



**Raiffeisen**  
**BANK**

*Client inspired banking*

# SEMI-ANNUAL REPORT 2019

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# Comments on the Consolidated Results of Raiffeisenbank Group for the first half of 2019

Over the first six months of this year we were successful in acquiring new retail banking clients, where our offer of savings accounts boosted by cooperation with Raiffeisen stavební spořitelna, our sister company, attracted many prospects.

In corporate banking, credit growth marked the first half of 2019. We increased the volume of drawn loans on a year-to-year basis, provided that the growth was primarily driven by enterprises and large corporates.

Also, innovations in the field of technology were launched during the first six months of the year. We unveiled new functionalities in both our internet and mobile banking, such as SEPA payments, debit and credit card PIN display, or online activation for credit cards. Also, our internet banking was updated to incorporate a number of new functionalities, such as enriched card transactions giving clients a better view of and control over their finance, to mention one.

## Detailed Information on Economic Results for the first half of 2019

### Net income and revenues

The consolidated attributable net profit to the parent company's shareholders rose to CZK 3,191 million for the first half of the year 2019 which represents an increase by 67.1% compared to the same period of the last year. The total operating income of the Group rose by 18.1%.

The net interest income of the Group reached CZK 4.5 billion, which means an increase by 23.2% compared to the same period of the last year. This increase was caused mainly by market interest rates growth and higher volume of client loans. Net income from fees and commissions decreased by 7.4% to CZK 917 million.

Net gain on financial operations of the Group decreased by 13.3% to CZK 606 million.

### Expenses

Operating expenses of the Group, which comprise personnel expenses, general operating expenses, depreciation/amortisation of property and equipment and intangible assets, increased by 8.8% to CZK 3.5 billion year-on-year. This increase was caused mainly by investments in IT.

### Risk management

The Group keeps a very good quality of client's credit portfolio. Impairment gains/(losses) on financial instruments were in absolute value lower by CZK 654 million year-on-year. This positive result was caused by loss allowances and provisions release, mainly in household segment.

### Deposits and loans

Total Group assets reached CZK 371.2 billion and increased by 7.2 % year-on-year. The amount of loans and advances to customers of the Group increased by 6.3% year-on-year to CZK 243.6 billion. The main increase is attributable to household financing (consumer loans and mortgages) and enterprises. Deposits from customers of the Group amounted to CZK 271.2 billion and rose by 8.9% year-on-year.

### Equity

Shareholders' equity of the Group reached almost CZK 32.2 billion by the end of the first half of 2019 compared to CZK 29.9 billion as of 31 December 2018. Group's capital adequacy ratio amounted to 16.39% by the end of the first half of 2019. Shareholders on the regular general meeting of the Bank in April 2019 agreed on profit distribution for year 2018 in the amount of CZK 3,365 million. The amount of CZK 975 million was used for dividend payment to shareholders for year 2018 and the amount of CZK 2,390 million was transferred into Bank's retained earnings. From Bank's retained earnings a coupon in the amount of CZK 177 million was paid to the holders of AT1 capital investment certificates. The increase in retained earnings based on the 2018 profit distribution had a positive effect on the Group's capital adequacy.

### Rating

On 7 June 2019, Moody's Investors Service upgraded the long-term rating of the Bank to A3 from Baa1. The short-term rating is Prime-2 and the outlook is stable.

## Major Events of the First Half of 2019

- Raiffeisen investment company acquired new properties to the Raiffeisen real estate fund, namely two industrial halls at Nýřany in the Plzeň region. The converted transaction value exceeds 600 million CZK.
- Raiffeisenbank launched an improved version of its mobile banking application. It allows for sending EUR payments

abroad, displaying payment card PINs, activating credit cards online, all with smart security features.

- Users of Raiffeisenbank's internet banking now see the logo and name of both online and conventional stores where they shopped, including the address and link to Google Maps. The new version also offers graphic overviews of income and expenses or account balance forecast for the next month.
- With the Online Financing service, corporate clients are given online access to information about their loans, bank guarantees or letters of credit. Clients can see their balance, instalment plan, interest rate, as well as information about the recipient, validity and other trade finance data, all online.

## Expected Development of the Economy in the Second Half of 2019

As measured by the Czech Statistical Office, the Czech economy maintained a solid growth of 2.7% in constant prices over the first half of the year. The principal driver behind the growth is household consumption boosted by a record-breaking employment rate and dynamically growing wages. On the other hand, fixed capital formation, i.e. investment activity slackened considerably. A likely reason is a slower growth of our key business partners and persisting risk of a no-deal Brexit as well as trade disputes between the US and EU. According to Raiffeisenbank's forecast, particularly external factors will cause a gradual slowdown in the Czech economy in the second half of the year. Our estimate of the average growth of the Czech economy in 2019 is 2.4%. Nonetheless, if the adverse scenario of a no-deal Brexit combined with a tariff increase in EU car import to the US comes turns into reality, the Czech economy's growth at the turn of the year may see a much greater slowdown.

Worsening external environment and drops in key lead indicators to the contraction level both globally and locally suggest that the Czech economy has entered the downward phase of the cycle. However, any effects on the currently "drained" labour market in the Czech Republic will still take some time. The employment rate stays at record-breaking levels and wage growth only mildly slows down. However, the industry has started careful labour reductions already. The unemployment rate will stay low until the end of the year while wage growth is to slow down over time.

A turn in the cycle of the Czech economy has already shown in the exchange rate of the Czech crown, which does not strengthen, despite the Czech National Bank's expectations. Notwithstanding inflation at the upper range limit of the Czech National Bank's inflation target, the CNB Board decided to suspend its interest rate increase measures. In our opinion, the

basic rate will remain unchanged until the end of the year. Affected by foreign developments and uncertainty regarding the Brexit or trade wars, the bond market saw a rapid drop in government bond yield. The market as well as Raiffeisenbank's forecast anticipates a gradual slowdown in inflation followed by declining interest rates in 2020.

The banking sector rose dynamically over the first six months of the year, particularly due to deposit inflows. As at the end of June, the volume of deposits was more than 11% higher than at the end of 2018. On the other hand, the growth of total loans decelerated this year and added mere 2.8% in volume as at the end of the first half of 2019.

However, mortgage loans remain this year's main topic. The first six months brought the expected decline in demand, particularly reflected in an 18% drop in the volume of new mortgage loans. It is more than likely that the annual mortgage loan growth rate will not reach the record-breaking figures of the recent years, despite the fact that the average interest rate applied to mortgage loans stays very low. A more dynamic development in the mortgage market is now prevented particularly by high real estate prices.

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

## Outlook for the Rest of 2019

Raiffeisenbank will further focus on offering attractive products and services for both retail and corporate clients. We are getting ready for the launch of instant payments that is to come this autumn, new mobile and internet banking services as well as implementation of technological innovations relating to the EU requirements for stronger security of online payments.

Also, maintaining the position of an attractive employer is vital to us. We will carry on the gradual implementation of agile management principles in selected projects and create opportunities for our employees' personal and career growth. Since the beginning of the year, 16% of members of staff have been promoted and 20% have changed their agenda or moved to a completely different position; these figures outperform the market average. We wish to maintain this trend.

The bank's half-year report is available at [www.rb.cz/en/obligatory-published-information/annual-reports](http://www.rb.cz/en/obligatory-published-information/annual-reports).

# Raiffeisenbank a.s.

Interim Consolidated Financial Statements Prepared in Accordance with International Financial Reporting Standards as Adopted by the European Union for the Period Ended 30 June 2019

## Components of the Interim Consolidated Financial Statements:

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

## Interim Consolidated Statement of Comprehensive Income For the Period Ended 30 June 2019

CZK thousand	Note	30. 6. 2019	30. 6. 2018 restated
Interest income and similar income calculated using the effective interest rate method	8	6,596,879	4,856,384
Other interest income	8	1,365,162	625,415
Interest expense and similar expense	8	(3,475,474)	(1,840,366)
<b>Net interest income</b>		<b>4,486,567</b>	<b>3,641,433</b>
Fee and commission income	9	1,372,928	1,411,510
Fee and commission expense	9	(455,485)	(421,197)
<b>Net fee and commission income</b>		<b>917,443</b>	<b>990,313</b>
Net gain on financial operations		606,409	699,265
Net gain from hedge accounting		1,103	7,124
Dividend income		30,768	30,524
Impairment gains/(losses) on financial instruments		452,981	(200,945)
Gains/(losses) from derecognition of financial assets measured at amortised cost		170	878
Personnel expenses		(1,723,418)	(1,572,453)
General operating expenses	10	(1,182,241)	(1,227,034)
Depreciation/amortisation of property and equipment and intangible assets		(587,151)	(410,628)
Other operating income		885,309	419,117
Other operating expenses		(213,039)	(103,451)
<b>Operating profit</b>		<b>3,674,901</b>	<b>2,274,143</b>
Share in income of joint ventures	12	4,059	57,193
<b>Profit before tax</b>		<b>3,678,960</b>	<b>2,331,336</b>
Income tax		(488,165)	(422,365)
<b>Net profit for the year attributable to:</b>		<b>3,190,795</b>	<b>1,908,971</b>
- shareholders of the parent company		3,190,795	1,908,971
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss in future:</b>			
Gains/(losses) from remeasurement of equity securities at FVOCI		55,087	28,100
Deferred tax relating to items that will not be reclassified to profit or loss in following periods		(10,467)	(5,337)
<b>Items that will be reclassified to profit or loss in future:</b>			
Cash flow hedge		117,259	118,409
Deferred tax relating to items that will be reclassified to profit or loss in following periods		(22,279)	(28,873)
<b>Total other comprehensive income attributable to:</b>		<b>139,600</b>	<b>112,299</b>
- shareholders of the parent company		139,600	112,299
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>3,330,395</b>	<b>2,021,270</b>
<b>- shareholders of the parent company</b>		<b>3,330,395</b>	<b>2,021,270</b>

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

# Interim Consolidated Statement of Financial Position

## As at 30 June 2019

CZK thousand	Note	30. 6. 2019	31. 12. 2018
<b>ASSETS</b>			
Cash in hand, balances with central banks and other demand deposits		12,509,193	12,105,947
Financial assets held for trading		1,846,987	1,955,465
Derivatives held for trading		1,746,069	1,687,444
Securities held for trading		100,918	268,021
Financial assets measured at FVOCI		683,968	628,880
Financial assets at amortised cost	11	344,886,488	342,997,467
Loans and advances to banks	11	90,296,370	99,528,498
Loans and advances to customers	11	243,640,131	236,604,410
<i>of which: change in fair value of hedged items</i>		(938)	(1,245)
Debt securities	11	10,949,987	6,864,559
Change in fair value of portfolio-remeasured items (loans and advances to customers and debt securities)	11	(596,384)	(1,144,945)
Hedging derivatives with positive fair value		2,454,442	2,481,030
Tax receivables		42,308	28,649
Deferred tax asset		8,631	9,300
Other assets		1,975,282	1,661,271
Equity investments in joint ventures	12	13,938	45,997
Intangible assets		2,816,854	2,722,610
Property and equipment		4,141,990	2,067,421
Investment property		415,495	599,307
<b>TOTAL ASSETS</b>		<b>371,199,192</b>	<b>366,158,399</b>
<b>LIABILITIES AND EQUITY</b>			
Financial liabilities held for trading		1,915,378	1,675,219
Derivatives held for trading		1,915,378	1,675,219
Financial liabilities at amortised cost	13	331,709,372	330,670,003
Deposits from banks	13	27,314,795	34,401,546
Deposits from customers	13	271,155,820	270,920,560
<i>of which: change in fair value of hedged items</i>	13	66,142	89,896
Debt securities issued	13	25,176,761	19,599,578
<i>of which: change in fair value of hedged items</i>	13	11,788	28,307
Subordinated liabilities and bonds	13	3,312,610	2,577,259
Other financial liabilities	13	4,749,386	3,171,060
Fair value remeasurement of portfolio-remeasured items (deposits from customers)	13	(929,819)	(1,757,940)
Hedging derivatives with negative fair value		3,047,646	3,204,463
Provisions	14	869,384	1,357,077
Current tax liability		59,481	49,014
Deferred tax liability		226,032	131,128
Other liabilities		2,150,370	929,519
<b>TOTAL LIABILITIES</b>		<b>339,047,844</b>	<b>336,258,483</b>
<b>EQUITY</b>			
Attributable to shareholders of the Group		32,151,348	29,899,916
Share capital		11,060,800	11,060,800
Reserve fund		693,861	693,918
Fair value reserve		402,840	263,240
Retained earnings		14,187,698	11,451,586
Other equity instruments		2,615,354	2,615,354
Profit for the year		3,190,795	3,815,018
<b>Total equity</b>		<b>32,151,348</b>	<b>29,899,916</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>371,199,192</b>	<b>366,158,399</b>

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

## Interim Consolidated Statement of Changes in Equity For the Period Ended 30 June 2019

CZK thousand	Equity attributable to shareholders of the Group						
	Share capital	Reserve fund	Fair value reserve	Retained earnings	Other equity instruments	Profit for the year	Total equity
<b>At 1 January 2018</b>	11,060,800	693,918	105,796	10,071,444	2,615,354	3,083,570	27,630,882
Dividends	-	-	-	-	-	(1,519,232)	(1,519,232)
Allocation to retained earnings	-	-	-	1,564,338	-	(1,564,338)	-
Payment of coupon on other equity instruments	-	-	-	(178,675)	-	-	(178,675)
Sale of a joint venture	-	-	-	(5,141)	-	-	(5,141)
Net profit for the year	-	-	-	-	-	1,908,971	1,908,971
Other comprehensive income, net	-	-	112,299	-	-	-	112,299
<b>Total comprehensive income for the year</b>	-	-	112,299	-	-	1,908,971	2,021,270
<b>At 30 June 2018</b>	11,060,800	693,918	218,095	11,451,966	2,615,354	1,908,971	27,949,104
<b>At 1 January 2019</b>	11,060,800	693,918	263,240	11,451,586	2,615,354	3,815,018	29,899,916
Dividends	-	-	-	-	-	(974,736)	(974,736)
Allocation to retained earnings	-	-	-	2,840,282	-	(2,840,282)	-
Payment of coupon on other equity instruments	-	-	-	(177,331)	-	-	(177,331)
Sale of a joint venture	-	-	-	(36,118)	-	-	(36,118)
Changes in the consolidated group	-	(57)	-	109,279	-	-	109,222
Net profit for the year	-	-	-	-	-	3,190,795	3,190,795
Other comprehensive income, net	-	-	139,600	-	-	-	139,600
<b>Total comprehensive income for the year</b>	-	-	139,600	-	-	3,190,795	3,330,395
<b>At 30 June 2019</b>	11,060,800	693,861	402,840	14,187,698	2,615,354	3,190,795	32,151,348

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

# Interim Consolidated Cash Flow Statement

## For the Period since 1 January 2019 till 30 June 2019

(CZK thousand)	1. 1.-30. 6. 2019	1. 1.-30. 6. 2018
<b>Profit before tax</b>	<b>3,678,960</b>	<b>2,331,336</b>
<b>Adjustments for non-cash transactions</b>		
Creation of loss allowances and provisions for credit risks	(452,981)	200,945
Depreciation/amortisation of property and equipment and intangible assets	587,151	410,628
Loss on the impairment of tangible and intangible assets	118	-
Creation of other provisions	(324,773)	(172,054)
Change in fair value of derivatives	168,564	(630,038)
Unrealised losses/(gains) on remeasurement of securities	762	(2,043)
Loss/(gain) on the sale of property and equipment and intangible assets	(1,967)	(1,807)
Gain on the sale of subsidiaries and joint ventures	(116,318)	(12,770)
Change in the remeasurement of hedged items upon fair value hedge	238,980	(221,933)
Share in profit from joint ventures	(4,059)	(57,193)
Remeasurement of foreign currency positions	(392,936)	1,113,308
Other non-cash changes	(121,909)	(821,674)
<b>Operating profit before changes in operating assets and liabilities</b>	<b>3,259,592</b>	<b>2,136,705</b>
<b>Operating cash flow</b>		
<i>(Increase)/decrease in operating assets</i>		
Mandatory minimum provisions with CNB	(4,946,638)	3,634,599
Loans and advances to banks	9,234,013	14,099,318
Loans and advances to customers	(7,217,345)	(11,476,865)
Debt securities at amortised cost	(4,003,260)	(4,607,071)
Securities held for trading	157,236	(198,001)
Other assets	(314,011)	(778,581)
<i>Increase/(decrease) in operating liabilities</i>		
Deposits from banks	(6,859,670)	6,276,708
Deposits from customers	667,899	(3,953,783)
Other financial liabilities	(437,001)	59,422
Other liabilities	1,220,851	(111,528)
<b>Net operating cash flow before tax</b>	<b>(9,238,334)</b>	<b>5,080,923</b>
Income tax paid	(416,620)	(696,533)
<b>Net operating cash flow</b>	<b>(9,654,954)</b>	<b>4,384,390</b>
<b>Cash flows from investing activities</b>		
Sale/(acquisition) of equity investments	144,031	19,839
Acquisition of property and equipment and intangible assets	(555,001)	(680,505)
Proceeds from sale of non-current assets	2,289	1,807
Dividends received	30,768	30,524
<b>Net cash flow from investing activity</b>	<b>(377,913)</b>	<b>(628,335)</b>
<b>Cash flows from financing activities</b>		
Dividends paid and paid coupons on other equity instruments	(1,152,067)	(1,697,907)
Debt securities issued	5,828,930	(778)
Drawing of subordinated debt	771,750	-
Lease liabilities	40,973	n/a
<b>Net cash flow from financing activities</b>	<b>5,489,586</b>	<b>(1,698,685)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(4,543,281)</b>	<b>2,057,370</b>
Cash and cash equivalents at the beginning of the period	10,290,852	4,260,849
Foreign exchange gains/losses on cash and cash equivalents at the beginning of the period	(111)	(66,449)
<b>Cash and cash equivalents at the end of the period</b>	<b>5,747,460</b>	<b>6,251,770</b>
Interests received	8,410,242	5,427,952
Interests paid	(3,375,160)	(1,596,099)

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

## Reconciliation of Liabilities Arising from Funding, Including Changes Arising from Cash Flows and Non-Cash Changes

	At 1 January 2019	Cash flows		Non-cash changes		At 30 June 2019
		Inflow	Outflow	Remeasurement of foreign currency positions	Other non-monetary changes	
Debt securities issued	19,599,578	5,828,930	-	(251,747)	-	25,176,761
Subordinated debt	2,577,259	771,750	-	-	(36,399)	3,312,610

	At 1 January 2018	Cash flows		Non-cash changes		At 30 June 2018
		Inflow	Outflow	Remeasurement of foreign currency positions	Other non-monetary changes	
Debt securities issued	19,473,226	-	(778)	377,424	-	19,849,872
Subordinated debt	2,586,645	-	-	-	47,900	2,634,545
Subordinated bonds	126,052	-	-	167	-	126,219

# Notes to the Consolidated Financial Statements

Prepared in Accordance with International Financial Reporting Standards as Adopted by the European Union for the Period Ended 30 June 2019.

## 1. PARENT COMPANY CORPORATE DETAILS

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

The Bank together with its subsidiaries and joint ventures 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 bank license granted by the Czech National Bank:**

- Acceptance of deposits from the general public;
- Provision of credit;
- Investing in securities on its own account;
- Finance leasing - at present, the Bank does not carry out this activity directly;
- Payments and clearing;
- Issuance of payment facilities;
- Issuance of guarantees;
- Opening of letters of credit;
- Collection services;
- Provision of investment services:
  - Principal investment services under Section 4 (2) (a) - (h) of Act No. 256/2004 Coll., as amended;
  - Additional investment services under Section 4 (3) (a) - (f) of Act No. 256/2004 Coll., as amended;
- Issuance of mortgage bonds;
- Financial brokerage;
- Depositary activities;
- Foreign exchange services (foreign currency purchases);
- Provision of banking information,
- Proprietary or client-oriented trading with foreign currency assets;
- Rental of safe-deposit boxes;
- Activities directly relating to the activities listed in the bank license; and
- Mediation of an additional pension savings program

### **In addition to the license to pursue bank operations, the Bank:**

- was granted a securities broker licence; and
- has been listed by the Ministry of Finance of the Czech Republic as a limited insurance provider since 20 July 2005.

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

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

## 2. SHAREHOLDERS OF THE BANK

Name, address	Voting power in %	
	30. 6. 2019	31. 12. 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 power. All shareholders have a special relation to the Bank in terms of Section 19 of Banking Act No. 21/1992 Coll., as amended.

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

## 3. BASIS OF PREPARATION OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

The provided data have not been audited.

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

## 4. ACCOUNTING POLICIES

### Significant Accounting Policies and Principles

For the preparation of interim consolidated financial statements have been used the same accounting policies and principles, methods of calculation and estimates as for consolidated financial statements for the year ended 31 December 2018, except for those that relate to new standards effective for the first time for periods beginning on 1 January 2019, and will be adopted in the 2019 annual consolidated financial statements. Newly applied standards the application of which had a significant impact on the interim consolidated financial statements and led to changes in accounting policies are:

- IFRS 16 Leases

This standard and its impact on the Group accounting policies is described in detail in the chapter 5. (a).

## 5. NEWLY APPLIED IFRS STANDARDS

### (a) Newly Applied Standards and Interpretations the Application of which Had a Significant Impact on the Interim Consolidated Financial Statements

**IFRS 16 – Leases** – effective for annual periods beginning on or after 1 January 2019 and 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 IFRS 16's predecessor, IAS 17, lessors classify leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease.

As of 1 January 2019, the Group recognized right-of-use assets amounting to CZK 1,947 million and lease liabilities at the same amount. There was no impact on retained earnings resulting from the transition to IFRS 16. During the transition to IFRS 16 the Group used the modified retrospective approach and comparative information was not restated. During the application of IFRS 16 the Group uses the exemption for leases with a lease term of 12 months or less since the initial application or start of the lease (short-term leases) and for leases of low value assets. The Group set a limit of low value to the amount of CZK 100 thousand. In these cases the right-of-use asset is not recognised.

The Group reports right-of-use assets in „*Property and Equipment*“. Lease liabilities are reported in „*Other financial liabilities*“, which is a part of „*Financial liabilities at amortised costs*“.

Impact of IFRS 16 on the consolidated statement of financial position:

Line of the statement	IAS 17 31. 12. 2018	Transfer 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

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

During the year 2019, the following standards, interpretations and amended standards issued by the IASB and adopted by the EU took effect:

- **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 of 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 the IASB, but not yet adopted by the European Union

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

- **Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** (the European Commission has decided to postpone the approval indefinitely);
- **IFRS 17 Insurance Contracts** (effective for annual periods beginning on or after 1 January 2021; to be applied prospectively. Earlier application is permitted.);
- **Amendments to IFRS 3 Business Combinations** (effective for annual periods beginning on or after 1 January 2020);
- **Amendment to the IFRS Conceptual Framework for Financial Reporting** (effective for annual periods beginning on or after 1 January 2020);
- **Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors** (effective for annual periods beginning on or after 1 January 2020).

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

## 6. COMPANIES INCLUDED IN THE CONSOLIDATION

As of 30 June 2019, the Group comprised the following entities:

Company	The Bank's effective holding		Indirect holding through	Consolidation method in 2019	Registered office
	in % 2019	in % 2018			
Raiffeisen investiční společnost a.s.	100%	100%	-	Full method	Praha
Raiffeisen Direct Investments CZ s.r.o.	100%	100%	-	Full method	Praha
Raiffeisen - Leasing, s.r.o.	100%	100%	-	Full method	Praha
Raiffeisen FinCorp, s.r.o.	100%	100%	Raiffeisen - Leasing, s.r.o.	Full method	Praha
Appolon Property, s.r.o.	100%	100%	Raiffeisen - Leasing, s.r.o.	Full method	Praha
PZ PROJEKT a.s.	-	100%	Raiffeisen - Leasing, s.r.o.	-	Praha
Luna Property, s.r.o.	100%	100%	Raiffeisen - Leasing, s.r.o.	Full method	Praha
Gaia Property, s.r.o.	100%	100%	Raiffeisen - Leasing, s.r.o.	Full method	Praha
RLRE Carina Property, s.r.o.	100%	100%	Raiffeisen - Leasing, s.r.o.	Full method	Praha
Orchideus Property, s. r. o.	100%	100%	Raiffeisen - Leasing, s.r.o.	Full method	Praha
Viktor Property, s.r.o.	100%	100%	Raiffeisen - Leasing, s.r.o.	Full method	Praha
Hestia Property, s.r.o.	100%	100%	Raiffeisen - Leasing, s.r.o.	Full method	Praha
Czech Real Estate Fund (CREF) B.V.	100%	100%	-	Full method	Amsterdam
RDI Management s.r.o.	100%	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Praha
RDI Czech 1 s.r.o.	100%	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Praha
RDI Czech 3 s.r.o.	100%	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Praha
RDI Czech 4 s.r.o.	100%	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Praha
RDI Czech 5 s.r.o.	100%	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Praha
RDI Czech 6 s.r.o.	100%	100%	Raiffeisen Direct Investments CZ s.r.o.	Full method	Praha
Nordica Office, s.r.o.	-	50%	Raiffeisen Direct Investments CZ s.r.o.	-	Praha
Karlín park a.s.	50%	50%	Raiffeisen Direct Investments CZ s.r.o.	Equity method	Praha

As of 30 June 2019, the Group did not include in its consolidation following companies due to their immateriality: Ananké Property, s.r.o., Ares Property, s.r.o., Déméter Property, s.r.o., Foibe Property, s.r.o., Hermes Property, s.r.o., Janus Property, s.r.o., Kairos Property, s.r.o., Kalypso Property, s.r.o., Kétó Property, s.r.o., Létó Property, s.r.o., Médea Property, s.r.o., RESIDENCE PARK TŘEBEŠ, s.r.o., Sky Solar Distribuce s.r.o. and Theseus Property, s.r.o.

From 1 January 2019 to 30 June 2019 the Group sold the following companies Nordica Office, s.r.o. and PZ Projekt a.s. and purchased Ananké Property, s.r.o., Ares Property, s.r.o., Déméter Property, s.r.o., Foibe Property, s.r.o., Kairos Property, s.r.o., Kétó Property, s.r.o. and Theseus Property, s.r.o. Companies Deimos Property, s.r.o. and Nyx Property, s.r.o. were excluded from the consolidation group during the first six months of 2019. These companies ceased to 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 controlled entities, jointly controlled entities, or associates.

With the exception of the above mentioned changes the structure of the Consolidation Group is the same as the structure as of 31 December 2018.

## 7. SIGNIFICANT EVENTS IN 2019

### **Changes in the Supervisory Board**

On 11 February 2019 Mrs. Helena Horská, Mr. Pavel Hruška, Mr. Michal Přádka and Mrs. Kamila Šťastná were elected as members of the Supervisory Board.

### **Profit for 2018 distribution and dividend payment**

Shareholders on the regular general meeting of the Bank in April 2019 agreed on profit distribution for year 2018 in the amount CZK 3,365.0 million. The amount of CZK 974.7 million was used for dividend payment to shareholders for year 2018 and the amount of CZK 2,390.3 million was transferred into Bank's retained earnings. Dividend payment took place in May 2019. From Bank's retained earnings a coupon in the amount CZK 177.3 million was paid to the holders of AT1 capital investment certificates.

## 8. NET INTEREST INCOME

CZK thousand	30. 6. 2019	30. 6. 2018
<b>Interest income and similar income calculated using the effective interest rate method</b>		
<b>Financial assets measured at amortised cost</b>	<b>5,124,764</b>	<b>3,976,932</b>
from debt securities	105,230	-
from loans and advances to banks	902,880	378,240
from loans and advances to customers	4,116,654	3,598,692
<b>Negative interest on financial liabilities at amortised cost</b>	<b>8,208</b>	<b>6,144</b>
<b>Hedging interest rate derivatives</b>	<b>1,463,907</b>	<b>873,308</b>
<b>Interest income and similar income calculated using the effective interest rate method</b>	<b>6,596,879</b>	<b>4,856,384</b>
<b>Other interest income</b>		
<b>Financial assets held for trading</b>	<b>1,365,162</b>	<b>625,415</b>
Derivatives held for trading	1,363,817	623,594
<i>of which derivatives in the bank's portfolio</i>	50,949	18,901
Debt securities	1,345	1,821
<b>Other interest income</b>	<b>1,365,162</b>	<b>625,415</b>
<b>Interest expense</b>		
<b>Financial liabilities held for trading</b>	<b>(1,258,017)</b>	<b>(402,976)</b>
Derivatives held for trading	(1,258,017)	(402,976)
<i>of which derivatives in the bank's portfolio</i>	(13,733)	(13,578)
Short sales	-	-
<b>Financial liabilities at amortised cost</b>	<b>(693,042)</b>	<b>(442,533)</b>
from deposits from banks	(140,548)	(131,342)
from deposits from customers	(434,167)	(201,929)
from securities issued	(55,096)	(68,955)
from subordinated liabilities	(48,089)	(40,307)
from lease liabilities	(15,142)	n/a
<b>Securitisation</b>	<b>(466)</b>	<b>(125,202)</b>
<b>Hedging interest rate derivatives</b>	<b>(1,521,646)</b>	<b>(868,199)</b>
<b>Negative interest on financial assets at amortised cost</b>	<b>(2,303)</b>	<b>(1,456)</b>
<b>Total interest expense and similar expense</b>	<b>(3,475,474)</b>	<b>(1,840,366)</b>
<b>Net interest income</b>	<b>4,486,567</b>	<b>3,641,433</b>

The items "Interest income and similar income calculated using the effective interest rate method" - "Hedging interest rate derivatives" and "Interest expense" - "Hedging interest rate derivatives" comprise net interest expense on hedging financial derivatives upon a cash flow hedge of CZK (106,454) thousand (2018: CZK (39,446) thousand), net interest income from hedging financial derivatives upon a fair value hedge of mortgage loans of CZK 375,180 thousand (2018: CZK (13,304) thousand), net interest expense on hedging financial derivatives upon a fair value hedge of term deposits and the portfolio of current and savings accounts of CZK (326,465) thousand (2018: CZK 42,337 thousand), and net interest income from hedging financial derivatives upon a fair value hedge of securities issued of CZK 0 thousand (2018: CZK 18,683 thousand).

## 9. NET FEE AND COMMISSION INCOME

CZK thousand	30. 6. 2019	30. 6. 2018
<b>Fee and commission income arising from</b>		
Securities transactions	46,984	44,663
Clearing and settlement	37,361	35,963
Asset management	14,671	14,739
Administration, custody and safekeeping of values	25,105	22,538
Payment services	861,011	871,352
Product distribution for customers	66,743	66,952
Administration of credits	110,674	103,730
Provided guarantees	67,251	81,975
Fund management and distribution of units	124,619	113,788
Other	18,509	55,810
<b>Total fee and commission income</b>	<b>1,372,928</b>	<b>1,411,510</b>
<b>Fee and commission expense arising from</b>		
Clearing and settlement	(34,467)	(29,018)
Administration, custody and safekeeping of values	(1,186)	(1,101)
Payment services	(346,581)	(321,641)
Received guarantees	(4,293)	(3,662)
Other	(68,958)	(65,775)
<b>Total fee and commission expense</b>	<b>(455,485)</b>	<b>(421,197)</b>
<b>Net fee and commission income</b>	<b>917,443</b>	<b>990,313</b>

## 10. GENERAL ADMINISTRATIVE EXPENSES

CZK thousand	30. 6. 2019	30. 6. 2018
Rent, repairs and other office management services	(74,323)	(249,398)
Marketing expenses	(234,436)	(170,636)
Costs of legal and advisory services	(234,930)	(185,448)
IT support costs	(231,503)	(194,332)
Deposit and transaction insurance	(53,565)	(46,771)
Telecommunication, postal and other services	(38,328)	(41,986)
Security costs	(26,353)	(21,025)
Training costs	(15,278)	(11,231)
Office equipment	(12,444)	(10,714)
Travel costs	(11,500)	(10,490)
Company cars expenses	(6,379)	(8,794)
Contribution to the crisis resolution fund	(221,666)	(257,825)
Other administrative expenses	(21,418)	(18,384)
Impairment loss on tangible assets	(118)	-
<b>Total</b>	<b>(1,182,241)</b>	<b>(1,227,034)</b>

## 11. FINANCIAL ASSETS AT AMORTISED COST

### (a) Financial Assets at Amortised Cost by Segment

CZK thousand	30. 6. 2019				
	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Debt securities</b>					
Government institutions	9,551,026	-	-	-	9,551,026
Non-financial entities	1,402,696	-	-	-	1,402,696
<b>Debt securities – gross</b>	<b>10,953,722</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,953,722</b>
Loss allowances	(3,735)	-	-	-	(3,735)
<b>Debt securities – net</b>	<b>10,949,987</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,949,987</b>
<b>Loans and advances to banks</b>					
Central banks	89,042,111	-	-	-	89,042,111
Credit institutions	1,072,136	-	193,463	-	1,265,599
<b>Loans and advances to banks – gross</b>	<b>90,114,247</b>	<b>-</b>	<b>193,463</b>	<b>-</b>	<b>90,307,710</b>
Loss allowances	(39)	-	(11,301)	-	(11,340)
<b>Loans and advances to banks – net</b>	<b>90,114,208</b>	<b>-</b>	<b>182,162</b>	<b>-</b>	<b>90,296,370</b>
<b>Loans and advances to customers</b>					
Government institutions	1,153,861	528,825	-	-	1,682,686
Other financial institutions	10,422,310	721,020	1,943	19	11,145,292
Non-financial entities	102,910,758	11,100,159	1,869,346	164,933	116,045,196
Households	77,510,113	38,947,465	1,738,344	219,682	118,415,604
<b>Loans and advances to customers – gross</b>	<b>191,997,042</b>	<b>51,297,469</b>	<b>3,609,633</b>	<b>384,634</b>	<b>247,288,778</b>
Loss allowances	(318,226)	(746,850)	(2,589,669)	6,098	(3,648,647)
<b>Loans and advances to customers – net</b>	<b>191,678,816</b>	<b>50,550,619</b>	<b>1,019,964</b>	<b>390,732</b>	<b>243,640,131</b>
<b>Total financial assets at amortised cost</b>	<b>292,743,011</b>	<b>50,550,619</b>	<b>1,202,126</b>	<b>390,732</b>	<b>344,886,488</b>
CZK thousand	31. 12. 2018				
	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Debt securities</b>					
Government institutions	4,669,569	-	-	-	4,669,569
Non-financial entities	2,198,021	-	-	-	2,198,021
<b>Debt securities – gross</b>	<b>6,867,590</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,867,590</b>
Loss allowances	(3,031)	-	-	-	(3,031)
<b>Debt securities – net</b>	<b>6,864,559</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,864,559</b>
<b>Loans and advances to banks</b>					
Central banks	98,237,392	-	-	-	98,237,392
Credit institutions	673,262	618,122	-	-	1,291,384
<b>Loans and advances to banks – gross</b>	<b>98,910,654</b>	<b>618,122</b>	<b>-</b>	<b>-</b>	<b>99,528,776</b>
Loss allowances	(29)	(249)	-	-	(278)
<b>Loans and advances to banks – net</b>	<b>98,910,625</b>	<b>617,873</b>	<b>-</b>	<b>-</b>	<b>99,528,498</b>
<b>Loans and advances to customers</b>					
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 entities	103,304,381	10,262,175	2,280,421	-	115,846,977
Households	69,462,549	43,219,103	2,005,213	306,856	114,993,721
<b>Loans and advances to customers – gross</b>	<b>180,124,308</b>	<b>56,336,971</b>	<b>4,287,599</b>	<b>306,856</b>	<b>241,055,734</b>
Loss allowances	(337,123)	(1,039,340)	(3,042,528)	(32,333)	(4,451,324)
<b>Loans and advances to customers – net</b>	<b>179,787,185</b>	<b>55,297,631</b>	<b>1,245,071</b>	<b>274,523</b>	<b>236,604,410</b>
<b>Total financial assets at amortised cost</b>	<b>285,562,369</b>	<b>55,915,504</b>	<b>1,245,071</b>	<b>274,523</b>	<b>342,997,467</b>

## (b) Financial Assets at Amortised Cost by Category

CZK thousand	30. 6. 2019	31. 12. 2018
<b>Debt securities</b>		
Debt securities	10,953,722	6,867,590
<b>Debt securities – gross</b>	<b>10,953,722</b>	<b>6,867,590</b>
Loss allowances	(3,735)	(3,031)
<b>Debt securities – net</b>	<b>10,949,987</b>	<b>6,864,559</b>
<b>Loans and advances to banks</b>		
Term deposits	1,265,599	1,291,384
Reverse repo transactions with Czech National Bank	89,042,111	98,237,392
<b>Loans and advances to banks – gross</b>	<b>90,307,710</b>	<b>99,528,776</b>
Loss allowances	(11,340)	(278)
<b>Loans and advances to banks – net</b>	<b>90,296,370</b>	<b>99,528,498</b>
<b>Loans and advances to customers</b>		
Loans and advances from current accounts	4,385,447	4,496,013
Term loans	132,863,641	127,810,064
Mortgage loans	94,681,405	93,528,230
Finance lease	8,673,390	8,118,921
Reverse repo transactions	263,320	265,182
Credit card receivables	3,542,614	4,032,129
Other	2,878,961	2,805,195
<b>Loans and advances to customers – gross</b>	<b>247,288,778</b>	<b>241,055,734</b>
Loss allowances	(3,648,647)	(4,451,324)
<b>Loans and advances to customers – net</b>	<b>243,640,131</b>	<b>236,604,410</b>
<b>Total financial assets at amortised cost</b>	<b>344,886,488</b>	<b>342,997,467</b>

The Group applies hedge accounting upon the fair value hedge of the current and savings accounts portfolio and debt securities. The remeasurement of the hedged items as of 30 June 2019 was CZK: (596,384) thousand (as of 31 December 2018: CZK (1,144,945) thousand).

## 12. EQUITY INVESTMENTS IN JOINT VENTURES

CZK thousand	30. 6. 2019	31. 12. 2018
<b>Opening balance</b>	<b>45,997</b>	<b>38,108</b>
Additions	-	-
Increase/(decrease) in net assets of joint ventures	4,059	13,589
Disposals	-	(559)
Sale of a joint venture	(36,118)	(5,141)
<b>Closing balance</b>	<b>13,938</b>	<b>45,997</b>

## 13. FINANCIAL LIABILITIES AT AMORTISED COST

### (a) Deposits from Banks

CZK thousand	30. 6. 2019	31. 12. 2018
Current accounts/One-day deposits	2,055,988	3,038,529
Term deposits of banks	18,047,050	29,863,239
Repo transactions	7,211,757	1,499,778
<b>Total</b>	<b>27,314,795</b>	<b>34,401,546</b>

### (b) Deposits from Customers

#### Analysis of deposits from customers by type

CZK thousand	30. 6. 2019	31. 12. 2018
Current accounts/One-day deposits	240,015,130	242,943,647
Term deposits	21,761,989	14,679,983
Deposits with notice	9,312,559	13,207,034
Change in the fair value of hedged items upon fair value hedging	66,142	89,896
<b>Total</b>	<b>271,155,820</b>	<b>270,920,560</b>

#### Analysis of deposits from customers by sector

CZK thousand	30. 6. 2019	31. 12. 2018
Government sector	9,413,558	7,110,497
Other financial institutions	9,709,811	9,722,897
Non-financial entities	91,224,578	99,548,525
Households	160,807,873	154,538,641
<b>Total</b>	<b>271,155,820</b>	<b>270,920,560</b>

The Group applies hedge accounting upon the fair value hedge of the current and savings accounts portfolio and term deposits. The remeasurement of the hedged items as of 30 June 2019 was CZK: (929,819) thousand (as of 31 December 2018: CZK (1,757,940) thousand).

## (c) Debt Securities Issued

### Analysis of issued debt securities by type

CZK thousand	30. 6. 2019	31. 12. 2018
Mortgage bonds	25,164,973	19,551,265
Change in the fair value of hedged items upon fair value hedging	11,788	28,307
Non-hedged bonds issued	-	2
Deposit certificates and depository bills of exchange	-	20,004
<b>Total</b>	<b>25,176,761</b>	<b>19,599,578</b>

### Analysis of mortgage bonds

CZK thousand				Nominal value		Net carrying amount	
Issue date	Maturity date	ISIN code	Currency	30. 6. 2019	31. 12. 2018	30. 6. 2019	31. 12. 2018
5. 11. 2014	5. 11. 2019	XS1132335248	EUR	12,442,605	12,579,525	12,508,004	12,605,629
8. 3. 2017	8. 3. 2021	XS1574150261	EUR	5,343,450	5,145,000	5,342,968	5,152,028
8. 3. 2017	8. 3. 2023	XS1574150857	EUR	3,053,400	514,500	3,133,437	515,771
8. 3. 2017	8. 3. 2024	XS1574151236	EUR	4,071,200	1,286,250	4,180,564	1,277,837
8. 3. 2017	8. 4. 2022	XS1574149842	EUR	-	-	-	-
<b>Total</b>				<b>24,910,655</b>	<b>19,525,275</b>	<b>25,164,973</b>	<b>19,551,265</b>

## (d) Subordinated Liabilities and Bonds

### Subordinated debt

CZK thousand	30. 6. 2019	31. 12. 2018
Raiffeisen Bank International AG (parent company)	2,484,458	1,932,944
Raiffeisenlandesbank Oberösterreich AG	828,152	644,315
<b>Total</b>	<b>3,312,610</b>	<b>2,577,259</b>

## (e) Other Financial Liabilities

CZK thousand	30. 6. 2019	31. 12. 2018
Liabilities from securities trading	44,989	180,490
Liabilities from non-banking activities	285,309	346,665
Settlement and suspense clearing accounts	2,403,761	2,643,905
Lease liabilities	2,015,327	n/a
<b>Total</b>	<b>4,749,386</b>	<b>3,171,060</b>

## 14. PROVISIONS

CZK thousand	30. 6. 2019	31. 12. 2018
<b>Provisions for commitments and financial guarantees provided</b>	<b>381,853</b>	<b>544,773</b>
<b>Other provisions</b>	<b>487,531</b>	<b>812,304</b>
Provision for legal disputes	800	800
Provision for outstanding vacation days	15,356	21,451
Payroll provisions	384,221	506,876
Provision for restructuring	13,257	14,560
Other	73,897	268,617
<b>Total</b>	<b>869,384</b>	<b>1,357,077</b>

### Breakdown of provisions for commitments and financial guarantees provided by stages of impairment

CZK thousand	30. 6. 2019	31. 12. 2018
Stage 1	110,019	126,826
Stage 2	77,845	98,315
Stage 3	193,835	319,452
POCI	154	180
<b>Total</b>	<b>381,853</b>	<b>544,773</b>

### 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
<b>1. 1. 2018</b>	<b>83,046</b>	<b>24,874</b>	<b>469,059</b>	<b>16,459</b>	<b>302,122</b>	<b>895,560</b>
Creation of provisions	-	16,486	655,572	-	15,805	<b>687,863</b>
Use of provisions	(52,541)	(18,198)	(469,059)	(1,615)	(24,585)	<b>(565,998)</b>
Release of redundant provisions	(30,627)	(1,711)	(148,696)	(284)	(24,809)	<b>(206,127)</b>
Foreign exchange gains/losses	922	-	-	-	84	<b>1,006</b>
<b>31. 12. 2018</b>	<b>800</b>	<b>21,451</b>	<b>506,876</b>	<b>14,560</b>	<b>268,617</b>	<b>812,304</b>
Creation of provisions	-	8,867	384,056	-	2,876	<b>395,799</b>
Use of provisions	-	(5)	(443,535)	(1,303)	(3,259)	<b>(448,102)</b>
Release of redundant provisions	-	(14,957)	(63,176)	-	(194,337)	<b>(272,470)</b>
<b>30. 6. 2019</b>	<b>800</b>	<b>15,356</b>	<b>384,221</b>	<b>13,257</b>	<b>73,897</b>	<b>487,531</b>

"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.

## 15. 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	30. 6. 2019	31. 12. 2018
Cash and other cash values, balances with central banks and mandatory minimum provisions	10,177,969	9,101,845
Required minimum reserves	(6,761,733)	(1,815,095)
Other demand deposits	2,331,224	3,004,102
<b>Total cash and cash equivalents</b>	<b>5,747,460</b>	<b>10,290,852</b>

## 16. CONTINGENT LIABILITIES

### (a) Legal disputes

The Group conducted a review of legal disputes outstanding against it as at 30 June 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 for significant litigations of 30 June 2019 in the aggregate amount of CZK 800 thousand (as of 31 December 2018: CZK 800 thousand).

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

CZK thousand	30. 6. 2019	31. 12. 2018
<b>Banks</b>		
Commitments provided (irrevocable)	-	55,854
Guarantees provided	131,041	75,039
Letters of credit issued	144,297	157,443
<b>Total</b>	<b>275,338</b>	<b>288,336</b>
<b>Customers</b>		
Commitments provided (irrevocable)	27,528,189	28,787,191
Provided guarantees	15,116,028	16,304,566
Letters of credit issued	236,032	310,789
<b>Total</b>	<b>42,880,249</b>	<b>45,402,546</b>
<b>Total</b>	<b>43,155,587</b>	<b>45,690,882</b>

### (c) Revocable credit commitments and guarantee commitments

CZK thousand	30. 6. 2019	31. 12. 2018
Banks	1,622,568	3,806,264
Customers	51,652,651	56,408,258
<b>Total</b>	<b>53,275,219</b>	<b>60,214,522</b>

## 17. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

30. 6. 2019 CZK thousand	Level 1	Level 2	Level 3	Fair value	Carrying amount	Difference
<b>Assets</b>						
Cash in hand, balances with central banks and other demand deposits	-	-	12,509,193	12,509,193	12,509,193	-
Loans and advances to banks*	-	-	90,296,370	90,296,370	90,296,370	-
Loans and advances to customers*	-	-	247,379,960	247,379,960	243,640,131	3,739,829
Debt securities at amortised cost*	10,504,444	-	785,756	11,290,200	10,949,987	340,213
<b>Liabilities</b>						
Deposits from banks	-	-	27,344,464	27,344,464	27,314,795	29,669
Deposits from customers	-	-	271,779,022	271,779,022	271,155,820	623,202
Debt securities issued	-	-	25,602,314	25,602,314	25,176,761	425,553
Subordinated liabilities and bonds	-	-	3,378,580	3,378,580	3,312,610	65,970
Other financial liabilities	-	-	4,749,386	4,749,386	4,749,386	-

\*including loss allowances

31. 12. 2018 CZK thousand	Level 1	Level 2	Level 3	Fair value	Carrying amount	Difference
<b>Assets</b>						
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
<b>Liabilities</b>						
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

Following table shows financial instruments at fair value split by levels, used for calculation of their fair value as at 30 June 2019:

#### Financial instruments at fair value

CZK thousand	Fair Value at 30. 6. 2019			Fair Value at 31. 12. 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Positive fair value of trading derivatives	-	1,746,069	-	-	1,687,444	-
Securities held for trading	99,952	-	966	268,021	-	-
Positive fair value of hedging derivatives	-	2,454,442	-	-	2,481,030	-
Financial assets at FVOCI	-	-	683,968	-	-	628,880
<b>Total</b>	<b>99,952</b>	<b>4,200,511</b>	<b>684,934</b>	<b>268,021</b>	<b>4,168,474</b>	<b>628,880</b>

CZK thousand	Fair Value at 30. 6. 2019			Fair Value at 31. 12. 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Negative fair value of trading derivatives	-	1,915,378	-	-	1,675,219	-
Negative fair value of hedging derivatives	-	3,047,646	-	-	3,204,463	-
<b>Total</b>	<b>-</b>	<b>4,963,024</b>	<b>-</b>	<b>-</b>	<b>4,879,682</b>	<b>-</b>

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
<b>Balance at 1. 1. 2019</b>	-	628,880	628,880
Transfer to Level 3			
Purchases	966	-	966
Comprehensive income/(loss)		55,088	55,088
- in the income statement	-	-	-
- in equity		55,088	55,088
Sales/settlement	-	-	-
Transfer from Level 3	-	-	-
<b>Balance at 30. 6. 2019</b>	<b>966</b>	<b>683,968</b>	<b>684,934</b>

2018

CZK thousand	Financial assets held for trading (debt securities)	Financial assets at FVOCI	Total
<b>Balance at 1. 1. 2018</b>	<b>85,653</b>	<b>603,654</b>	<b>689,307</b>
Transfer to Level 3			
Purchases	10	-	10
Comprehensive income/(loss)		25,226	25,226
- in the income statement	(10)	-	(10)
- in equity	-	25,226	25,226
Sales/settlement	(85,653)	-	(85,653)
Transfer from Level 3	-	-	-
<b>Balance at 31. 12. 2018</b>	<b>-</b>	<b>628,880</b>	<b>628,880</b>

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

The amount in Level 3, item "Financial assets at FVOCI" primarily comprises an investment in Raiffeisen stavební spořitelna, a.s. of CZK 463,300 thousand (2018: CZK 463,300) and the Group's membership in Visa Inc. association of CZK 219,829 thousand (2018: CZK 164,731 thousand).

## 18. 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,
- 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 and securities.

The "Other" segment mainly includes equity investments and other non-interest bearing assets and liabilities of the Group that cannot be allocated to segments referred to above, i.e. capital, subordinated deposit, assets, other assets/liabilities, capital investments.

The Group monitors amounts of net interest income and net fee and commission income, net 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.

At 30. 6. 2019						Reconciliation to the statement of comprehensive income	
CZK thousand	Corporate entities	Retail customers	Treasury	Other			Total
<b>Income statement:</b>							
Net interest income	1,384,067	2,655,725	144,632	332,911	(30,768)		<b>4,486,567</b>
Net fee and commission income	618,415	1,010,841	(22,818)	(471)	(688,524)		<b>917,443</b>
Net gain/(loss) from financial operations	(7,826)	(169)	(142,259)	68,139	688,524		<b>606,409</b>
Net gain from hedge accounting	-	-	1,103	-	-		<b>1,103</b>
Impairment gains/(losses) on financial instruments	102,687	350,294	-	-	-		<b>452,981</b>
Gains/(losses) arising from derecognition of financial assets measured at amortised cost	170	-	-	-	-		<b>170</b>
Other operating expenses	(769,619)	(2,031,761)	(122,201)	103,041	-		<b>(2,820,540)</b>
Dividend income	-	-	-	-	30,768		<b>30,768</b>
Share in income of joint ventures	-	-	-	-	4,059		<b>4,059</b>
<b>Profit before tax</b>	<b>1,327,894</b>	<b>1,984,930</b>	<b>(141,543)</b>	<b>503,620</b>	<b>4,059</b>		<b>3,678,960</b>
Income tax	(169,527)	(239,527)	27,091	(106,202)	-		<b>(488,165)</b>
<b>Profit after tax</b>	<b>1,158,367</b>	<b>1,745,403</b>	<b>(114,452)</b>	<b>397,418</b>	<b>4,059</b>		<b>3,190,795</b>
<b>Assets and liabilities:</b>							
<b>Total assets</b>	<b>121,200,390</b>	<b>128,679,673</b>	<b>108,066,404</b>	<b>13,252,725</b>	<b>-</b>		<b>371,199,192</b>
<b>Total liabilities</b>	<b>92,590,951</b>	<b>184,159,044</b>	<b>53,363,264</b>	<b>8,934,585</b>	<b>-</b>		<b>339,047,844</b>

At 30. 6. 2018						Reconciliation to the statement of comprehensive income	
CZK thousand	Corporate entities	Retail customers	Treasury	Other			Total
<b>Income statement:</b>							
Net interest income	1,197,203	2,320,086	(31,665)	186,333	(30,524)		<b>3,641,433</b>
Net fee and commission income	642,278	1,023,676	(14,595)	(13)	(661,033)		<b>990,313</b>
Net gain/(loss) from financial operations	(16,684)	67	50,768	4,081	661,033		<b>699,265</b>
Net gain from hedge accounting	-	-	7,124	-	-		<b>7,124</b>
Impairment gains/ (losses) on financial instruments	55,320	(253,620)	-	(2,645)	-		<b>(200,945)</b>
Gains/(losses) arising from derecognition of financial assets measured at amortised cost	-	-	-	878	-		<b>878</b>
Other operating expenses	(824,977)	(2,025,152)	(109,300)	64,980	-		<b>(2,894,449)</b>
Dividend income	-	-	-	-	30,524		<b>30,524</b>
Share in income of joint ventures	-	-	-	-	57,193		<b>57,193</b>
<b>Profit before tax</b>	<b>1,053,140</b>	<b>1,065,057</b>	<b>(97,668)</b>	<b>253,614</b>	<b>57,193</b>		<b>2,331,336</b>
Income tax	(205,223)	(194,071)	(3,502)	(19,569)	-		<b>(422,365)</b>
<b>Profit after tax</b>	<b>847,917</b>	<b>870,986</b>	<b>(101,170)</b>	<b>234,045</b>	<b>57,193</b>		<b>1,908,971</b>
<b>Assets and liabilities:</b>							
<b>Total assets</b>	<b>113,783,994</b>	<b>121,390,404</b>	<b>103,735,077</b>	<b>7,323,815</b>	<b>-</b>		<b>346,233,290</b>
<b>Total liabilities</b>	<b>70,140,751</b>	<b>168,078,088</b>	<b>75,123,984</b>	<b>4,941,363</b>	<b>-</b>		<b>318,284,186</b>

## 19. RELATED PARTY TRANSACTIONS

### Balance sheet items

<b>CZK thousand At 30. 6. 2019</b>	<b>Parent company and Entities with significant influence over the Group</b>	<b>Other</b>	<b>Total</b>
Receivables	1,474,942	205,288	<b>1,680,230</b>
Payables	15,843,278	13,607,632	<b>29,450,910</b>
Subordinated debt	2,484,458	828,152	<b>3,312,610</b>
Guarantees issued	90,486	113,750	<b>204,236</b>
Guarantees received	223,650	1,225,053	<b>1,448,703</b>
<b>CZK thousand At 31. 12. 2018</b>	<b>Parent company and Entities with significant influence over the Group</b>	<b>Other</b>	<b>Total</b>
Receivables	1,881,729	160,762	<b>2,042,491</b>
Payables	16,137,574	21,667,990	<b>37,805,564</b>
Subordinated debt	1,932,944	644,315	<b>2,577,259</b>
Guarantees issued	21,811	143,496	<b>165,307</b>
Guarantees received	72,951	689,924	<b>762,875</b>

### Profit and loss items

<b>CZK thousand At 30. 6. 2019</b>	<b>Parent company and Entities with significant influence over the Group</b>	<b>Other</b>	<b>Total</b>
Interest income	1,934,973	5,438	<b>1,940,411</b>
Interest expense	(2,012,750)	(137,323)	<b>(2,150,073)</b>
Fee and commission income	9,735	13,744	<b>23,479</b>
Fee and commission expense	(2,506)	(28,321)	<b>(30,827)</b>
Dividend income	-	30,768	<b>30,768</b>
Net profit or loss on financial operations	(155,069)	18,235	<b>(136,834)</b>
Net profit or loss from hedge accounting	428,456	-	<b>428,456</b>
<b>CZK thousand At 30. 6. 2018</b>	<b>Parent company and Entities with significant influence over the Group</b>	<b>Other</b>	<b>Total</b>
Interest income	904,904	1,266	<b>906,170</b>
Interest expense	(936,180)	(137,095)	<b>(1,073,275)</b>
Fee and commission income	11,650	6,879	<b>18,529</b>
Fee and commission expense	(5,286)	(31,523)	<b>(36,809)</b>
Dividend income	-	30,524	<b>30,524</b>
Net profit or loss on financial operations	(65,273)	(66,949)	<b>(132,222)</b>
Net profit or loss from hedge accounting	(231,835)	14,588	<b>(217,247)</b>

## 20. SUBSEQUENT EVENTS

On 1 August 2019, Kairos Property, s.r.o. as a successor company merged with Raiffeisen Direct Investments CZ s.r.o. as the dissolving company, while the dissolving company Raiffeisen Direct Investments CZ s.r.o. was dissolved without liquidation and its assets were transferred to the successor company Kairos Property, s.r.o. Kairos Property, s.r.o. was subsequently renamed Raiffeisen Direct Investments CZ s.r.o. The Group holds a 100% effective stake in Raiffeisen Direct Investments CZ s.r.o. through Raiffeisen - Leasing, s.r.o.

On 27 August 2019, Mrs. Tafána le Moigne was appointed as an independent member of the Supervisory Board of the Bank.

No further events that would have a material impact on the interim consolidated financial statements for the period ended 30 June 2019 occurred subsequent to the balance sheet date.

# Persons Responsible for the Consolidated Semi-Annual Report

We declare that to the best of our knowledge, the consolidated semi-annual report 2019 provides a true and fair view of the financial situation, business activity and financial results of the issuer and its consolidation group for the past accounting period as well as of the expected development of financial situation, business activity and financial results.

This consolidated semi-annual report has been authorized for issue on 24 September 2019.



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



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

# Contacts

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