreement	Raiffeisen Bank International AG	23 July 2018	Addition of RAP maintenance and change of allocation key

Legal act	Counterparty	Date concluded	Performance / Counter-performance
Framework Service Agreement in the Area of Information Technology S/2018/00280	Raiffeisen Bank International AG	27 July 2018	Master IT service agreement
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 Descripiton: 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 laying down mutual terms and 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 valid MIDAS Maintenance IT service agreement governing the annual service fee
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)
Subordinated loan agreement - 75. 000. 000 EUR	Raiffeisen Bank International AG	10 December 2018	Subordinated debt contract
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)
Service level agreement: Research	Raiffeisen Bank International AG	4 February 2019	Supply of defined researches / payment of contractual fees
Agreement on order processing in accordance with articlle 28 GDPR + Appendix 1	Raiffeisen Bank International AG	8 February 2019	GDPR agreement
Service level agreement – GPS Operations	Raiffeisen Bank International AG	23 April 2019	Master agreement on the provision of GPS centre services / payment of contractual fees

Legal act	Counterparty	Date concluded	Performance / Counter-performance
Amendment No. 01/2019 to the Framework Service Level Agreement in the Area of IT	Raiffeisen Bank International AG	14 May 2019	Amendment No. 1 to the master agreement
IT Service Description GCPP Support and Maintenance	Raiffeisen Bank International AG	14 May 2019	Agreement stipulating the terms and conditions of GCPP service / payment of contractual fees
Amendment No. 01/2019 to the IT Service Description Fraud Propensity Tool	Raiffeisen Bank International AG	14 May 2019	Amendment No. 1 governing the Fraud Propensity Tool
Amendment No. 01/2019 to the IT Service Description RBCZ – 2016-MIS Support and Maintenance – 01	Raiffeisen Bank International AG	14 May 2019	Amendment modifying the services
Amendment No. 01/2019 of the IT Service Description RBI/RBCZ – 2018 – Digital Services	Raiffeisen Bank International AG	20 May 2019	Amendment to the master agreement
IT Service Description T.I.G.E.R. Operating agreement	Raiffeisen Bank International AG	22 May 2019	Service agreement / payment of contractual fees
Amendment No. 1/2019 to the Gartner for Technical Professional Usage Agreement	Raiffeisen Bank International AG	30 May 2019	Amendment governing database access
Service level agreement	Raiffeisen Bank International AG	1 June 2019	Master service agreement / payment of contractual fees
Service level agreement - Marketing	Raiffeisen Bank International AG	1 June 2019	Master service agreement / payment of contractual fees
Market Data Usage Agreement	Raiffeisen Bank International AG	14 June 2019	Agreement on contractual access to data and analyses / payment of contractual fees
Amendment No. 01/2019 to the Sublicense Agreement RBCZ-2015-SL Bank Fusion Midas-01	Raiffeisen Bank International AG	14 June 2019	Amendment No. 01/2019
Cost reimbursement agreement	Raiffeisen Bank International AG	19 June 2019	Provision of Blueprint services / payment of contractual fees
EUR 22.500.000 Subordinated loan agreement	Raiffeisen Bank International AG	24 June 2019	Subordinated debt contract
IT Service Description for PGP & POG	Raiffeisen Bank International AG	25 June 2019	PGP and POG service / payment of contractual fees
Security Service Usage Agreement	Raiffeisen Bank International AG	25 June 2019	Security Service Usage Agreement extension / payment of contractual fees
Framework agreement S/2019/00260	Raiffeisen Bank International AG	31 July 2019	Master agreement to replace original master agreements over time
Participation Certificate	Raiffeisen Bank International AG	28 August 2019	Risk participation
IT Service Description Midas Maintenance	Raiffeisen Bank International AG	3 September 2019	MIDAS system master agreement / payment of contractual fees
IT Service Description Archer Services	Raiffeisen Bank International AG	3 September 2019	Archer system master agreement / payment of contractual fees
Service level agreement: Contract Management System	Raiffeisen Bank International AG	6 September 2019	CMT system master agreement / payment of contractual fees
Placement Agreement	Raiffeisen Bank International AG	28 September 2019	Amendment to Master agreement

Legal act	Counterparty	Date concluded	Performance / Counter-performance
LORO account maintenance agreement	Raiffeisen Bank International AG	30 September 2019	Account opening and maintenance agreement
IT Project Contract – CPA Operation Optimization	Raiffeisen Bank International AG	5 November 2019	Agreement governing the CPA project / payment of contractual fees
Cost reimbursement agreement PRIIPS Trading Systems	Raiffeisen Bank International AG	5 November 2019	PRIIPS cost reimbursement / payment of contractual fees
Service level agreement: Procurement	Raiffeisen Bank International AG	6 November 2019	iProc system master agreement / payment of contractual fees
IT Project Contract – Project COAST	Raiffeisen Bank International AG	16 December 2019	Agreement governing the COAST project / payment of contractual fees
Amendment No. 01/2019 to the cost reimbursement agreement PRIIPS Trading Systems	Raiffeisen Bank International AG	30 December 2019	Amendment / adjustment to financial performance
Statement of Work No. RBI-2020-Source Code Review Consultancy-01	Raiffeisen Bank International AG	31 December 2019	Supply of source code review from RBCZ to RBI / payment of contractual fees

RLB OÖ Sektorholding GmbH

Legal act	Counterparty	Date concluded	Performance / Counter-performance
EUR 30. 000. 000 Subordinated Unsecured Additional Tier 1 Certificates with Temporary Write-down	RLB OÖ Sektorholding GmbH	18 November 2019	Securities purchase agreement

Raiffeisenlandesbank Oberösterreich Aktiengesellschaft

Legal act	Counterparty	Date concluded	Performance/ Counter-performance
Agreement on the terms of 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 temporary secondment of employees for the purpose of performing work	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	5 January 2004	Change of contractual terms
Amendment No. 1 to Contract for the provision of consulting services	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	3 January 2005	Change of contractual terms (fee)
Amendment No. 2 to Contract for the provision of consulting services	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	4 January 2006	Change of contractual terms (fee)
Amendment No. 3 to 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	Agreement among creditors – Biocel Paskov, a.s.

Legal act	Counterparty	Date concluded	Performance/ Counter-performance
Shareholder's undertaking	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	18 May 2010	Agreement among shareholders – 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 relating to the agreement on the terms of temporary secondment of employees for the purpose of performing work	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	7 November 2016	Agreement on temporary secondment of a specific employees – Large Corp, extension for one 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
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 to Agrovation Kněžmost k.s. - risk participation
Agreement on the terms of temporary secondment of employees for the purpose of performing work	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	9 October 2017	Secondment of experts for temporary performance of work in order to strengthen cooperation
EUR 25. 000. 000 Subordinated loan agreement	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	11 December 2018	Subordinated debt contract
Eighteenth Amended Participation Certificate No. 020950/2007	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	7 May 2019	Contract amendment
EUR 7. 500. 000 Subordinated loan agreement	Raiffeisenlandesbank Oberösterreich Aktiengesellschaft	24 June 2019	Subordinated debt contract

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 2019, 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 initiative of the controlling entity or entities controlled by the controlling entity outside the scope of performance or counter-performance that 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 2019 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 an account
Current account opening and maintenance agreement	Raiffeisen stavební spořitelna a.s.	13 June 2000	Opening and maintenance of a current account
Current investment account opening agreement	Raiffeisen stavební spořitelna a.s.	2 October 2001	Opening of a current investment account
Agreement to mediate purchase and sale of securities, settlement of securities transactions and management of securities + Annexes 1-5	Raiffeisen stavební spořitelna a.s.	10 April 2007	Acting as intermediary in purchase and sale of securities, settlement of securities transactions and management of securities
Confidentiality and personal data processing agreement	Raiffeisen stavební spořitelna a.s.	29 September 2011	Non-Disclosure Agreement
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 and agreement on certain other arrangements	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)
Agreement on FTP Access	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. 1 to the Agreement to mediate purchase and sale of securities, settlement of securities transactions and management of securities of 10 April 2007	Raiffeisen stavební spořitelna a.s.	25 September 2013	Change of contractual terms

Legal act	Counterparty	Date concluded	Performance / Counter-performance
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 4, Authorized Persons, Signature Specimen and Contact Details, to the Agreement to mediate purchase and sale of securities, settlement of securities transactions and management of securities of 10 April 2007	Raiffeisen stavební spořitelna a.s.	12 January 2016	Change of contractual terms
Sales representation agreement	Raiffeisen stavební spořitelna a.s.	24 September 2018	Sales representation agreement
Annex 1 "*Product Specifications and Specific Offering Conditions – Personal Account*" to the Sales representation agreement of 24 September 2018	Raiffeisen stavební spořitelna a.s.	24 September 2018	Change of contractual terms
Tip brokerage agreement	Raiffeisen stavební spořitelna a.s.	10 October 2018	Brokerage agreement
Call centre service agreement	Raiffeisen stavební spořitelna a.s.	12 November 2018	Provision of call centre services
Agreement to issue a debit card	Raiffeisen stavební spořitelna a.s.	26 November 2018	Request to issue a debit card
Amendment No. 1 to the Sales representation agreement of 24 September 2018	Raiffeisen stavební spořitelna a.s.	31 January 2019	Amendment to the sales representation agreement / contractual fee
Cooperation agreement No. S/2019/00124	Raiffeisen stavební spořitelna a.s.	29 March 2019	Cooperation agreement for building saving schemes / contractual fee
Cooperation agreement No. S/2019/00126	Raiffeisen stavební spořitelna a.s.	29 March 2019	Agreement on cooperation in joint campaign / contractual fee
Amendment No. 1 to the Tip brokerage agreement of 10 October 2018	Raiffeisen stavební spořitelna a.s.	30 April 2019	Amendment No. 1 to the Tip brokerage agreement
Amendment No. 2 to the Sales representation agreement of 24 September 2018	Raiffeisen stavební spořitelna a.s.	13 May 2019	Amendment to the sales representation agreement / contractual fee
Amendment No. 3 to the Sales representation agreement of 24 September 2018	Raiffeisen stavební spořitelna a.s.	14 May 2019	Amendment to the Sales representation agreement
Amendment No. 4 to the Sales representation agreement of 24 September 2018	Raiffeisen stavební spořitelna a.s.	24 October 2019	Amendment to the sales representation agreement / contractual fee
Amendment No. 2 to the Tip brokerage agreement of 10 October 2018	Raiffeisen stavební spořitelna	18 November 2019	Amendment No. 2 to the Tip brokerage agreement
Agreement to accede to insurance	Raiffeisen stavební spořitelna a.s.	4 December 2019	Agreement to accede to insurance / contractual fee
Agreement to issue a debit card	Raiffeisen stavební spořitelna a.s.	17 December 2019	Request to issue a debit card

KONEVOVA s.r.o.

Legal act	Counterparty	Date concluded	Performance / Counter-performance
Current account opening and maintenance agreement	KONEVOVA s.r.o.	3 December 1996	Maintenance of a current account in CZK / payment of contractual fees

In 2015, Raiffeisenbank a.s. linked 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 2019.

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 rent
Amendment No. 1 to the Contract on the Sublease of Non-Residential Premises of 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 of 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 of 28 August 2008	Raiffeisen – Leasing, s.r.o.	28 March 2011	Change of contractual terms
Loan agreement	Raiffeisen – Leasing, s.r.o.	28 March 2011	Provision of a loan / payment of contractual interest
Agreement on automatic balance transfers	Raiffeisen – Leasing, s.r.o.	28 April 2011	Cash pooling
Risk Management Cooperation Agreement	Raiffeisen – Leasing, s.r.o.	11 July 2011	Provision of credit risk analyses / payment of fees and costs according to the contract
Account agreement	Raiffeisen – Leasing, s.r.o.	21 July 2011	Agreement to open special accounts for clients of Raiffeisen-Leasing, s.r.o.
Account agreement	Raiffeisen – Leasing, s.r.o.	8 August 2011	Agreement to open special accounts for clients of Raiffeisen-Leasing, s.r.o.
Account agreement	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 of 28 August 2008	Raiffeisen – Leasing, s.r.o.	29 June 2012	Change of contractual terms

Legal act	Counterparty	Date concluded	Performance / Counter-performance
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
Agreement on FTP Access	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
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
Non-exclusive sales representation agreement	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 Loan Contract No. 110157/2012/01 of 27 September 2012	Raiffeisen - Leasing, s.r.o.	21 April 2015	Provision of a credit limit / payment of contractual interest
Agreement on risk participation and provision of a special-purpose loan	Raiffeisen - Leasing, s.r.o.	15 May 2015	Agreement on risk participation and provision of a special-purpose loan / payment of instalments and participation share
Amendment No. 13 to Loan Contract No. 110157/2012/01	Raiffeisen - Leasing, s.r.o.	22 June 2015	Provision of a credit limit / payment of contractual interest
Escrow Account Contract	Raiffeisen - Leasing, s.r.o.	24 June 2015	Opening and maintenance of an escrow account
Amendment No. 1 to Escrow Account Contract	Raiffeisen - Leasing, s.r.o.	14 July 2015	Opening and maintenance of an escrow account
Limit approval – review of the credit and treasury line including its extension and increase	Raiffeisen - Leasing, s.r.o.	27 July 2015	Limit approval – review of the credit and treasury line including its extension and increase
Amendment No. 15 to Loan Contract No. 110157/2012/01	Raiffeisen - Leasing, s.r.o.	29 July 2015	Provision of a credit limit / payment of contractual interest

Legal act	Counterparty	Date concluded	Performance / Counter-performance
Amendment No. 14 to Loan Contract No. 110157/2012/01	Raiffeisen - Leasing, s.r.o.	31 July 2015	Provision of a credit limit / payment of contractual interest
Amendment No. 16 to Loan Contract No. 110157/2012/01	Raiffeisen - Leasing, s.r.o.	17 August 2015	Provision of a credit limit / payment of contractual interest
Contract on the opening and maintenance of account No. 5170012066 (EUR)	Raiffeisen - Leasing, s.r.o.	24 August 2015	Account opening and maintenance
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 Loan Contract No. 110157/2012/01	Raiffeisen - Leasing, s.r.o.	30 September 2015	Provision of a credit limit / payment of contractual interest
Amendment No. 1 to the Non-exclusive sales representation agreement	Raiffeisen - Leasing, s.r.o.	29 October 2015	Sales representation / payment of contractual commissions
Contract on the opening and maintenance of account No. 5170012293 (EUR)	Raiffeisen - Leasing, s.r.o.	26 November 2015	Account opening and maintenance
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 Data	Raiffeisen - Leasing, s.r.o.	25 November 2016	Personal data processing and confidentiality agreement and agreement on certain other arrangements
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 limit / 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 limit / 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 limit / 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 limit / payment of contractual interest
Risk Participation Agreement Reg. No. PD/61467863/01/2016	Raiffeisen - Leasing, s.r.o.	23 June 2016	Risk participation / payment of contractual interest

Legal act	Counterparty	Date concluded	Performance / Counter-performance
Lease Contract No. 5019000614 – 5019000626	Raiffeisen - Leasing, s.r.o.	1 March 2016	Provision of lease / payment of contractual interest
Lease Contract No. 5019000631 – 5019000646	Raiffeisen - Leasing, s.r.o.	1 March 2016	Provision of lease / payment of contractual interest
Lease Contract No. 5019000533	Raiffeisen - Leasing, s.r.o.	1 March 2016	Provision of lease / payment of contractual interest
Lease Contract No. 5019000500	Raiffeisen - Leasing, s.r.o.	1 March 2016	Provision of lease / payment of contractual interest
Lease Contract No. 5019000613	Raiffeisen - Leasing, s.r.o.	13 April 2016	Provision of lease / payment of contractual interest
Lease Contract No. 5019000612	Raiffeisen - Leasing, s.r.o.	14 April 2016	Provision of lease / payment of contractual interest
Lease Contract No. 5019000627 – 5019000630	Raiffeisen - Leasing, s.r.o.	15 April 2016	Provision of lease / payment of contractual interest
Lease Contract No. 5019001268 – 5019001269	Raiffeisen - Leasing, s.r.o.	30 August 2016	Provision of lease / payment of contractual interest
Lease Contract No. 5019001265 – 5019001267	Raiffeisen - Leasing, s.r.o.	17 October 2016	Provision of lease / payment of contractual interest
Lease Contract No. 5019001272 – 5019001273	Raiffeisen - Leasing, s.r.o.	17 October 2016	Provision of lease / payment of contractual interest
Lease Contract No. 5019001256 – 5019001264	Raiffeisen - Leasing, s.r.o.	23 September 2016	Provision of lease / payment of contractual interest
Lease Contract No. 5019001270 – 5019001271	Raiffeisen - Leasing, s.r.o.	23 September 2016	Provision of lease / payment of contractual interest
Lease Contract No. 5019001274	Raiffeisen - Leasing, s.r.o.	23 September 2016	Provision of lease / payment of contractual interest
Sub-license agreement	Raiffeisen - Leasing, s.r.o.	9 September 2016	Definition of the right to registered trademarks / payment of contractual fee
Amendment No.1 to the Liability Participation Agreement	Raiffeisen - Leasing, s.r.o.	7 November 2016	Extension of the contractual relation until 2017
Amendment No. 8 to the Contract on the Sublease of Non-Residential Premises	Raiffeisen - Leasing, s.r.o.	16 December 2016	Change of the subject of the sublease / change of rent
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 agreement	Raiffeisen - Leasing, s.r.o.	15 February 2017	Sales representation / payment of contractual commissions
Contract for the provision of outsourced internal audit services	Raiffeisen - Leasing, s.r.o.	23 February 2017	Provision of the internal audit function for a subsidiary / payment of contractual fee
Agreement on risk participation and provision of a special-purpose loan (SEVEROTISK, s.r.o.)	Raiffeisen - Leasing, s.r.o.	11 August 2017	Risk participation / payment of contractual interest

Legal act	Counterparty	Date concluded	Performance / Counter-performance
Agreement on risk participation and provision of a special-purpose loan No. NDP/0001//01/29058481	Raiffeisen - Leasing, s.r.o.	17 August 2017	Lease participation of 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 until 2018
Amendment No. 1 to the Master agreement on risk participation and provision of special-purpose loans	Raiffeisen - Leasing, s.r.o.	12 December 2017	Change of contractual terms
Lease Contract No. 5019002624	Raiffeisen - Leasing, s.r.o.	20 December 2017	Provision of lease / payment of contractual interest
Lease Contract No. 5019002625	Raiffeisen - Leasing, s.r.o.	20 December 2017	Provision of lease / payment of contractual interest
Lease Contract No. 5019002626	Raiffeisen - Leasing, s.r.o.	20 December 2017	Provision of lease / payment of contractual interest
Agreement on risk participation and 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 Agreement on risk participation and provision of a special-purpose loan	Raiffeisen - Leasing, s.r.o.	25 January 2018	Change of contractual terms
Lease Contract No. 5019002659	Raiffeisen - Leasing, s.r.o.	25 January 2018	Provision of lease / payment of contractual interest
Lease Contract No. 5019002660	Raiffeisen - Leasing, s.r.o.	25 January 2018	Provision of lease / payment of contractual interest
Lease Contract No. 5019002661	Raiffeisen - Leasing, s.r.o.	25 January 2018	Provision of lease / payment of contractual interest
Lease Contract No. 5019002662	Raiffeisen - Leasing, s.r.o.	25 January 2018	Provision of lease / payment of contractual interest
Lease Contract No. 5019002663	Raiffeisen - Leasing, s.r.o.	25 January 2018	Provision of lease / payment of contractual interest
Agreement on risk participation and provision of a special-purpose loan	Raiffeisen - Leasing, s.r.o.	1 February 2018	Risk participation / payment of contractual interest
Lease Contract No. 5019002668	Raiffeisen - Leasing, s.r.o.	1 March 2018	Provision of lease / payment of contractual interest
Agreement on risk participation and provision of a 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 of selected RLCZ services to RBCZ
Lease Contract No. 5019002667	Raiffeisen - Leasing, s.r.o.	29 March 2018	Provision of lease / payment of contractual interest
Amendment No. 3 to the Non-exclusive sales representation agreement	Raiffeisen - Leasing, s.r.o.	3 April 2018	Change of contractual terms
Lease Contract No. 5019002671	Raiffeisen - Leasing, s.r.o.	30 April 2018	Provision of lease / payment of contractual interest
Lease Contract No. 5019002672	Raiffeisen - Leasing, s.r.o.	30 April 2018	Provision of lease / payment of contractual interest

Legal act	Counterparty	Date concluded	Performance / Counter-performance
Lease Contract No. 5019002706	Raiffeisen - Leasing, s.r.o.	30 April 2018	Provision of lease / payment of contractual interest
Lease Contract No. 5019002666	Raiffeisen - Leasing, s.r.o.	30 April 2018	Provision of lease / payment of contractual interest
Lease Contract No. 5019002955	Raiffeisen - Leasing, s.r.o.	11 May 2018	Provision of lease / payment of contractual interest
Lease Contract No. 5019003006	Raiffeisen - Leasing, s.r.o.	15 May 2018	Provision of lease / payment of contractual interest
Lease Contract No. 5019002669	Raiffeisen - Leasing, s.r.o.	15 May 2018	Provision of lease / payment of contractual interest
Lease Contract No. 5019002907	Raiffeisen - Leasing, s.r.o.	29 May 2018	Provision of lease / payment of contractual interest
Amendment No. 9 to the Contract on the Sublease of Non-Residential Premises of 28 August 2008	Raiffeisen – Leasing, s.r.o.	1 July 2018	Sublease of non-residential premises
Agreement on risk participation and provision of a special-purpose loan No. 7108001799	Raiffeisen - Leasing, s.r.o.	11 July 2018	Risk participation / payment of contractual interest
Agreement on risk participation and provision of a special-purpose loan No. 7108001800	Raiffeisen - Leasing, s.r.o.	11 July 2018	Risk participation / payment of contractual interest
Agreement on risk participation and provision of a special-purpose loan No. 7108001801	Raiffeisen - Leasing, s.r.o.	12 July 2018	Risk participation / payment of contractual interest
Lease Contract No. 5019002952	Raiffeisen - Leasing, s.r.o.	20 July 2018	Provision of lease / payment of contractual interest
Amendment No. 1 to the Agreement on risk participation and provision of a special-purpose loan No. 7108001800	Raiffeisen - Leasing, s.r.o.	27 July 2018	Change of contractual terms
Lease Contract No. 5019003260	Raiffeisen - Leasing, s.r.o.	28 August 2018	Provision of lease / payment of contractual interest
Lease Contract No. 5019003355	Raiffeisen - Leasing, s.r.o.	28 August 2018	Provision of lease / payment of contractual interest
Lease Contract No. 5019003354	Raiffeisen - Leasing, s.r.o.	28 August 2018	Provision of lease / payment of contractual interest
Lease Contract No. 5019003352	Raiffeisen - Leasing, s.r.o.	28 August 2018	Provision of lease / payment of contractual interest
Lease Contract No. 5019003351	Raiffeisen - Leasing, s.r.o.	28 August 2018	Provision of lease / payment of contractual interest
Lease Contract No. 5019002900	Raiffeisen - Leasing, s.r.o.	28 August 2018	Provision of lease / payment of contractual interest
Amendment No. 2 to the Agreement on risk participation and provision of a special-purpose loan	Raiffeisen - Leasing, s.r.o.	19 September 2018	Change of contractual terms
Amendment No. 4 to the Non-exclusive sales representation agreement	Raiffeisen - Leasing, s.r.o.	1 October 2018	Change of contractual terms
Lease Contract No. 5019003393	Raiffeisen - Leasing, s.r.o.	1 October 2018	Provision of lease / payment of contractual interest

Legal act	Counterparty	Date concluded	Performance / Counter-performance
Lease Contract No. 5019003394	Raiffeisen - Leasing, s.r.o.	1 October 2018	Provision of lease / payment of contractual interest
Amendment No. 25 to Loan Contract No. 110157/2012/01	Raiffeisen - Leasing, s.r.o.	18 October 2018	Provision of a credit limit / payment of contractual interest
Lease Contract No. 5019003395	Raiffeisen - Leasing, s.r.o.	1 November 2018	Provision of lease / payment of contractual interest
Lease Contract No. 5019003396	Raiffeisen - Leasing, s.r.o.	1 November 2018	Provision of lease/payment of contractual interest
Lease Contract No. 5019003259	Raiffeisen - Leasing, s.r.o.	1 November 2018	Provision of lease / payment of contractual interest
Amendment No. 26 to Loan Contract No. 110157/2012/01	Raiffeisen - Leasing, s.r.o.	5 November 2018	Provision of a credit limit / payment of contractual interest
Amendment No. 2 to the Agreement on risk participation and provision of a special-purpose loan No. 7108001800	Raiffeisen - Leasing, s.r.o.	21 November 2018	Change of contractual terms
Annex 10 to the Master service agreement	Raiffeisen - Leasing, s.r.o.	7 December 2018	Treasury services
Lease Contract No. 5019003613	Raiffeisen - Leasing, s.r.o.	11 December 2018	Provision of lease / payment of contractual interest
Lease Contract No. 5019003618	Raiffeisen - Leasing, s.r.o.	12 December 2018	Provision of lease payment of contractual interest
Lease Contract No. 5019003586	Raiffeisen - Leasing, s.r.o.	13 December 2018	Provision of 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 No. 27 to Loan Contract No. 110157/2012/01	Raiffeisen - Leasing, s.r.o.	17 December 2018	Provision of a credit limit / payment of contractual interest
Annex 11 to the Master service agreement - Market risk management services	Raiffeisen - Leasing, s.r.o.	1 January 2019	Annex 11 - Service specifications / payment of contractual fees
Lease Contract No. 5019003687	Raiffeisen - Leasing, s.r.o.	2 January 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019003731	Raiffeisen - Leasing, s.r.o.	17 January 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019003842	Raiffeisen - Leasing, s.r.o.	26 February 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019003846	Raiffeisen - Leasing, s.r.o.	26 February 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019003845	Raiffeisen - Leasing, s.r.o.	26 February 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019003844	Raiffeisen - Leasing, s.r.o.	26 February 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019003843	Raiffeisen - Leasing, s.r.o.	26 February 2019	Provision of lease / payment of contractual interest
Amendment No. 3 to the Agreement on risk participation and provision of a special-purpose loan	Raiffeisen - Leasing, s.r.o.	8 April 2019	Amendment No. 3

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Amendment to the Master Financial Market Trading Agreement CMA/0001/APR405/02/61467863	Raiffeisen - Leasing, s.r.o.	17 April 2019	Amendment to the Master agreement - amendment to special provisions
Lease Contract No. 5019004078	Raiffeisen - Leasing, s.r.o.	2 May 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004065	Raiffeisen - Leasing, s.r.o.	2 May 2019	Provision of lease / payment of contractual interest
Amendment No. 28 to Loan Contract No. 110157/2012/01	Raiffeisen - Leasing, s.r.o.	14 May 2019	Amendment to Loan Contract
Annex 12 to the Master service agreement - Client centre services	Raiffeisen - Leasing, s.r.o.	23 May 2019	Annex 1 - Service specifications / payment of contractual fees
Account opening and maintenance agreement No. 5170013966	Raiffeisen - Leasing, s.r.o.	10 June 2019	Account opening and maintenance
Account opening and maintenance agreement No. 5170013974	Raiffeisen - Leasing, s.r.o.	10 June 2019	Account opening and maintenance
Annex 13 to the Master service agreement - Operation risk management services	Raiffeisen - Leasing, s.r.o.	13 June 2019	Annex 13 - Service specifications / payment of contractual fees
Amendment No. 4 to the Agreement on risk participation and provision of a special-purpose loan	Raiffeisen - Leasing, s.r.o.	13 June 2019	Amendment No. 4
Lease Contract No. 5019004191	Raiffeisen - Leasing, s.r.o.	17 June 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004197	Raiffeisen - Leasing, s.r.o.	12 July 2019	Provision of lease / payment of contractual interest
Account opening and maintenance agreement No. 5170014029	Raiffeisen - Leasing, s.r.o.	15 July 2019	Account opening and maintenance
Agreement on risk participation and provision of a special-purpose loan LS/7008005192	Raiffeisen - Leasing, s.r.o.	21 August 2019	Risk participation and special-purpose loan
Lease Contract No. 5019004369	Raiffeisen - Leasing, s.r.o.	22 August 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004538	Raiffeisen - Leasing, s.r.o.	24 September 2019	Provision of lease / payment of contractual interest
Amendment No. 1 to Lease Contract No. 5019000419	Raiffeisen - Leasing, s.r.o.	26 September 2019	Lease contract amendment
Amendment No. 1 to Lease Contract No. 5019000393	Raiffeisen - Leasing, s.r.o.	26 September 2019	Lease contract amendment
Amendment No. 1 to Lease Contract No. 5019003006	Raiffeisen - Leasing, s.r.o.	26 September 2019	Lease contract amendment
Amendment No. 1 to Lease Contract No. 5019000395	Raiffeisen - Leasing, s.r.o.	26 September 2019	Lease contract amendment
Amendment No. 1 to Lease Contract No. 5019003586	Raiffeisen - Leasing, s.r.o.	26 September 2019	Lease contract amendment
Amendment No. 1 to Lease Contract No. 5019003613	Raiffeisen - Leasing, s.r.o.	26 September 2019	Lease contract amendment
Amendment No. 1 to Lease Contract No. 5019002663	Raiffeisen - Leasing, s.r.o.	26 September 2019	Lease contract amendment
Amendment No. 1 to Lease Contract No. 5019000405	Raiffeisen - Leasing, s.r.o.	26 September 2019	Lease contract amendment

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Amendment No. 1 to Lease Contract No. 5019000402	Raiffeisen - Leasing, s.r.o.	26 September 2019	Lease contract amendment
Amendment No. 1 to Lease Contract No. 5019000401	Raiffeisen - Leasing, s.r.o.	26 September 2019	Lease contract amendment
Amendment No. 1 to Lease Contract No. 5019000396	Raiffeisen - Leasing, s.r.o.	26 September 2019	Lease contract amendment
Amendment No. 1 to Lease Contract No. 5019000398	Raiffeisen - Leasing, s.r.o.	26 September 2019	Lease contract amendment
Amendment No. 1 to Lease Contract No. 5019002594	Raiffeisen - Leasing, s.r.o.	26 September 2019	Lease contract amendment
Amendment No. 5 to the Agreement on risk participation and provision of a special-purpose loan	Raiffeisen - Leasing, s.r.o.	27 September 2019	Amendment No. 5 to the Agreement on risk participation and provision of a special-purpose loan
Lease Contract No. 5019004490	Raiffeisen - Leasing, s.r.o.	1 October 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004491	Raiffeisen - Leasing, s.r.o.	1 October 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004492	Raiffeisen - Leasing, s.r.o.	1 October 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004539	Raiffeisen - Leasing, s.r.o.	7 October 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004244	Raiffeisen - Leasing, s.r.o.	11 October 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004245	Raiffeisen - Leasing, s.r.o.	11 October 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004243	Raiffeisen - Leasing, s.r.o.	11 October 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004370	Raiffeisen - Leasing, s.r.o.	11 October 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004241	Raiffeisen - Leasing, s.r.o.	11 October 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004242	Raiffeisen - Leasing, s.r.o.	11 October 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004246	Raiffeisen - Leasing, s.r.o.	16 October 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004247	Raiffeisen - Leasing, s.r.o.	21 October 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004248	Raiffeisen - Leasing, s.r.o.	21 October 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004249	Raiffeisen - Leasing, s.r.o.	21 October 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004250	Raiffeisen - Leasing, s.r.o.	21 October 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004258	Raiffeisen - Leasing, s.r.o.	21 October 2019	Provision of lease /payment of contractual interest
Account opening and maintenance agreement No. 5170014037	Raiffeisen - Leasing, s.r.o.	23 October 2019	Account opening and maintenance
Lease Contract No. 5019004259	Raiffeisen - Leasing, s.r.o.	23 October 2019	Provision of lease / payment of contractual interest

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Lease Contract No. 5019004251	Raiffeisen - Leasing, s.r.o.	23 October 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004252	Raiffeisen - Leasing, s.r.o.	23 October 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004264	Raiffeisen - Leasing, s.r.o.	24 October 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004261	Raiffeisen - Leasing, s.r.o.	24 October 2019	Provision of lease/payment of contractual interest
Lease Contract No. 5019004260	Raiffeisen - Leasing, s.r.o.	24 October 2019	Provision of lease/payment of contractual interest
Lease Contract No. 5019004253	Raiffeisen - Leasing, s.r.o.	24 October 2019	Provision of lease/payment of contractual interest
Lease Contract No. 5019004254	Raiffeisen - Leasing, s.r.o.	25 October 2019	Provision of lease/payment of contractual interest
Lease Contract No. 5019004262	Raiffeisen - Leasing, s.r.o.	25 October 2019	Provision of lease/payment of contractual interest
Lease Contract No. 5019004263	Raiffeisen - Leasing, s.r.o.	25 October 2019	Provision of lease/payment of contractual interest
Lease Contract No. 5019004265	Raiffeisen - Leasing, s.r.o.	29 October 2019	Provision of lease/payment of contractual interest
Agreement on risk participation and provision of a special-purpose loan	Raiffeisen - Leasing, s.r.o.	29 October 2019	Risk participation and provision of a special-purpose loan
Lease Contract No. 5019004266	Raiffeisen - Leasing, s.r.o.	4 November 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004267	Raiffeisen - Leasing, s.r.o.	4 November 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004268	Raiffeisen - Leasing, s.r.o.	4 November 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004255	Raiffeisen - Leasing, s.r.o.	4 November 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004607	Raiffeisen - Leasing, s.r.o.	6 November 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004636	Raiffeisen - Leasing, s.r.o.	6 November 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004256	Raiffeisen - Leasing, s.r.o.	8 November 2019	Provision of lease / payment of contractual interest
Annex 14 to the Master agreement on personal data protection services	. Raiffeisen - Leasing, s.r.o.	14 November 2019	Data Protection Officer / fixed fee
Lease Contract No. 5019004375	Raiffeisen - Leasing, s.r.o.	19 November 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004371	Raiffeisen - Leasing, s.r.o.	19 November 2019	Provision of lease/payment of contractual interest
Lease Contract No. 5019004372	Raiffeisen - Leasing, s.r.o.	19 November 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004373	Raiffeisen - Leasing, s.r.o.	19 November 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004374	Raiffeisen - Leasing, s.r.o.	19 November 2019	Provision of lease / payment of contractual interest

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Lease Contract No. 5019004269	Raiffeisen - Leasing, s.r.o.	19 November 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004270	Raiffeisen - Leasing, s.r.o.	19 November 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004257	Raiffeisen - Leasing, s.r.o.	19 November 2019	Provision of lease / payment of contractual interest
Agreement to discharge liability No. 5170012007	Raiffeisen - Leasing, s.r.o.	22 November 2019	Agreement to close account
Amendment No. 1 to the Master service agreement S/2017/00498	Raiffeisen - Leasing, s.r.o.	26 November 2019	Amendment No. 1 to the master agreement
Agreement on risk participation and provision of a special-purpose loan	Raiffeisen - Leasing, s.r.o.	26 November 2019	Trilateral agreement with Raiffeisen FinCorp, s.r.o. on risk participation and provision of a special-purpose loan
Lease Contract No. 5019004600	Raiffeisen - Leasing, s.r.o.	12 December 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004635	Raiffeisen - Leasing, s.r.o.	12 December 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004650	Raiffeisen - Leasing, s.r.o.	12 December 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004272	Raiffeisen - Leasing, s.r.o.	12 December 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004652	Raiffeisen - Leasing, s.r.o.	12 December 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004271	Raiffeisen - Leasing, s.r.o.	12 December 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004386	Raiffeisen - Leasing, s.r.o.	12 December 2019	Provision of lease / payment of contractual interest
Lease Contract No. 5019004425	Raiffeisen - Leasing, s.r.o.	12 December 2019	Provision of lease / payment of contractual interest
Agreement on risk participation and provision of a special-purpose loan	Raiffeisen - Leasing, s.r.o.	23 December 2019	Risk participation and provision of a special-purpose loan
Agreement on risk participation and provision of a special-purpose loan	Raiffeisen - Leasing, s.r.o.	23 December 2019	Risk participation and provision of a special-purpose loan

In 2019, Raiffeisenbank a.s. was related to a total of 116 companies (see the list in Chapter 2) indirectly through Raiffeisen-Leasing, s.r.o. and Raiffeisen - Leasing Gesellschaft m.b. H., with whom 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 standard interest. Furthermore, Raiffeisenbank a.s. maintains 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 against payment of contractual fees.

In 2016 and 2017, Raiffeisenbank a.s. linked 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. linked 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.

In 2019, Raiffeisenbank a.s. linked accounts to the Multicash installation for the following companies:

Eunomia Property, s.r.o., Carolina Corner s.r.o., Ananké Property, s.r.o., Démétér Property, s.r.o., RUBY Place s.r.o., Ares Property, s.r.o., Foibe Property, s.r.o., Raiffeisen Direct Investments CZ s.r.o., Theseus Property, s.r.o., Kétó Property, s.r.o., GEONE Holešovice Two s.r.o., Argos Property, s.r.o., Belos Property, s.r.o., Folos Property, s.r.o., Aglaia Property, s.r.o., Hefaistos Property, s.r.o., Plutos Property, s.r.o., Thaumas Property, s.r.o., FIDUROCK Projekt 18, s.r.o., Fidurock Projekt 20, s.r.o., Dero Property, s.r.o., Beroe Property, s.r.o., Ligea Property, s.r.o., Cranto Property, s.r.o., RDI Management s.r.o., RDI Czech 1 s.r.o., RDI Czech 3 s.r.o., RDI Czech 4, s.r.o., RDI Czech 5, s.r.o., RDI Czech 6 s.r.o., Fidurock Residential, a s.

Raiffeisen FinCorp, s.r.o

Legal act	Counterparty	Date concluded	Performance / Counter-performance
Master agreement on banking loan products, reg. No. 114429/2014/01	Raiffeisen FinCorp, s.r.o.	29 October 2014	Master agreement on the provision of a credit limit / payment of contractual interest
Amendment No. 1 to the Master agreement on banking loan products, reg. No. 114429/2014/01	Raiffeisen FinCorp, s.r.o.	11 December 2014	Provision of a credit limit / payment of contractual interest
Treasury Master Agreement	Raiffeisen FinCorp, s.r.o.	26 February 2015	Agreement on rights and obligations related to transactions in the financial market
Amendment to Treasury master agreement	Raiffeisen FinCorp, s.r.o.	26 February 2015	Agreement on rights and obligations related to transactions in the financial market
Amendment No. 2 to the Master agreement on banking loan products	Raiffeisen FinCorp, s.r.o.	31 March 2015	Provision of a 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 banking loan products	Raiffeisen FinCorp, s.r.o.	22 June 2015	Provision of a 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 banking loan products	Raiffeisen FinCorp, s.r.o.	31 July 2015	Provision of a credit limit / payment of contractual interest
Amendment No. 5 to the Master agreement on banking loan products	Raiffeisen FinCorp, s.r.o.	17 August 2015	Amendment to Annex 2 of the Agreement
Amendment No. 6 to the Master agreement on banking loan products	Raiffeisen FinCorp, s.r.o.	29 April 2016	Amended Article VIII, paragraph 5 of the Agreement
Amendment No. 7 to the Master agreement on banking loan products	Raiffeisen FinCorp, s.r.o.	31 May 2016	Amended Article I, paragraph 6 of the Agreement
Amendment No. 8 to the Master agreement on banking loan products	Raiffeisen FinCorp, s.r.o.	29 July 2016	Provision of a credit limit of 4,000,000,000 CZK
Amendment No. 2 to the Guarantor's statement	Raiffeisen FinCorp, s.r.o.	29 July 2016	Change of contractual terms
Limit approval	Raiffeisen FinCorp, s.r.o.	16 February 2016	Review of the credit and treasury line including its extension and increase
Approval of limit for Raiffeisen FinCorp and Raiffeisen-Leasing	Raiffeisen FinCorp, s.r.o.	26 July 2016	Review of the credit and treasury line including its extension and increase

Amendment No. 9 to the Master agreement on banking loan products	Raiffeisen FinCorp, s.r.o.	12 June 2017	Provision of a credit limit / payment of contractual interest
Master Agreement on Financial Market Trading CMA/0001/ APR405/02/27903362	Raiffeisen FinCorp, s.r.o.	27 December 2017	Agreement on financial market trading
Arrangement to the Master service agreement	Raiffeisen FinCorp, s.r.o.	28 March 2018	Outsourcing of selected services to RBCZ
Amendment No. 10 to the Master agreement on banking loan products	Raiffeisen FinCorp, s.r.o.	18 October 2018	Provision of a credit limit / payment of contractual interest
Amendment No. 11 to the Master agreement on banking loan products	Raiffeisen FinCorp, s.r.o.	17 December 2018	Amended Article III, paragraphs 3, 4, 5 of the Agreement
Agreement to terminate the contractual relationship under Master agreement reg. 114429/2014/01	Raiffeisen FinCorp, s.r.o.	30 April 2019	Agreement to terminate the contractual relationship

As of 31 December 2019, Raiffeisenbank a.s. were party to agreements to open and maintain 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
Current account opening and maintenance agreement	Transaction System Servis s.r.o.	17 December 2008	Opening and maintenance of a current account / payment of contractual fees
Direct Banking Agreement	Transaction System Servis s.r.o.	1 December 2010	Setting up direct banking services
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
Agreement to accede to insurance	Raiffeisen Direct Investments CZ s.r.o.	8 November 2018	Providing an international insurance system

During 2019, 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 RIS service agreement S/2013/00482	Raiffeisen investiční společnost a.s.	1 January 2013	Provision of RIS services / payment of contractual remunerations and fees
Current account opening and maintenance agreement 5170010300/5500	Raiffeisen investiční společnost a.s.	23 January 2013	Current account maintenance - No. 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
Contract for the Sublease of Non-Residential Premises	Raiffeisen investiční společnost a.s.	29 March 2013	Contract for the sublease of non-residential premises / payment of rent
Confidentiality Agreement	Raiffeisen investiční společnost a.s.	17 June 2013	Confidentiality agreement

Legal act	Counterparty	Date concluded	Performance / Counter-performance
Amendment No. 1 to the Contract on the Sublease of Non-Residential Premises	Raiffeisen investiční společnost a.s.	1 January 2014	Amendment to the Contract for the sublease of non-residential premises / payment of rent
Amendment No. 1 to the Agreement on Cooperation in Preparation of Tax Returns for VAT Group	Raiffeisen investiční společnost a.s.	13 May 2014	Administration of contact details
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
Investment Instrument Brokerage Agreement	Raiffeisen investiční společnost a.s.	5 December 2014	Brokerage of purchases/sales of investment instruments / payment of contractual fee
Electronic Banking Agreement	Raiffeisen investiční společnost a.s.	17 December 2014	Agreement to provide international electronic banking
Amendment No. 1 to the Master service agreement S/2013/00482	Raiffeisen investiční společnost a.s.	16 March 2015	Amendment of the existing Annex 2, part 1 / payment of contractual fee
Amendment No. 1 to the Electronic Banking Agreement	Raiffeisen investiční společnost a.s.	21 April 2015	Amended paragraph 6.8 of the Agreement
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 fee
Compliance Cooperation Agreement	Raiffeisen investiční společnost a.s.	3 December 2015	Stipulation of the conditions of RB cooperation in the area of compliance and FRM / payment of contractual remuneration
Amendment No. 2 to the Master service agreement S/2013/00482	Raiffeisen investiční společnost a.s.	1 January 2016	The amendment updates Annexes 1 through 8 of the Agreement
Amendment No. 2 to the Agreement on Cooperation in Preparation of Tax Returns for VAT Group	Raiffeisen investiční společnost a.s.	11 May 2016	Added obligation to submit data for controlling reports
Confidentiality Agreement	Raiffeisen investiční společnost a.s.	19 May 2016	Stipulation of the rights and obligations of RB and RIS
Sub-license agreement S/2016/00440	Raiffeisen investiční společnost a.s.	1 September 2016	Sub-license agreement on registered trademarks
Contract for the provision of outsourced internal audit services to Raiffeisen investiční společnost a.s.	Raiffeisen investiční společnost a.s.	22 September 2016	Outsourcing of internal audit services
Amendment No. 2 to the Contract on the Sublease of Non-Residential Premises	Raiffeisen investiční společnost a.s.	11 November 2016	Change of the subject of the sublease / change of rent
Amendment No. 3 to the Master service agreement S/2013/00482	Raiffeisen investiční společnost a.s.	1 January 2017	The amendment updates Annex 2
Amendment No. 3 to the Contract on the Sublease of Non-Residential Premises	Raiffeisen investiční společnost a.s.	1 January 2017	Amendment to the Contract for the sublease of non-residential premises / payment of rent
Sub-license agreement S/2016/00665	Raiffeisen investiční společnost a.s.	9 January 2017	License for using the rights to the ASPI system service / payment of contractual fee
Master Agreement on Financial Market Trading	Raiffeisen investiční společnost a.s.	28 February 2017	Agreement on rights and obligations related to transactions in the financial market / payment of contractual fee

Legal act	Counterparty	Date concluded	Performance / Counter-performance
Amendment No. 1 to the Compliance Cooperation Contract S/2015/3649	Raiffeisen investiční společnost a.s.	20 June 2017	The amendment adds other services provided by RB to RIS and amends the authorised persons
Agreement on Provision of Information Systems and Technology Services S/2017/00499	Raiffeisen investiční společnost a.s.	18 January 2018	Contract for the provision of IT services for RIS / payment of contractual remuneration
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 the settlement of units with RBCZ and RIS
Agreement to discharge liability No. 5170013237/5500	Raiffeisen investiční společnost a.s.	7 March 2018	Closing of account 5170013237/5500 as of 16 March 2018
Distribution agreement S/2017/00476	Raiffeisen investiční společnost a.s.	13 March 2018	New RIS mutual fund distribution agreement
Personal Data Processing and Transfer Agreement (Administrator-Administrator)	Raiffeisen investiční společnost a.s.	25 May 2018	Cooperation and personal data transfers between administrators (RB / RIS)
Agreement to Provide Outsourcing Services in RIS Risk Management - Amendment No. 1	Raiffeisen investiční společnost a.s.	25 May 2018	Amendment to the Agreement to provide outsourcing services in RIS risk management
Confidentiality Agreement - Amendment No. 1	Raiffeisen investiční společnost a.s.	25 May 2018	Amendment 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 Investment Instrument Brokerage Agreement	Raiffeisen investiční společnost a.s.	29 May 2018	Change of fee for accepting orders
Distribution agreement S/2017/00476 - Amendment No. 1	Raiffeisen investiční společnost a.s.	1 June 2018	Amendment to the Distribution agreement
Contract for the provision of outsourced internal audit services to RIS - Amendment No. 1	Raiffeisen investiční společnost a.s.	5 June 2018	Amendment to the Agreement to provide outsourcing Services in internal audit
Amendment No. 4 to the Contract on the Sublease of Non-Residential Premises	Raiffeisen investiční společnost a.s.	29 June 2018	Amendment of rent
Agreement to discharge liability - archived 15 January 2019	Raiffeisen investiční společnost a.s.	15 January 2019	Closing of account 5170010677/5500 as of 15 January 2019
Amendment No. 1 to the Agreement on Provision of Information Systems and Technology Services S/2018/0340	Raiffeisen investiční společnost a.s.	23 May 2019	Annex 1, 2, 4 updated
Amendment No. 1 to the Personal Data Processing and Transfer Agreement	Raiffeisen investiční společnost a.s.	31 July 2019	Update to Annex 1
Agreement on access to the Capital Markets Comliance Value Stream service via the Compliance Cockpit IT system	Raiffeisen investiční společnost a.s.	1 August 2019	RB authorization to use CMC via IT system / contractual fee
Agreement to pay fee for the asset management investment service	Raiffeisen investiční společnost a.s.	1 September 2019	Provision of investment service / payment of contractual fees
Distribution agreement S/2017/00476 - Amendment No. 2	Raiffeisen investiční společnost a.s.	31 October 2019	Amendment to the Distribution agreement

Legal act	Counterparty	Date concluded	Performance / Counter-performance
Amendment to the Master Financial Market Trading Agreement SMA/01/29146739	Raiffeisen investiční společnost a.s.	14 November 2019	Change of customer category
Change of authorization rights – changed signature specimen (current account opening and maintenance agreement)	Raiffeisen investiční společnost a.s.	3 December 2019	Changed - added signatures to the signature specimen

Raiffeisen Property Management, s.r.o.

Legal act	Counterparty	Date concluded	Performance / Counter-performance
Current account opening and maintenance agreement	Raiffeisen Property Management, s.r.o. (formerly Raiffeisen Property Invest, s.r.o.)	12 May 1997	Maintenance of a current account / payment of contractual fees
Current account opening and maintenance agreement	Raiffeisen Property Management, s.r.o. (formerly Raiffeisen Property Invest, s.r.o.)	16 December 2008	Maintenance of a current account / 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
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	New limit approval
Global Master Repurchase Agreement + Annexes	Raiffeisen Bank Zrt.	3 April 2019	Treasury REPO operations agreement
Loro Account Agreement	Raiffeisen Bank Zrt.	15 November 2019	Account opening and maintenance agreement

Raiffeisen banka a.d.

Legal act	Counterparty	Date concluded	Performance / Counter-performance
Loan agreement	Raiffeisen banka a.d.	21 December 2004	Provision of a loan / payment of contractual interest
Amendment No. 1 to the Loan agreement of 21 December 2004	Raiffeisen banka a.d.	30 March 2005	Stipulation of contractual relations until 30 April 2005
Loan agreement	Raiffeisen banka a.d.	14 June 2005	Provision of a loan / 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
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
Overdraft 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	Participation in credit risk / payment of contractual fees
Risk Participation Agreement	Tatra Banka, a.s.	18 August 2005	Participation in credit risk / payment of contractual fees
Risk Participation Agreement	Tatra Banka, a.s.	16 November 2005	Participation in credit risk / payment of contractual fees
Contract for Pledge on Government Bonds	Tatra Banka, a.s.	19 May 2005	Establishment of security interest over bonds
Amendment No. 1 to the Contract for Pledge on Government Bonds of 19 May 2005	Tatra Banka, a.s.	16 November 2005	Stipulation of rights and obligations
Syndicated investment loan agreement	Tatra Banka, a.s.	12 December 2005	Provision of a loan / payment of contractual interest
Risk Participation Confirmation	Tatra Banka, a.s.	30 October 2006	Participation in credit risk / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	30 October 2006	Participation in credit risk / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	30 October 2006	Participation in credit risk / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	7 December 2006	Participation in credit risk / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	18 December 2006	Participation in credit risk / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	21 December 2006	Participation in credit risk / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	21 December 2006	Participation in credit risk / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	30 October 2007	Participation in credit risk / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	22 November 2007	Participation in credit risk / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	27 February 2008	Participation in credit risk / payment of contractual fees

Legal act	Counterparty	Date concluded	Performance / Counter-performance
Risk Participation Confirmation	Tatra Banka, a.s.	8 December 2008	Participation in credit risk / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	19 December 2008	Participation in credit risk / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	19 December 2008	Participation in credit risk / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	26 August 2008	Participation in credit risk / 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 purchase 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
Agreement on Communication via the JIRA Application	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
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	Participation in credit risk / payment of contractual fees
Risk Participation Confirmation	Tatra Banka, a.s.	26 September 2013	Participation in credit risk / 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	Participation in credit risk / 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. 9 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 via the Citrix application	Tatra Banka, a.s.	3 June 2015	Communications agreement
Agreement on Communication via the Sharepoint application	Tatra Banka, a.s.	3 June 2015	Communications 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

Legal act	Counterparty	Date concluded	Performance / Counter-performance
Limit increase – funded participation	Tatra Banka, a.s.	19 October 2015	Limit increase – funded participation / payment of contractual fees
Limit approval – non-funded participation	Tatra Banka, a.s.	9 December 2015	Limit approval – 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 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
Amendment No. 1 to the Agreement on Cooperation in Mergers & Acquisitions	Tatra Banka, a.s.	27 September 2017	Change of terms – extension of 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 Exchange Agreement	Tatra Banka, a.s.	22 August 2018	Confidential information exchange agreement
Participation Certificate	Tatra Banka, a.s.	21 September 2018	Risk participation
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
Amendment No. 1 to the Contract for the provision of the AS400 platform administration services	Tatra Banka, a.s.	6 May 2019	Amendment No. 1 to the platform administration service agreement
Amendment No. 14 to the Agreement on Shared Use of Banker's Almanac On-line	Tatra Banka, a.s.	15 November 2019	Amendment No. 14 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 the Sharepoint Portal application	Tatra Asset Management, správ. spol., a.s.	15 July 2012	Agreement to allow for mutual communication through a shared application

Regional Card Processing Centre, s.r.o.

Legal act	Counterparty	Date concluded	Performance / Counter-performance
Master Agreement to Provide 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 the Framework Agreement on Payment Card Processing Services 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 scope of work, schedule, price and acceptance criteria of RPC supplies for a project
Agreement on Communication via the JIRA Application	Regional Card Processing Centre, s.r.o.	9 May 2016	JIRA contract for 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 No. 2 to the Framework Agreement on Payment Card Processing Services of 2011, S/2009/00199	Regional Card Processing Centre, s.r.o.	2 March 2018	Change of contractual terms
Amendment No. 3 to the Framework Agreement on Payment Card Processing Services of 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 compliance with GDPR
Statement of Work	Regional Card Processing Centre, s.r.o.	30 November 2019	Implementation of NFC mobile payments / payment of contractual remuneration

Raiffeisen Bank S.A.

Legal act	Counterparty	Date concluded	Performance / Counter-performance
Agreement to Open a Nostro Account	Raiffeisen Bank S.A.	19 August 2005	Maintenance of a nostro account / payment of contractual fees
Participation Certificate	Raiffeisen Bank S.A.	8 July 2019	Risk participation

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

Legal act	Counterparty	Date concluded	Performance / Counter-performance
Amendment No. 2 to the Distribution Agreement	Raiffeisen Centrobank AG	9 October 2012	Change of contractual terms
Cost Sharing Agreement	Raiffeisen Centrobank AG	9 October 2012	Agreement to share the 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 Contract	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 Contract	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 International GmbH	3 October 2017	Transfer of a 50% equity investment in Raiffeisen – Leasing, s.r.o. / payment of the purchase price

Raiffeisen – Leasing Finanzirungs GmbH (formerly 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 security interest over 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 the Cooperation Framework Agreement	Centralised Raiffeisen International Services and Payments S.R.L.	8 February 2008	Cooperation in the FiSa group programme determining fees for screening of transactions with sanctioned parties
Annex No. 4a to the 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 the 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 the 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
Amendment No. 1 to Annex 4 to the 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 4 to the Cooperation 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 2 to the Cooperation 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
Annex 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
Chapter 11, Annex 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
Annex 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

Legal act	Counterparty	Date concluded	Performance / Counter-performance
Annex 8 to the Framework Agreement	Centralised Raiffeisen International Services and Payments S.R.L	27 February 2017	Detailed description of CRS Reporting and Security measures
Chapter 10 of Annex 8 to the Framework Agreement	Centralised Raiffeisen International Services and Payments S.R.L	27 February 2017	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	Agreement with the provider or payment and compliance services to comply with the obligations arising from GDPR
Addendum 2 to Frame Service Level Agreement Dated 18 June 2007	Centralised Raiffeisen International Services and Payments S.R.L	29 June 2018	Addendum to the Framework cooperation 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
Addendum 7 to Enclosure No. 2 to Framework Agreement	Centralised Raiffeisen International Services and Payments S.R.L	31 January 2019	Addendum to the Framework cooperation agreement
Addendum 4 to Enclosure No. 4 to Framework Agreement	Centralised Raiffeisen International Services and Payments S.R.L	31 January 2019	Addendum to the Framework cooperation agreement
Non-Disclosure agreement S/2019/00051	Centralised Raiffeisen International Services and Payments S.R.L	15 February 2019	Protection of sensitive data on the contractor's part
Enclosure No. 9 to Frame Service Level Agreement	Centralised Raiffeisen International Services and Payments S.R.L	10 June 2019	Addendum to the Framework cooperation agreement

AO Raiffeisenbank (formerly 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
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

Legal act	Counterparty	Date concluded	Performance / Counter-performance
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 requirements for the ITSM box application
Offer RI551313CZ-2016 V3.2 - NOAH - OFSA Platform CZ	Raiffeisen Informatik Consulting GmbH	31 October 2017	Provision of 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	Participation in credit risk / 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 to 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
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
Addendum to the Distribution Agreement: MIFID II hamonization	Raiffeisen Kapitalanlage-Gesellschaft m.b.H	4 December 2017	Contract amendment

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

Legal act	Counterparty	Date concluded	Performance / Counter-performance
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
Amendment 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
Amendment 3 to the Master Agreement	Ukrainian Processing Center	14 June 2018	Change of contractual terms
Standard Contractual Clauses (Processors)	Ukrainian Processing Center	30 April 2019	GDPR Agreement between RBCZ and UPC for personal data transfers

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 the Agreement

Czech Real Estate Fund (CREF) B.V.

Legal act	Counterparty	Date concluded	Performance / Counter-performance
Current account opening and maintenance agreement	Czech Real Estate Fund (CREF) B.V.	5 June 2007	Maintenance of a current account in CZK / payment of contractual fees

In addition to the contracts concluded in 2019 and referred to above, the Bank and other related parties entered into other transactions during 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, RLB OÖ Sektorholding GmbH

Legal act	Counterparty	Date concluded	Performance / Counter-performance
Resolution of Regular General Meeting of Raiffeisenbank a.s. – Payment of Dividends for 2018	Raiffeisen CEE Region Holding GmbH RLB OÖ Sektorholding GmbH	29 April 2019	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 2018	Raiffeisenbank a.s.	29 April 2019	Acceptance of dividends based on a resolution of the General Meeting

5.3 List of other Legal Acts with other Related Parties

Raiffeisen – Leasing, s.r.o.

Legal act	Counterparty	Date concluded	Performance / Counter-performance
Resolution of the sole member on payment of extraordinary dividends	Raiffeisenbank a.s.	16 December 2019	Acceptance of dividends based on resolution of the sole member

5.4 Overview of actions made at the initiative or in the interest of the controlling party or entities controlled by it, if 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 Entities

None.

General Limits

The Bank maintains 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 2019 to 31 December 2019 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 and agreements between the related parties,
- performance and counter-performance provided to related parties,
- other legal acts made in the interest of those parties,
- all other factual measures adopted or made in the interest or at the initiative of those parties.

In identifying other related parties, the Board of Directors of Raiffeisenbank a.s. used information provided by Raiffeisen Bank International AG and other controlling entities.

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 2019 to 31 December 2019.

The Board of Directors of Raiffeisenbank a.s. represents that as part of evaluating 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 synergies within the group, such as sharing of 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 2020

Igor Vida
Chairman of the Board of Directors

Tomáš Jelínek
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 23 April 2020

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

Tomáš Jelínek
Member of the Board of Directors

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 16.7 million customers in more than 2,000 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 € 152 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.

Addresses

Raiffeisen Bank International AG

Austria
Am Stadtpark 9
1030 Vienna
Phone: +43-1-71 707-0
Fax: +43-1-71 707-1715
SWIFT/ BIC: RZBATWW
www.rbinternational.com
ir@rbinternational.com
communications@rbinternational.com

Banking network

Albania

Raiffeisen Bank Sh.A.
European Trade Center
Bulevardi "Bajram Curri"
1000 Tirana
Tel: +355-4-23 81 381
SWIFT/BIC: SGSBALTX
www.raiffeisen.al

Belarus

Priorbank JSC
V. Khoruzhey St. 31-A
220002 Minsk
Tel: +375-17-28 9-9090
SWIFT/BIC: PJCBBY2X
www.priorbank.by

Bosnia and Herzegovina

Raiffeisen Bank d.d.
Bosna i Hercegovina
Zmaja od Bosne bb
71000 Sarajevo
Tel: +387-33-75 50 10
SWIFT/BIC: RZBABA2S
www.raiffeisenbank.ba

Bulgaria

Raiffeisenbank (Bulgaria) EAD
55 Nikola I. Vaptzarov Blvd.
Business Center EXPO 2000 PHAZE III
1407 Sofia
Tel: +359-2-91 985 101
SWIFT/BIC: RZBBBGSF
www.rbb.bg

Croatia

Raiffeisenbank Austria d.d.
Magazinska cesta 69
10000 Zagreb
Tel: +385-72-626 262
SWIFT/BIC: RZBHHR2X
www.rba.hr

Czech Republic

Raiffeisenbank a.s.
Hvězdova 1716/2b
140 78 Prague 4
Tel: + 420-412 446 400
SWIFT/BIC: RZBCCZPP
www.rb.cz

Hungary

Raiffeisen Bank Zrt.
Akadémia utca 6
1054 Budapest
Tel: +36-1-48 444-00
SWIFT/BIC: UBRTHUHB
www.raiffeisen.hu

Kosovo

Raiffeisen Bank Kosovo J.S.C.
Robert Doll St. 99
10000 Pristina
Tel: +383-38-222 222
SWIFT/BIC: RBKOXKPR
www.raiffeisen-kosovo.com

Romania

Raiffeisen Bank S.A.
Calea Floreasca 246C
014476 Bucharest
Tel: +40-21-30 610 00
SWIFT/BIC: RZBRROBU
www.raiffeisen.ro

Russia

AO Raiffeisenbank
St. Troitskaya 17/1
129090 Moscow
Tel: +7-495-777 17 17
SWIFT/BIC: RZBMRUMM
www.raiffeisen.ru

Serbia

Raiffeisen banka a.d.
Djordja Stanojevica 16
11070 Novi Beograd
Tel: +381-11-32 021 00
SWIFT/BIC: RZBSRSBG
www.raiffeisenbank.rs

Slovakia

Tatra banka, a.s.
Hodžovo námestie 3
81106 Bratislava 1
Tel: +421-2-59 19-1000
SWIFT/BIC: TATRSKBX
www.tatrabanka.sk

Ukraine

Raiffeisen Bank Aval JSC
Vul Leskova 9
01011 Kiev
Tel: +38-044-490 8888
SWIFT/BIC: AVALUAUK
www.aval.ua

Leasing companies

Austria

Raiffeisen-Leasing Gesellschaft m.b.H.
Mooslackengasse 12
1190 Vienna
Tel: +43-1-71 601-0
www.raiffeisen-leasing.at

Albania

Raiffeisen Leasing Sh.a.
European Trade Center
Bulevardi "Bajram Curri"
Tirana
Tel: +355-4-22 749 20
www.raiffeisen-leasing.al

Belarus

"Raiffeisen-Leasing" JLLC
V. Khoruzhey 31-A
220002 Minsk
Tel: +375-17-28 9-9394
www.rl.by

Bosnia and Herzegovina

Raiffeisen Leasing d.o.o. Sarajevo
Zmaja od Bosne bb.
71000 Sarajevo
Tel: +387-33-254 340
www.rlbh.ba

Bulgaria

Raiffeisen Leasing Bulgaria OOD
32A Cherni Vrah Blvd. Fl.6
1407 Sofia
Tel: +359-2-49 191 91
www.rlbg.bg

Croatia

Raiffeisen Leasing d.o.o.
Radnicka cesta 43
10000 Zagreb
Tel: +385-1-65 9-5000
www.raiffeisen-leasing.hr

Czech Republic

Raiffeisen-Leasing s.r.o.
Hvězdova 1716/2b
14078 Prague 4
Tel: +420-2-215 116 11
www.rl.cz

Hungary

Raiffeisen Corporate Lízing Zrt.
Akadémia utca 6
1054 Budapest
Tel: +36-1-477 8709
www.raiffeisenlizing.hu

Kosovo

Raiffeisen Leasing Kosovo LLC
Rr. UCK p.n. 222
10000 Pristina
Tel: +383-38-222 222-340
www.raiffeisenleasing-kosovo.com

Moldova

I.C.S. Raiffeisen Leasing S.R.L.
Alexandru cel Bun 51
2012 Chişinău
Tel: +373-22-27 931 3
www.raiffeisen-leasing.md

Romania

Raiffeisen Leasing IFN S.A.
Calea Floreasca 246 D
014476 Bucharest
Tel: +40-21-36 532 96
www.raiffeisen-leasing.ro

Russia

OOO Raiffeisen-Leasing
Smolenskaya-Sennaya Sq. 28
119121 Moscow
Tel: +7-495-72 1-9980
www.raiffeisen-leasing.ru

Serbia

Raiffeisen Leasing d.o.o.
Djordja Stanojevica 16
11070 Novi Beograd
Tel: +381-11-220 7400
www.raiffeisen-leasing.rs

Slovakia

Tatra-Leasing s.r.o.
Černyševského 50
85101 Bratislava
Tel: +421-2-5919-3168
www.tatraleasing.sk

Slovenia

Raiffeisen Leasing d.o.o.
Letališka cesta 29a
1000 Ljubljana
Tel: +386-8-281-6200
www.raiffeisen-leasing.si

Ukraine

LLC Raiffeisen Leasing Aval
Stepan Bandera Av. 9
Build. 6 Office 6-201
04073 Kiev
Tel: +38-044-590 24 90
www.rla.com.ua

Branches and representative offices – Europe

France

RBI Representative Office Paris
9-11 Avenue Franklin D. Roosevelt
75008 Paris
Tel: +33-1-45 612 700

Germany

RBI Frankfurt Branch
Wiesenhüttenplatz 26
60 329 Frankfurt
Tel: +49-69-29 921 924

Poland

RBI Poland Branch
Ul. Grzybowska 78
00-844 Warsaw
Tel: +48-22-578 56 00
SWIFT/BIC: RCBWPLPW
www.raiffeisen.pl

Sweden

RBI Representative Office Nordic Countries
Drottninggatan 89, 14th Floor
11360 Stockholm
Tel: +46-8-440 5086

UK

RBI London Branch
Tower 42, Leaf C, 9th Floor
25 Old Broad Street
London EC2N 1HQ
Tel: +44-20-79 33-8000

Branches and representative offices – Asia

China

RBI Beijing Branch
Beijing International Club Suite 200
2nd Floor
Jianguomenwai Dajie 21
100020 Beijing
Tel: +86-10-65 32-3388

RBI Representative Office Zhuhai
Room 2404, Yue Cai Building
No. 188, Jingshan Road, Jida,
Zhuhai, Guangdong Province
519015, P.R. China
Tel: +86-756-32 3-3500

India

RBI Representative Office Mumbai
501, Kamla Hub, Gulmohar Road, Juhu
Mumbai – 400049
Tel: +91-22-26 230 657

Korea

RBI Representative Office Korea
#1809 Le Meilleur Jongno Town
24 Jongno 1ga
Seoul 110-888
Tel: +82-2-72 5-7951

Singapore

RBI Singapore Branch
50 Raffles Place
#31-03 Singapore Land Tower
Singapore 048623
Tel: +65-63 05-6000

Vietnam

RBI Representative Office Ho-Chi-Minh-City
35 Nguyen Hue Str.,
Harbour View Tower
Room 601A, 6th Floor, Dist 1
Ho-Chi-Minh-City
Tel: +84-8-38 214 718,
+84-8-38 214 719

Selected specialist companies

Austria

Kathrein Privatbank Aktiengesellschaft
Wipplingerstraße 25
1010 Vienna
Tel: +43-1-53 451-300
www.kathrein.at

Raiffeisen Bausparkasse Gesellschaft m.b.H.
Mooslackengasse 12
1190 Vienna
Tel: +43-1-54 646-0
www.bausparen.at

Raiffeisen Centrobank AG
Tegetthoffstraße 1
1015 Vienna
Tel: +43-1-51 520-0
www.rcb.at

Raiffeisen Factor Bank AG
Mooslackengasse 12
1190 Vienna
Tel: +43-1-21 974-57
www.raiffeisen-factorbank.at

Raiffeisen Kapitalanlage-Gesellschaft m.b.H.
Mooslackengasse 12
1190 Vienna
Tel: +43-1-71 170-0
www.rcm.at

Raiffeisen Wohnbaubank Aktiengesellschaft
Mooslackengasse 12
1190 Vienna
Tel: +43-1-71 707-0
www.raiffeisen-wohnbaubank.at

Valida Holding AG
Mooslackengasse 12
1190 Vienna
Tel: +43-1-31 648-0
www.valida.at

Czech Republic

Raiffeisen stavební spořitelna a.s.
Koněvova 2747/99
13045 Prague 3
Tel: +420-800 112 211
www.rsts.cz

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 2019, RIS issued mutual funds for CZK 7.5 billion, and by 31 December 2019, it managed funds with a total value of CZK 22.8 billion, and the average appreciation of unit holders' assets was around 8%.

RIS funds include a full range of investment opportunities for all types of investors depending on their risk profile. The most popular funds of 2019 were once again three funds – strategies for the three most common types of clients, two new secured funds, and a real estate fund, and unit holders invested more than half of the total volume in these funds.

Raiffeisen investiční společnost a.s.
Hvězdova 1716/2b, 140 78 Prague 4
Phone: +420 844 100 900
E-mail: info@rb.cz, www.rfis.cz

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. Through its business partners, RSTS offers its clients comprehensive solutions for quality housing, as well as securing families, assets, and retirement.

Raiffeisen stavební spořitelna a.s.
Koněvova 2747/99
130 45 Prague 3
Phone: 271 031 111
Email: rsts@rsts.cz
www.rsts.cz
Toll-free infoline: 800 11 22 11

In the spring, RSTS launched a new advertising campaign to promote familiarity, a positive brand perception, and building society products. Throughout the year, the campaign was seen on television, as a part of outdoor advertising, over the Internet, and on social networks. The company also organised an unconventional one-day outreach happening, the aim of which was to highlight the inaccessibility of housing in large cities in the media. RSTS called the event Start-Up City conceived to be educational, but also as an exaggeration. RSTS also participated in many other outdoor events in regions throughout the country.

2019 was also marked by the development of social networks in RSTS. In addition to its well-established profile on Facebook, it also focused on actively starting communication on Instagram and on the professional social network LinkedIn. For the second time, the company participated in Open House Prague, as a part of which RSTS opened its door to the public.

Raiffeisen stavební spořitelna was successful in the Zlatá koruna competition with a building savings product for children and young people under the age of 26. The product received third place from the expert jury. Jan Jeníček, the Chairman of the Board of Directors of RSTS, achieved significant success when he was re-elected President of the European Building Society Association in October 2019.

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 seventh largest insurance company on the Czech market. It provides its services at 130 business locations throughout the Czech Republic. Its portfolio includes almost one million insurance policies. Prescribed premiums in 2019 reached CZK 7.6 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.

UNIQA pojišťovna, a.s.
Evropská 136, 160 12 Prague 6
Phone: 225 393 111
customer support: 488 125 125
E-mail: uniqa@uniqa.cz

In 2019, UNIQA continued its successful cooperation in the sale of the life insurance products DOMINO Invest and DOMINO Risk at the Raiffeisenbank branch offices. Bankers concluded 1,863 insurance policies with their clients. Total annual prescribed premiums from both products reached close to CZK 140 million.

In addition, UNIQA continued to successfully conclude insurance policies for the insurance product Domov VARIANT at the branch offices and mortgage centres. In 2019, Raiffeisenbank bankers concluded a total of 7,706 new insurance policies. The total annual prescribed premiums from retail property insurance reached almost CZK 98 million.

Two innovative products from UNIQA relating to repayment insurance were successfully sold with credit products: mortgage repayment insurance and consumer loan repayment insurance. The first of these was even awarded by the analysts Scott & Rose in the survey Insurance Product of the Year 2019.

A standard product for Raiffeisenbank clients is travel insurance on debit and credit cards for themselves and their families. For entrepreneurs, high-quality business risk insurance offered with a business account is a part of the product portfolio.

The total prescribed premiums from the portfolio of all valid UNIQA insurance policies offered by Raiffeisenbank bankers amounted to CZK 462.2 million in 2019.

Raiffeisen LEASING

Raiffeisen-Leasing, s.r.o. is among the top players on the Czech leasing market. In 2019, we achieved a market share of 9% in the volume of receivables from active contracts according to the statistics of the Czech Leasing and Financial Association.

We have been operating on the Czech market for 25 years, and from the very beginning, we have maintained our stable role as a reliable and responsible financial partner. We belong to the Raiffeisen financial group, and our parent company is Raiffeisenbank a.s.

In 2019, Raiffeisen-Leasing financed **in new commercial transactions commodities and real estate for a total volume of CZK 10.178 billion**, which is a year-on-year increase of 5%. Net profit in 2019, in compliance with IFRS, was a total of CZK 399.3 million, which is a year-on-year increase of 63%. As at 31 December 2019, the total value of Raiffeisen-Leasing's consolidated assets was CZK 23.555 billion.

Raiffeisen-Leasing offers companies and individuals a unique range of financing for their investment needs. We finance automobiles, heavier transport vehicles, machinery, equipment, and technology. We also often provide financing to corporate clientele for specific assets, such as aircraft and locomotives. We have unique knowledge relating to the non-bank financing of real estate, thanks to which we have contributed to the construction and renovation of hotels, business centres, residential quarters, and similar projects. In 2019, we added consultation relating to subsidies to our portfolio of services, which is popular and highly valued by our clients.

Raiffeisen – Leasing, s.r.o.
Hvězdova 1716/2b
140 78 Praha 4
Tel.: 221 511 611
Fax: 221 511 666
E-mail: rl@rl.cz
www.rl.cz

According to the data published by 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 51%. We rank among the top 5 leasing companies in the financing of heavy transport technology, aircraft, rail technology, IT, and healthcare technology. We are especially strong in the segment of small and medium-size enterprises. Corporate clientele are also well-represented in our portfolio, and our share of consumers continues to rise.

We take advantage of the synergy with our parent company by offering our clients consolidated banking and leasing products and services. For several years now, the clients from the segment of private individuals, small firms, and enterprises have at their disposal automobile financing through the bank's branch network.

In 2020, Raiffeisen-Leasing will continue to reinforce its position in the financing of private and commercial vehicles, real estate, machinery and equipment, and handling and transport technology. We will continue with our successful cooperation with Raiffeisenbank a.s. In 2020, we will implement a new front-end system geared to the financing of vehicles. A major concern for us will be to continue streamlining and automating our processes throughout the entire company. A primary objective is our focus on customers, and our foremost priority is the quality of products and services offered while optimising the level of credit risk and the profitability of commercial transactions.

Raiffeisenbank's branches

Branch Office Address Phone	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 – Královo 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, 639 00 Brno-Štýřice	+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	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	Address	Phone
Praha – Europark	Nákupní 389/3, 102 00, Praha 10	+420 234 093 011
Praha – náměstí Bratří 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 nad Labem	+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 Dálnice 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	+420 386 707 457
České Budějovice/Tábor	Bílkova 960, 390 02, Tábor	+420 381 201 614
Hradec Králové	V Kopečku 75, 500 03, Hradec Králové	+420 495 069 677
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	+420 488 100 040
Olomouc	nám. Národních hrdinů 1, 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
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

Toll-free infoline 800 900 900, www.rb.cz, info@rb.cz